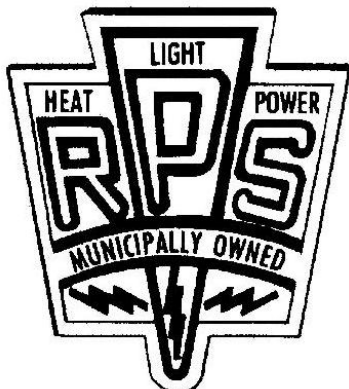




State of
New Mexico
Raton Public
Service Company

Annual Financial Report
For the Year Ended June 30, 2016



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Raton Public Service Company
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June 30, 2016

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STATE OF NEW MEXICO
Raton Public Service Company
Official Roster
June 30, 2016

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Kathy McQueary		President
Frank Ferri		Vice President
David Swanson		Treasurer
Sandy Mantz		Mayor/Commissioner
Don Giancomo		Commissioner
Monty McGown		RPS Advisory Board Member
Jennifer Portillos		RPS Advisory Board Member
Chris Reed		RPS Advisory Board Member

Administrative Officials

Dan Dible- 7/1/2015 to 3/31/2016 Robert G. Walton II- 6/1/2016 to 6/30/2016		General Manager
Sandy Chavez		Financial Officer/Secretary to the Board

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy H. Keller
New Mexico State Auditor
The Board of Directors of
Raton Public Service Company
Raton, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Raton Public Service Company (the Company), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Company's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the year ended June 30, 2016 presented as supplementary information, as defined by the Governmental Accounting Standards Board, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Raton Public Service Company, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require Schedules I and II and notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

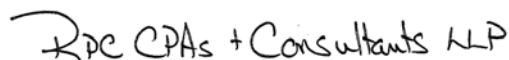
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements and the budgetary comparison. The introductory section and Schedules IV through VI required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules IV and V required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules IV and V required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and Schedule VI have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, NM
December 9, 2016

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Raton Public Service Company
Statement of Net Position
June 30, 2016

	Business-Type Activities
Assets	
<i>Current assets</i>	
Cash and cash equivalents	\$ 7,852,270
Accounts receivable (net)	858,265
Inventory	769,962
Prepaid expense	52,916
<i>Total current assets</i>	9,533,413
 <i>Noncurrent assets</i>	
Restricted cash and cash equivalents:	
Sixty day operation reserve fund	340,852
Annual overhaul reserve fund	308,399
Capital improvement and replacement fund	668,497
Customer deposits	178,262
Debt service and reserve requirements	1,172,913
Capital assets	19,363,776
Less accumulated depreciation	(9,963,258)
<i>Total noncurrent assets</i>	12,069,441
<i>Total assets</i>	21,602,854
 Deferred outflows of resources	
Employer contributions subsequent to the measurement date	77,895
Change in proportion	26,806
<i>Total deferred outflows of resources</i>	104,701
<i>Total assets and deferred outflows of resources</i>	\$ 21,707,555

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 330,318
Accrued payroll	9,241
Accrued interest	37,929
Meter deposits	178,262
Loans payable	368,802
Compensated absences	56,755
<i>Total current liabilities</i>	<u>981,307</u>
<i>Noncurrent liabilities</i>	
Loans payable	4,864,811
Net pension liability	973,705
Compensated absences	68,578
<i>Total noncurrent liabilities</i>	<u>5,907,094</u>
<i>Total liabilities</i>	<u>6,888,401</u>
<i>Deferred inflows of resources</i>	
Change in assumptions	379
Net difference between projected and actual investment earnings on pension plan investments	3,080
Change in experience	21,568
<i>Total deferred inflows of resources</i>	<u>25,027</u>
<i>Net position</i>	
Net investment in capital assets	4,166,905
Restricted for:	
Reserve requirements per ordinance	1,317,748
Debt service and reserve requirements	1,172,913
Unrestricted	8,136,561
<i>Total net position</i>	<u>14,794,127</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u><u>\$ 21,707,555</u></u>

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
Raton Public Service Company
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Exhibit B

	Business-Type Activities
<i>Operating revenues</i>	
Residential sales, net of allowances of \$13,200	\$ 3,310,091
Commercial sales	1,570,176
Power sales	1,669,621
Discounts forfeited	104,941
Connection charges	8,569
	<u>6,663,398</u>
<i>Total operating revenues</i>	
<i>Operating expenses</i>	
Production	3,996,744
Distribution	837,803
Consumer contracts	15,977
Sales promotion	2,008
Administrative and general	555,291
Depreciation expense	515,120
	<u>5,922,943</u>
<i>Total operating expenses</i>	
<i>Operating income</i>	<u>740,455</u>
<i>Non-operating revenues (expenses)</i>	
Investment income	56,328
Interest expense	(224,545)
Insurance proceeds	2,584,000
	<u>2,415,783</u>
<i>Total non-operating revenues (expenses)</i>	
<i>Change in net position</i>	<u>3,156,238</u>
<i>Total net position - beginning of year</i>	<u>11,637,889</u>
<i>Total net position - end of year</i>	<u><u>\$ 14,794,127</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Raton Public Service Company
Statement of Cash Flows
For the Year Ended June 30, 2016

	Business-Type Activities
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 6,626,804
Cash paid to suppliers for goods and services	(4,337,219)
Cash paid to employees for services	(1,289,601)
	999,984
<i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	(1,481,106)
Insurance proceeds	2,584,000
Loan repayments	(350,819)
Interest paid on capital debt	(240,554)
	511,521
<i>Cash flows from investing activities</i>	
Investment income	56,328
	56,328
<i>Net increase in cash and cash equivalents</i>	1,567,833
<i>Cash and cash equivalents - beginning of year</i>	8,953,360
<i>Cash and cash equivalents - end of year</i>	\$ 10,521,193
<i>Reported on the statement of net position as:</i>	
Cash and cash equivalents	\$ 7,852,270
Restricted cash and cash equivalents:	
Sixty day operation reserve fund	340,852
Annual overhaul reserve fund	308,399
Capital improvement and replacement fund	668,497
Customer deposits	178,262
Debt service and reserve requirements	1,172,913
	1,172,913
<i>Total cash and cash equivalents and restricted cash</i>	\$ 10,521,193

The accompanying notes are an integral part of these financial statements.

	Business-Type Activities
	<hr/>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 740,455
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	515,120
Pension expense	59,303
Employer contributions to the pension plan	(77,895)
Changes in assets and liabilities:	
Increase in accounts receivable	(58,376)
Increase in inventory	(52,623)
Increase in prepaid expenses	(14,200)
Decrease in accounts payable	(35,250)
Increase in compensated absences payable	38,384
Decrease in accrued wages payable	(136,716)
Increase in meter deposits	21,782
	<hr/>
<i>Net cash provided by operating activities</i>	<u><u>\$ 999,984</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity.

Raton Public Service Company (Company) is a New Mexico Corporation acting under franchise from the City of Raton, New Mexico (City) for the purpose of providing utility services to the rate paying customers within a service area allowed by law. The physical assets of the Company's Utility System are the property of the City of Raton. The management of the utility system rests with the Company pursuant to a franchise contract, Ordinance No. 731, amended by Ordinance No. 942, of the City of Raton. Under the terms of Ordinance 942, The City Commission sets, fixes and determines the rate schedules, charges, and rate classifications pertaining to all services to be rendered by the Company. All of the Company's financing is provided by the City through the issuance of municipal revenue bonds. The Company is considered to be a component unit of the City of Raton. The Company has no component units as defined by GASB Statement No. 14 and amended by GASB Statements No. 39 and 61. The Company is managed by the board of five directors, three of whom are elected by the trustees and two of whom are members of the City Commission.

The Company is responsible for the fair presentation in the financial statements consisting of the statement of net position and the related statements of revenues, expenses, and changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Company are described below.

Budgetary Comparison Statements. The budgetary comparison statements listed in the table of contents as supplemental information was prepared on an accrual basis of accounting as approved by the Board of Directors and the New Mexico Department of Finance and Administration. Budgetary control is at the fund level.

Measurement Focus, Basis of Accounting, and Basis of Presentation. The accounts of the Company are organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Company's enterprise fund are charges to customers for user fees which primarily include residential, commercial and power sales. Investment income is reported as a non-operating item, as this activity is not considered the result of the Company's principal ongoing operations of providing electric power services.

Operating expenses for enterprise funds include the cost of sales and services which primarily include production costs, distribution costs and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. As a general rule, the effect of internal activity has been eliminated from the statement of revenues, expense and changes in net position.

Government-Wide and Fund Financial Statements. The Company is a single purpose government entity and has only business-type activities. In the government-wide statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the useful lives of depreciable assets, the current portion of compensated absences, and the allowance for doubtful accounts.

Policy on Use of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for use, it is the Company’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certain resources for operation reserves, customer deposits, and loan reserves are classified as restricted assets in the statement of net position because their use is limited by the franchise agreement, debt covenants, or ordinance.

Accounts Receivable. It is the Company’s policy to allow for trade receivables when the customer is no longer a participant in the City’s services, including power, water, or trash services. Accounts receivable are stated at the unpaid balance, less an allowance for doubtful accounts. The Company provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of obligations to be met.

Inventory. All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are tested for impairment annually and reported at lower of cost or market value.

Prepaid expense. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets. Capital assets are defined by the Company as assets with an initial, individual cost in excess of \$5,000 in accordance with Section 12-6-10 NMSA 1978 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. The City of Raton owns the physical assets of the Company; however, since the Company has responsibility for the operation and maintenance of the utility system and since separate management of the utility is vested in the RPS by franchise granted under Ordinance No. 942, the assets have been included in this report. Purchased software is capitalized with the related computers in the equipment category. Depreciation has been provided over the estimated useful lives using the straight-line method. Capital asset inventories are observed annually and reported at the lower of cost or market value to account for any impairment of service capacity.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-50 years
Vehicles and equipment	3-10 years

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the year ended June 30, 2016, the Company adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*. These five Statements are required to be implemented as of June 30, 2016, and none of these statements significantly impacted the Company's financial statements.

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Deferred Outflows of Resources. In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Company has two types of items that qualify for reporting in this category. Accordingly, the items, Employer contributions subsequent to the measurement date of \$77,895 is deferred and recognized as a direct reduction of the net pension liability during the next reporting period, and change in proportion in the amount of \$26,806. These are reported in the Statement of Net Position.

Deferred Inflows of Resources. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Company has three types of items considered to be deferred inflows of resources, all of which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, change in assumption, net difference between projected and actual investment earnings on pension plan investments, and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future reporting periods. The Company has recorded \$379 related to change in assumptions, \$3,080 related to the net difference between projected and actual investment earnings on pension plan investments, and \$21,568 related change in experience.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences. The Company's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts based on the numbers years of service to the Company. Only benefits considered vested are recognized in the financial statements.

Net Position. The Statement of Net Position utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted. The Company applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt.

Restricted Net Position – net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, or donors or (2) imposed by law through constitutional provisions or enabling legislation. The Company's restricted net position consists of amounts restricted for debt service and reserve requirements and amounts restricted per the City of Raton's Ordinance 942 for required reserve requirements detailed in Note 11.

Unrestricted Net Position – represents the excess of total assets over total liabilities and net position invested in capital assets at June 30, 2016. These are amounts not restricted for any purpose.

NOTE 2. CASH AND INVESTMENTS

State statutes authorize the investment of Company funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Company properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City of Raton. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the Company's accounts at located an insured depository institution, including all noninterest-bearing transaction accounts, which will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 2. CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. The Company does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, \$7,084,509 of the Company's bank balance of \$7,655,109 was exposed to custodial credit risk. None of the Company's cash balance was uninsured and uncollateralized as of June 30, 2016.

	<u>International Bank</u>	<u>First National Bank</u>	<u>Total</u>
Deposits	\$ 1,022,216	\$ 6,632,893	\$ 7,655,109
FDIC Coverage	(320,600)	(250,000)	(570,600)
Total uninsured public funds	<u>701,616</u>	<u>6,382,893</u>	<u>7,084,509</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Company's name	<u>701,616</u>	<u>6,382,893</u>	<u>7,084,509</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement - deposits (50% of uninsured funds)	\$ 350,808	\$ 3,191,447	\$ 3,542,255
Pledged Collateral	<u>1,275,000</u>	<u>7,445,096</u>	<u>8,720,096</u>
Over (Under) collateralized	<u>\$ 924,192</u>	<u>\$ 4,253,650</u>	<u>\$ 5,177,842</u>

The collateral pledged is listed on Schedule V of this report. The types of collateral are limited to direct obligations of the United States Government and bonds issued by an agency district, or political subdivision of the State of New Mexico. The New Mexico Finance Authority (NMFA) holds and invests cash related to debt service and reserve requirements on behalf of the Company and in the Company's name pursuant to the loan agreements. NMFA invest the amounts in U.S. Treasuries and U.S. Agency Securities which have an AAA rating at June 30, 2016 and a weighted average maturity of less than 365 days.

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Exhibit A-1	\$ 7,852,270
Restricted cash and cash equivalents:	
Sixty day operation reserve fund-per Exhibit A-1	340,852
Annual overhaul reserve fund-per Exhibit A-1	308,399
Capital improvement and replacement fund-per Exhibit A-1	668,497
Customer deposits-per Exhibit A-1	178,262
Debt service and reserve requirements-per Exhibit A-1	<u>1,172,913</u>
Total cash and cash equivalents	<u>10,521,193</u>
Add: outstanding checks	335,255
Less: deposits in transit	(9,791)
Less: check held by International Bank for CD cash out	(2,018,035)
Less: U.S. agencies and treasury notes held with NMFA	(1,172,913)
Less: petty cash	<u>(600)</u>
Bank balance of deposits	<u>\$ 7,655,109</u>

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable represent billings for user fees to third-party users net of an allowance for uncollectible accounts as detailed below:

User fees	\$ 1,004,605
Raton Water Works	6,474
Allowance for doubtful accounts	<u>(152,814)</u>
Accounts receivable	<u><u>\$ 858,265</u></u>

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ending June 30, 2016 is as follows.

	Beginning Balance June 30, 2015	Additions	Deletions	Ending Balance June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 1,332,993	\$ -	\$ 1,332,993
Total capital assets being depreciated	<u>-</u>	<u>1,332,993</u>	<u>-</u>	<u>1,332,993</u>
Capital assets, being depreciated:				
Buildings and improvements	16,892,770	-	-	16,892,770
Vehicles and equipment	<u>989,900</u>	<u>148,113</u>	<u>-</u>	<u>1,138,013</u>
Total capital assets being depreciated	<u>17,882,670</u>	<u>148,113</u>	<u>-</u>	<u>18,030,783</u>
Less accumulated depreciation:				
Buildings and improvements	(8,652,669)	(479,171)	-	(9,131,840)
Vehicles and equipment	<u>(795,469)</u>	<u>(35,949)</u>	<u>-</u>	<u>(831,418)</u>
Total accumulated depreciation	<u>(9,448,138)</u>	<u>(515,120)</u>	<u>-</u>	<u>(9,963,258)</u>
Total capital assets being depreciated, net	<u><u>\$ 8,434,532</u></u>	<u><u>\$ 965,986</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,400,518</u></u>

Depreciation expense for capital assets for the fiscal year ended June 30, 2016 was \$515,120.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 5. LONG-TERM DEBT

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Loans payable	\$ 5,584,432	\$ -	\$ (350,819)	\$ 5,233,613	\$ 368,802
Compensated absences	86,949	95,139	(56,755)	125,333	56,755
Total	\$ 5,671,381	\$ 95,139	\$ (407,574)	\$ 5,358,946	\$ 425,557

Loans outstanding for the Company at June 30, 2016 consisted of the following loans which are secured by the net revenues of electric utility.

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2016
NMFA-Backup generator	04/05/02	05/01/21	4.08%-4.86%	\$ 2,693,610	\$ 756,218
NMFA-Electric utility substation	10/16/09	05/01/29	1.65%-4.95%	\$ 1,122,725	\$ 871,829
NMFA-Electric Utility Wartsila and Burro Canon Lines	10/16/09	05/01/29	1.65%-4.95%	\$ 4,619,684	\$ 3,605,566

The annual requirements to amortize loans payable for the Company as of June 30, 2016 including interest payments are as follows:

Fiscal Year Ending June 30,	Business-type activities		
	Principal	Interest	Total Debt Service
2017	\$ 368,802	\$ 227,570	\$ 596,372
2018	379,693	214,253	593,946
2019	398,501	199,896	598,397
2020	411,358	184,110	595,468
2021	322,296	166,916	489,212
2022-2026	1,899,420	625,534	2,524,954
2027-2029	1,453,543	142,976	1,596,519
	\$ 5,233,613	\$ 1,761,255	\$ 6,994,868

NOTE 6. RISK MANAGEMENT AND LITIGATION

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Therefore, the Company joined the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State for its property and liability insurance. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns.

The Company pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability and property claims.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 6. RISK MANAGEMENT AND LITIGATION - CONTINUED

The Company also participates in the New Mexico Self-Insurers' Fund (the "Fund"), which services the RPS's worker's compensation claims. Through this arrangement, RPS retains risks associated with worker's compensation claims up to \$250,000 per accident.

On June 3, 2016 the Company executed a Release and Settlement Agreement with their former insurance carrier for claims made under the policy in effect during the time in which the Company suffered damage to a spark-ignited reciprocating engine manufactured at the Company's facility. \$2,584,000 in insurance proceeds were received by the Company as a result of the settlement agreement during fiscal year 2016.

NOTE 7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Contributions. The contribution requirements of defined benefit plan members and the Agency are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

The PERA coverage option that applies to the Company is: Municipal General Division. Statutorily required contributions to the pension plan from the Company were \$77,895.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN - CONTINUED

General Information about the Pension Plan (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Company's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Reallocation of Deferred Amounts

Due to Changes in proportion in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$13,743 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

For PERA Fund Municipal General Division, at June 30, 2015, the Company reported a liability of \$973,705 for its proportionate share of the net pension liability. At June 30, 2015, the Company's proportion was 0.0955 percent, which was increased from its proportion measured as of June 30, 2014 by 0.0910 percent.

For the year ended June 30, 2016, the Company recognized PERA Fund Municipal General Division pension expense of \$45,560. At June 30, 2016, the Company reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 379
Net difference between projected and actual earnings on pension plan investments	-	3,080
Changes in experience		21,568
Changes in proportion	26,806	-
Raton Public Service Company's contributions subsequent to the measurement date	77,895	-
Total	\$ 104,701	\$ 25,027

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2016

NOTE 7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN – CONTINUED

\$77,895 reported as deferred outflows of resources related to pensions resulting from the Company’s contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(17,491)
2017		(17,491)
2018		(17,491)
2019		54,252
2020		-
Thereafter		-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumptions	RP-2000 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
Experience study date	July 1, 2008 to June 30, 2013

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN – CONTINUED

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Company’s net pension liability in each PERA Fund Division that the Company participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Raton Public Service Company's proportionate share of the net pension liability	\$ 1,657,834	\$ 973,705	\$ 224,414

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at [http://osanm.org/media/audit/366 Public Employees Retirement Association FY 2015.pdf](http://osanm.org/media/audit/366%20Public%20Employees%20Retirement%20Association%20FY%202015.pdf)

Payables to the pension plan. There were no amounts owed to PERA at June 30, 2016. Contractually required contributions are remitted to PERA monthly for the previous month’s withholdings. Accrued payroll includes the employer’s portion of retirement contributions related to employee services rendered as of June 30, 2016 but paid in July 2016.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 8. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Company contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Company's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$16,315, \$15,809, and \$22,257, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 9. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 9, 2016, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

NOTE 10. SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Company is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Company's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. This pronouncement will materially affect the Company's financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Company will implement this standard during the fiscal year ended June 30, 2017. The Company is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Company is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Company is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Company is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83 *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Company is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 11. RESTRICTED NET POSITION

On October 11, 2005 the Company entered into an agreement through Ordinance No. 942 with the City of Raton relating to the Company’s operation of the electric utility pursuant to an existing franchise agreement with the City of Raton. The agreement is considered to be a binding contract between the City and the Company per section 24 of Ordinance No. 942. Encompassed in that agreement are certain reserve fund requirements that restrict the Company’s use of income derived from its operation of the electric utility. The amounts detailed below are considered restricted by enabling legislation for financial reporting purposes.

The calculation of the restricted funds in comparison with actual amounts as of June 30, 2016 are described and detailed below. The calculation of restricted funds is based on the cash basis revenues and expenses which are also shown below.

60-Day Operation Reserve Fund. Monies are restricted through Ordinance for payment of the average cash expenses (exclusive of fuel, purchased power, and energy capacity) required for a 60-day period.

Annual Overhaul Reserve Fund. Monies are restricted to pay, in whole or in part, periodic repairs, inspection, and overhaul costs of the boilers and generation equipment.

Capital Improvements and Replacement Fund. Monies restricted to pay in whole or in part, periodic inspection, overhaul and repair, and the costs of additions, extensions, and improvements to the energy utility system.

Calculation of cash expenses for reserve balances:	
2015 operating expense on an accrual basis	\$ 6,207,863
Adjustments	
Noncash expenses	(538,619)
Nonoperating expenses	247,896
Change in accounts payable	105,894
Change in prepaid expenses	(10,950)
Change in inventory	49,144
Change in accrued payroll	(143,517)
Change in compensated absences	(13,155)
Change in deferred outflows	<u>75,487</u>
Total 2015 gross annual expenses adjusted to cash basis	\$ 5,980,043
Less fuel, purchased power, and energy capacity	<u>(3,990,268)</u>
Adjusted 2015 gross annual expenses for 60-day operation reserve calculation	<u><u>\$ 1,989,775</u></u>

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 11. RESTRICTED NET POSITION – CONTINUED

60- Day Operation Reserve Fund

60-day average of the preceding year's cash expenses (exclusive of fuel, purchase power, and energy capacity)	\$ 1,989,775
Divided by days per year	<u>360</u>
Average per day	5,527
Times 60 days	<u>60</u>
60-Day operating maximum required reserve	<u>\$ 331,629</u>
Beginning reserve balance	\$ 399,720
Allowable deposits and interest income	-
2015 cash transfers out	<u>(58,868)</u>
Ending reserve balance	<u>\$ 340,852</u>

Calculation of cash revenues for reserve balances:

2015 operating revenue on an accrual basis	\$ 6,602,249
Adjustments	
Change in accounts receivable	59,747
Change in allowance for doubtful accounts	19,038
Change in meter deposits	(5,442)
Change in unearned revenue	<u>(6,804)</u>
Total 2015 gross annual revenue adjusted to cash basis	<u>\$ 6,668,788</u>

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 11. RESTRICTED NET POSITION – CONTINUED

Annual Overhaul Reserve Fund

Monthly deposit of 1/12 of 2.5% of preceding year's gross annual revenues not to exceed 4.5% of the preceding year's gross revenues

Beginning reserve balance	\$ 275,426
Interest income	-
2015 cash transfers in	<u>32,973</u>
Ending reserve balance	<u>\$ 308,399</u>
Maximum balance	
2015 annual gross revenues	6,668,788
Maximum reserve balance (4.5% of 2015 annual gross revenue)	<u>\$ 300,095</u>
Allowable deposits (2.5% of annual gross revenues)	<u>\$ 166,720</u>

Capital Improvement and Replacement Reserve Fund

Monthly deposit of 1/12 of 10% of the preceding year's gross annual revenues not to exceed 200% of the preceding year's gross revenues

Beginning reserve balance	\$ 2,431,881
Cash transfers	(1,664,827)
2015 cash outlay	<u>(98,556)</u>
Ending reserve balance	<u>\$ 668,497</u>
Maximum balance	
2015 gross annual revenues	\$ 6,668,788
Multiplied times 2	<u>2</u>
Maximum reserve balance	<u>\$ 13,337,576</u>

STATE OF NEW MEXICO
Raton Public Service Company
Notes to the Financial Statements
June 30, 2016

NOTE 11. RESTRICTED NET POSITION – CONTINUED

	Reserve Analysis		
	Actual Cash Balance at June 30, 2016	Maximum Required Balance at June 30, 2016	Over (Under) Maximum
60-day operating reserve fund	\$ 340,852	\$ 331,629	\$ 9,223
Annual overhaul reserve fund	308,399	300,095	8,304
Capital improvements and replacement fund	668,497	13,337,576	(12,669,079)
Total	\$ 1,317,748	\$ 13,969,301	\$ (12,651,552)

In addition, the Company has amounts restricted for debt service and reserve requirements pursuant to loan agreements with the New Mexico Finance Authority, which total \$1,172,913 at June 30, 2016.

**REQUIRED
SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO

Schedule I

Raton Public Service Company
 Schedule of Employer's Proportionate Share of the Net Pension Liability
 of PERA Municipal General Division
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	2016 Measurement Date As of and for the Year Ended June 30, 2015	2015 Measurement Date As of and for the Year Ended June 30, 2014
Raton Public Service Company's proportion of the net pension liability	0.0955%	0.0910%
Raton Pubic Service Company's proportionate share of the net pension	\$ 973,705	\$ 709,898
Raton Public Service Company's covered-employee payroll	\$ 790,438	\$ 738,601
Raton Public Service Company's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.19%	96.11%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Raton Public Service Company will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
Raton Public Service Company
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

Schedule II

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contributions	\$ 77,895	\$ 75,487
Contributions in relation to the contractually required contribution	(77,895)	(75,487)
Contribution deficiency (excess)	\$ -	\$ -
Raton Public Service Company's covered-employee payroll	\$ 815,655	\$ 790,438
Contributions as a percentage of covered-employee payroll	10%	10%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Raton Public Service Company will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Raton Public Service Company
Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY15 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA_Valuation-Report-FINAL.pdf. See Appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA fund and an increase of .42% to the funded ration for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at <http://osanmorg/media/audits/366-B PERA Schedule of Employer Allocations FY2015.pdf>

See independent auditors' report.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Raton Public Service Company
Statement of Revenues, Expenses, and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2016

Schedule III

	Budget Amounts		Actual	Variances
	Original	Final	(GAAP basis)	Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 6,676,598	\$ 6,504,315	\$ 6,663,398	\$ 159,083
<i>Total operating revenues</i>	<u>6,676,598</u>	<u>6,504,315</u>	<u>6,663,398</u>	<u>159,083</u>
<i>Operating expenses</i>				
Production	4,230,679	4,230,679	3,996,744	233,935
Distribution	883,543	883,543	837,803	45,740
Consumer contracts	27,500	27,500	15,977	11,523
Sales promotion	2,500	2,500	2,008	492
Administrative and general	719,204	719,204	555,291	163,913
Depreciation	667,039	667,039	515,120	151,919
<i>Total operating expenses</i>	<u>6,530,465</u>	<u>6,530,465</u>	<u>5,922,943</u>	<u>607,522</u>
<i>Operating income (loss)</i>	<u>146,133</u>	<u>(26,150)</u>	<u>740,455</u>	<u>766,605</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	26,700	26,700	56,328	29,628
Interest expense	-	-	(224,545)	(224,545)
Insurance proceeds	-	-	2,584,000	2,584,000
<i>Total non-operating revenues (expenses)</i>	<u>26,700</u>	<u>26,700</u>	<u>2,415,783</u>	<u>2,389,083</u>
<i>Change in net position</i>	<u>\$ 172,833</u>	<u>\$ 550</u>	3,156,238	<u>\$ 3,155,688</u>
<i>Net position - beginning of year</i>			<u>11,637,889</u>	
<i>Net position - end of year</i>			<u>\$ 14,794,127</u>	

The accompanying notes are an integral part of these financial statements.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Raton Public Service Company
Schedule of Deposit Accounts
June 30, 2016

Schedule IV

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
International Bank					
Checking - gross income	Checking	\$ 50,600	\$ -	\$ -	\$ 50,600
Improvement replacement fund	Checking	20,000	-	-	20,000
Certificate of Deposit	CD	312,098	-	-	312,098
Certificate of Deposit	CD	380,390	-	-	380,390
Certificate of Deposit	CD	140,452	-	-	140,452
Certificate of Deposit	CD	118,676	-	-	118,676
<i>Total International Bank</i>		<u>1,022,216</u>	<u>-</u>	<u>-</u>	<u>1,022,216</u>
First National Bank					
Gross Income account	Checking	522,944	8,937	(18,029)	513,852
Operation Reserve Fund	Checking	149,400	-	(72)	149,328
Reserve for annual overhaul	Checking	292,981	-	(142)	292,839
Special Acct - mter deposits	Checking	179,356	225	(1,319)	178,262
Payroll acct	Checking	1,219	-	-	1,219
General fund	Checking	344,568	629	(265,995)	79,202
Debt Service & Bond Res	Checking	299,035	-	(49,698)	249,337
Capital Improvement Fund	Checking	1,898,312	-	-	1,898,312
Capital Projects insurance proceeds	Checking	2,945,078	2,018,035	-	4,963,113
<i>Total First National Bank</i>		<u>6,632,893</u>	<u>2,027,826</u>	<u>(335,255)</u>	<u>8,325,464</u>
New Mexico Finance Authority					
NMFA-Debt Service	Trust	440,416	-	-	440,416
NMFA-Reserve	Trust	732,497	-	-	732,497
<i>Total Wells Fargo Bank</i>		<u>1,172,913</u>	<u>-</u>	<u>-</u>	<u>1,172,913</u>
Petty cash					<u>600</u>
<i>Total deposits</i>		<u>\$ 8,828,022</u>	<u>\$ 2,027,826</u>	<u>\$ (335,255)</u>	<u>\$ 10,521,193</u>

Deposits and investments per financial statements:

Cash and cash equivalents - Exhibit A-1	\$ 7,852,270
Restricted cash and cash equivalents:	
Sixty day operation reserve fund-per Exhibit A-1	340,852
Annual overhaul reserve fund-per Exhibit A-1	308,399
Capital improvement and replacement fund-per Exhibit A-1	668,497
Customer deposits-per Exhibit A-1	178,262
Debt service and reserve requirements-per Exhibit A-1	<u>1,172,913</u>
<i>Total deposits</i>	<u>\$ 10,521,193</u>

See independent auditors' report.

STATE OF NEW MEXICO
Raton Public Service Company
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2016

Schedule V

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2016</u>
International Bank				
	Fed Home Loan Bank	12/13/2019	313381DN2	\$ 1,275,000
	Total International Bank			<u>1,275,000</u>
Name and location of safekeeper for above pledged collateral: Bankers Bank of the West, Denver, CO				
First National Bank				
	FHLMC - Pool#: C91442	4/1/2032	3128P7S79	298,550
	FHLMC - Pool#: J12635	7/1/2025	3128PR4U0	268,648
	FHLMC - Pool#: C91761	4/1/2034	3128P75W9	1,007,054
	FNMA - Pool#: MA0977	2/1/2032	31418ACP1	500,962
	FNMA - Pool#: MA0908	11/1/2031	31418AAJ7	454,508
	ALAMOGORDO NM	8/1/2017	011446FQ9	168,113
	ALBUQUERQUE NM GROSS RECPTS	7/1/2026	01354MGD7	803,116
	ALBUQUERQUE NM GROSS RECPTS	7/1/2031	01354MGJ4	525,660
	FHLMC - Pool#: C91719	8/1/2033	3128P74C4	972,894
	FNMA - Pool#: MA1138	8/1/2032	31418AHQ4	988,940
	HATCH VY NM SCH DIST NO 11	8/1/2017	418839CH7	156,337
	LOGAN NM SCH DIST NO 32	4/15/2018	541066BB1	133,432
	LOVING NM MUNI SCD #10	7/15/2025	547413DR2	182,486
	SBA - Pool#: 509801	3/25/2041	83164L3J8	515,633
	WEST LAS VEGAS NM SCH DIST #1	8/15/2027	953769LC8	205,582
	ALAMOGORDO NM MUNI SCH DIST #1	8/1/2023	011464GY4	263,181
	Total First National Bank			<u>7,445,096</u>
Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Dallas, TX				
<i>Total Pledged Collateral</i>				<u>\$ 8,720,096</u>

See independent auditors' report.

STATE OF NEW MEXICO
Raton Public Service Company
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
For the Year Ended June 30, 2016

Prepared by: Raton Public Service

RFB/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract*	\$ Amount of Amended Contract**
NA	Invitation to Bid	RTS Shearing, LLC	\$ 194,715	NA
NA	Invitation to Bid	Smith Power Products, Inc	\$ 2,426,725	NA
NA	Invitation to Bid	Casey Industrial	\$ 1,442,930	NA

See independent auditors' report.

Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
<p><i>RTS Shearing, LLC</i> PO Box 1177 Jamestown, North Dakota 58402</p>	N	N	<p>power generation station selective demolition: removing and scrapping or salvaging the existing engine and certain auxiliary system to allow for installation of a new engine</p>
<p><i>Smith Power Products, Inc.</i> 3065 West California Ave. Salt Lake City, Utah 84104 <i>Schmueser & Associates</i> 1901 Railroad Ave. Rifle, CO 81650</p>	N	N	<p>reciprocating engine, generator and equipment replaement</p>
<p><i>Smith Power Products, Inc.</i> 3065 West California Ave. Salt Lake City, Utah 84104 <i>Wagner Equipment Co .</i> 4000 Osuna Road NE Albuquerque, NM 87109 <i>Stewart & Stevenson Power Products LLC</i> 5840 Dahlia St. Commerce City, CO 80022</p>			
<p><i>Casey Industrial</i> 1400 W 122nd Ave. Ste 200 Westminster, CO 80234 <i>Schmueser & Associates</i> 811 22nd Road Grand Junction, CO 81505</p>	N	N	

See independent auditors' report.

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COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The Board of Directors of
Raton Public Service Company
Raton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Raton Public Service Company (the Company) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and related budgetary comparison of the Company presented as supplementary information and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

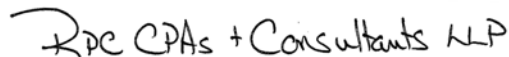
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items FS CU 2015-001, NM CU 2016-001, and NM CU 2016-002.

The Company's Response to the Findings

The Company's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Company's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, NM
December 9, 2016

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A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

B. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

NONE NOTED

C. CURRENT YEAR SECTION 12-6-5 NMSA FINDINGS

FS CU 2015-001 Missing Purchase Order Requisition Form (RPS)-(finding that does not rise to the level of significant deficiency) (repeated and modified)

Condition: During our test of controls surrounding the cash disbursement process at Raton Public Service we noted 4 out of 16 disbursements tested in the amount of \$498,362 for engineering services did not have a signed purchase order requisition form attached to the invoice (check #1011, #1015, #12356, #13002). There has not been significant progress made towards corrective action for this repeat finding.

Criteria: Raton Public Service internal processes required the disbursement to be preceded by an approved purchase order requisition form that is signed by the general manager.

Effect: The potential outcome is that fraud or unauthorized purchase could occur if purchase requests are not approved.

Cause: It could not be determined if the purchase order requisition form was lost or misplaced or was even there to begin with. We noted the Company does not currently have a purchase order module to maintain vendor information including purchase requisition numbers, purchase orders, accounts payable balances, and contract balances by vendor.

Auditor's Recommendation: We recommend management be more vigilant in ensuring all purchases are preceded by an approved purchase order requisition form and ensure the form is attached to each invoice packet to preserve a clear audit trail that evidences the approval. In addition, we recommend the Company implement the purchase order module within Incode to track purchases by vendor.

View of responsible officials and proposed corrective action: Raton Public Service recognizes that signed purchase orders were missing and per our policy should have been signed by management and in place. The General Manager is responsible for approving all purchase requests. Corrective action will be done by implementing the use of the purchase order module by June 30, 2017.

C. CURRENT YEAR SECTION 12-6-5 NMSA FINDINGS (CONTINUED)

NM CU 2016-001 Backdating of Cash Disbursements-(finding that does not rise to the level of significant deficiency)

Condition: During our review of bank reconciliations we noted the Finance Officer recorded 3 checks in the amount of \$36,549 prior to the date in which the funds were disbursed. The checks were recorded as being disbursed prior to June 30, 2016 but were actually written and mailed in July of 2016.

Criteria: Good accounting practices require checks to be recorded in the period they are written and mailed to the vendor.

Effect: Audit adjustments totaling \$36,549 were required to properly state cash balances at fiscal year-end.

Cause: The Finance Officer needed to record the expense in the period in which goods and services were rendered; however, instead of recording an accounts payable accrual, a cash disbursement was recorded in the June 2016 accounting period.

Auditor's Recommendation: We recommend the Finance Officer establish an accounts payable at year-end for goods and services were provided by vendors prior to fiscal year-end instead of back-dating cash disbursements.

View of responsible officials and proposed corrective action: We concur with the finding. The Finance Officer is responsible for corrective action. We estimate corrective action will occur by June 30, 2017.

C. CURRENT YEAR SECTION 12-6-5 NMSA FINDINGS (CONTINUED)

NM CU 2016-002 Old Meter Deposits-(finding that does not rise to the level of significant deficiency)

Condition: During our review of meter deposits, we noted the Company maintains a listing of customer deposits totaling \$24,621 that were not able to be identified by customer account.

Criteria: Good accounting practices require identification of meter deposits by account and require the Company to return the deposit to the customer or apply the deposit to the final invoice in the event the customer vacates the address. New Mexico State Statute 7-8A-13 presumes a utility deposit to be abandoned one year after the deposit becomes payable to the customer. New Mexico State Statute 7-8A-7 requires the Company to make a report of abandoned property to the New Mexico Taxation and Revenue Department concerning the property that must be filed before November 1 or each year. Section 7-8A-8 requires the Company to pay the New Mexico Taxation and Revenue Department the abandoned property within 120 days of filing the report referenced above.

Effect: The Company is not in compliance with New Mexico State Statutes cited above.

Cause: The meter deposits describe above are really old and only contain the name of the customer and the receipt number and the date of receipt. Some customers have moved or unable to be located.

Auditor's Recommendation: We recommend the Company follow state statutes describe above and deliver the abandoned property to the New Mexico Taxation and Revenue Department.

View of responsible officials and proposed corrective action: We recognize the Office of the State Auditor's Risk Advisory to alert municipalities of certain risks related to the operation of utilities and the need for review of internal controls to ensure compliance with applicable legal requirements to prevent fraud, waste and abuse. We also recognize that the old meter deposit file falls under the category of abandoned property and a report needs to be filed with the state. Although this old meter deposit file was present during last year's audit with RPC, we will make the report of abandoned property to the New Mexico Tax & Revenue Dept. by June 30, 2017.

STATE OF NEW MEXICO
Raton Public Service Company
Schedule of Findings and Responses
June 30, 2016

Schedule VII
Page 4 of 4

D. PRIOR YEAR AUDIT FINDINGS

FS CU 2015-001 Missing Purchase Order Requisition Form-(repeated and modified)

FS CU 2015-002 No Verifications of Inventory Counts – (resolved)

STATE OF NEW MEXICO
Raton Public Service Company
Other Disclosures
June 30, 2016

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 29, 2016. In attendance were the following:

Representing Raton Public Service Company:

Kathy McQueary, Raton Public Service President
Robert G. Walton II, Raton Public Service, General Manager
Sandy Chavez, Raton Public Service Financial Officer

Representing RPC CPAs + Consultants, LLP:

Morgan Browning, CPA, CGFM, Audit Manager

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Raton Public Service Company from the original books and records provided to them by the management of the Company. The responsibility for the financial statements remains with the Company.