

STATE OF NEW MEXICO
TOWN OF RED RIVER

**ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2017



**STATE OF NEW MEXICO
TOWN OF RED RIVER
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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STATE OF NEW MEXICO
TOWN OF RED RIVER
OFFICIAL ROSTER
AS OF JUNE 30, 2017

ELECTED OFFICIALS

Linda Calhoun..... Mayor
George Woerndle..... Councilor
Ben Richey..... Councilor
Steve Cherry..... Councilor
Dan Foley..... Councilor
Jack Griffin..... Municipal Judge

ADMINISTRATION

Georgiana Rael..... Municipal Clerk & Town Administrator
Kelley Cherry..... Finance Director
Kim Leach..... Finance/Deputy Clerk



Independent Auditors' Report

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
To the Honorable Mayor and the Town Council
Town of Red River
Red River, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Red River (Town), New Mexico, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise a portion of the Town's basic financial statements 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 misstatements, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the 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 entity'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 entity'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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 through 12, Schedule of the Town's Proportionate Share of the Net Pension Liability on page 64 through 66, and Schedules of the Town's Contributions on pages 67 through 69, and the notes to the required supplementary information on page 70, respectively, 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

We were engaged to conduct an audit for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying financial and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provision 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 Town's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
December 14, 2017

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

As management of the Town of Red River, we offer readers of the Town of Red River's financial statements this narrative overview and analysis of the financial activities of the Town of Red River for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the Town of Red River and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Red River exceeded its liabilities at the close of the most recent fiscal year by \$8,086,743 (*net position*). Of this amount, \$(802,555) (*unrestricted*) is impacted by the net pension liability and the net investment in capital assets.
- The government's total net position increased by \$1,668,709 during the fiscal year. The majority of this increase is due to an increase in grants for governmental activities.
- As of June 30, 2017, the Town's governmental funds reported combined ending fund balances of \$4,508,582. Of this total, \$1,000,677 is restricted for capital projects, \$941,386 is restricted for special revenue funds and \$1,535,824 is restricted for debt service funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Red River's basic financial statements. The Town of Red River's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Red River's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Red River's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Red River is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Red River that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Red River include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Town include Sewer/AWWT, Solid Waste, and Water.

The government-wide financial statements can be found beginning on page 15 of this report.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Red River, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Red River can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Red River maintains twenty-two individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Fund, Fire/EMS Donations Fund, Lodgers' Tax Fund, Infrastructure Replacement Fund, Grants Capital Projects Fund, and GO Bond Fund, all of which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Red River adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Economic Development Fund, Fire/EMS Donations Fund, Lodgers' Tax Fund, Infrastructure Replacement Fund, Grants Capital Projects Fund, and GO Bond Fund, to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found on pages 15 to 20 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the Town charges customers either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains three types of proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Red River's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-61 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Red River, assets exceeded liabilities by \$9,754,641 at the close of the current fiscal year.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The largest portion of the Town of Red River's net position represents the Town's investment of \$7,214,666 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Town of Red River uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Red River's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	June 30, 2017			June 30, 2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and Other Assets	\$ 4,559,959	\$ 539,124	\$ 5,099,083	\$ 2,618,460	\$ 436,072	\$ 3,054,532
Capital Assets, Net	6,329,722	1,154,682	7,484,404	6,201,547	1,333,383	7,534,930
Total Assets	10,889,681	1,693,806	12,583,487	8,820,007	1,769,455	10,589,462
Deferred Outflows of Resources	819,505	231,142	1,050,647	186,637	52,870	239,507
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 11,709,186</u>	<u>\$ 1,924,948</u>	<u>\$ 13,634,134</u>	<u>\$ 9,006,644</u>	<u>\$ 1,822,325</u>	<u>\$ 10,828,969</u>
LIABILITIES						
Long-Term Liabilities Outstanding	\$ 2,777,767	\$ 724,200	\$ 3,501,967	\$ 298,502	\$ -	\$ 298,502
Other Liabilities	195,507	38,917	234,424	1,873,468	517,067	2,390,535
Total Liabilities	2,973,274	763,117	3,736,391	2,171,970	517,067	2,689,037
Deferred Inflows of Resources	111,620	31,482	143,102	42,120	11,880	54,000
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,084,894</u>	<u>794,599</u>	<u>3,879,493</u>	<u>2,214,090</u>	<u>528,947</u>	<u>2,743,037</u>
NET POSITION						
Net Investment in Capital Assets	5,959,451	1,119,858	7,079,309	5,881,283	1,333,383	7,214,666
Restricted	3,663,688	-	3,663,688	1,597,570	-	1,597,570
Unrestricted	(998,847)	10,491	(988,356)	(686,299)	(40,005)	(726,304)
Total Net Position	<u>8,624,292</u>	<u>1,130,349</u>	<u>9,754,641</u>	<u>6,792,554</u>	<u>1,293,378</u>	<u>8,085,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 11,709,186</u>	<u>\$ 1,924,948</u>	<u>\$ 13,634,134</u>	<u>\$ 9,006,644</u>	<u>\$ 1,822,325</u>	<u>\$ 10,828,969</u>

A portion of the Town of Red River's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

At the end of the current fiscal year, the Town of Red River is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The increase (decrease) in net position during the current fiscal year is explained by in the government and business-type activities discussion below for the year ended June 30, 2017.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUE			
Program Revenue:			
Charges for Services	\$ 1,672,209	\$ 1,237,204	\$ 2,909,413
Operating Grants and Contributions	2,696,120	-	2,696,120
Capital Grants	87,043	-	87,043
General Revenue:			
Property Tax	401,402	-	401,402
Franchise Tax	105,167	-	105,167
Gross Receipts Tax	2,555,949	-	2,555,949
Motor Vehicle and Fuel Tax	-	-	-
Miscellaneous	317,919	29,133	347,052
TOTAL REVENUE	<u>7,835,809</u>	<u>1,266,337</u>	<u>9,102,146</u>
EXPENSES			
General Government	1,152,293	-	1,152,293
Public Safety	2,062,126	-	2,062,126
Culture and Recreation	945,329	-	945,329
Health and Welfare	313,860	-	313,860
Public Works	1,497,819	-	1,497,819
Debt Service Interest	32,644	-	32,644
Business-Type Activities	-	1,429,366	1,429,366
TOTAL EXPENSES	<u>6,004,071</u>	<u>1,429,366</u>	<u>7,433,437</u>
Increase (Decrease) in Net Position			
Before Transfers	1,831,738	(163,029)	1,668,709
Transfers			
Loan Proceeds	-	-	-
Transfers in	273,000	-	273,000
Transfers out	(273,000)	-	(273,000)
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Net Position	1,831,738	(163,029)	1,668,709
Beginning Net Position	<u>6,792,554</u>	<u>1,293,378</u>	<u>8,085,932</u>
Ending Net Position	<u>\$ 8,624,292</u>	<u>\$ 1,130,349</u>	<u>\$ 9,754,641</u>

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The increase in net position during the current fiscal year is explained by in the government and business-type activities discussion below for the year ended June 30, 2016.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUE			
Program Revenue:			
Charges for Services	\$ 119,225	\$ 1,292,230	\$ 1,411,455
Operating Grants and Contributions	1,088,822	-	1,088,822
Capital Grants	-	-	-
General Revenue:			
Property Tax	376,871	-	376,871
Franchise Tax	54,788	-	54,788
Gross Receipts Tax	4,024,893	-	4,024,893
Motor Vehicle and Fuel Tax	-	-	-
Miscellaneous	19,362	27,803	47,165
TOTAL REVENUE	<u>5,683,961</u>	<u>1,320,033</u>	<u>7,003,994</u>
EXPENSES			
General Government	788,914	-	788,914
Public Safety	1,976,257	-	1,976,257
Culture and Recreation	942,233	-	942,233
Health and Welfare	325,929	-	325,929
Public Works	940,075	-	940,075
Debt Service Interest	13,177	-	13,177
Business-Type Activities	-	1,450,682	1,450,682
TOTAL EXPENSES	<u>4,986,585</u>	<u>1,450,682</u>	<u>6,437,267</u>
Increase (Decrease) in Net Position			
Before Transfers	697,376	(130,649)	566,727
Transfers			
Transfers in	272,827	-	272,827
Transfers out	(272,827)	-	(272,827)
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Net Position	697,376	(130,649)	566,727
Beginning Net Position	5,642,804	1,876,401	7,519,205
Restatements	452,374	(452,374)	-
Ending Net Position	<u>\$ 6,792,554</u>	<u>\$ 1,293,378</u>	<u>\$ 8,085,932</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted, the Town of Red River uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental funds. The focus of the Town of Red River's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Red River's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the Town of Red River's governmental funds reported combined ending fund balances of \$4,508,582. \$1,030,695 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$4,455,372 in the fiscal year ended June 30, 2017. Expenditures for governmental activities, totaled \$6,004,071. Expenditures exceeded revenues by \$1,548,699.

The General Fund is the chief operating fund of the Town of Red River. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$1,030,695.

The fund balance of the Town of Red River's general fund increased during the current fiscal year due to revenues in excess of expenditures. Overall, the general fund's performance in the fiscal year ended June 30, 2017 is due to the increase in state grants and tax revenue.

Economic Development Fund. The Economic Development Fund has a fund balance of \$15,469.

Fire/EMS Donations Fund. The Fire/EMS Donations Fund has a fund balance of \$299,240.

Lodgers' Tax Fund. The Lodgers' Tax Fund has a fund balance of \$191,040.

Grants Fund. The Grants Fund has a fund balance of \$30,948.

GO Bond Fund: The GO Bond Fund has a fund balance of \$1,482,533

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

At the end of the fiscal year, the net position for Sewer, Solid Waste, and Water funds were \$751,293, \$228,961, and \$150,095, respectively. The change in net position for the proprietary funds was \$(163,029). Factors concerning the finances of this fund have been addressed previously in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Town budgets reflect the same pattern as seen in the revenue and expenditures of the Town. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Town level, the Town of Red River utilizes goals and objectives defined by the Town Councilors, community input meetings, long-term plans and input from various staff groups to develop the Town budget. The Town priorities are well defined through this process.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Budget Performance

Final Budget	Actual non-GAAP Cash Basis	Favorable (Unfavorable) Variance
\$ 2,444,790	\$ 2,229,610	\$ 215,180

The Town's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year.

The Capital Project Funds are included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BARs).

Capital Asset and Debt Administration

Capital assets - The Town of Red River's capital assets for its governmental and business-type activities as of June 30, 2017 amount to \$7,484,404 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment. Total accumulated depreciation was \$15,829,675 for a net of \$7,484,404 in capital assets for the year ended June 30, 2017.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 2,176,627	\$ -	\$ 2,176,627
Construction in Progress	35,331	-	35,331
Buildings and Improvements	4,262,844	8,083,014	12,345,858
Equipment	2,215,615	368,476	2,584,091
Vehicles	2,789,062	415,328	3,204,390
Infrastructure	2,967,782	-	2,967,782
Total Capital Assets	14,447,261	8,866,818	23,314,079
Accumulated Depreciation:			
Buildings and Improvements	2,359,855	6,933,042	9,292,897
Equipment	2,185,150	363,766	2,548,916
Vehicles	2,226,881	415,328	2,642,209
Infrastructure	1,345,653	-	1,345,653
Total Accumulated Depreciation	8,117,539	7,712,136	15,829,675

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See the note disclosure in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration - At the end of the current fiscal year, the Town of Red River had total debt obligations outstanding of \$370,271, of this \$36,657 is current portion of debt.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Outstanding Debt As of June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NMFA Notes	\$ 370,271	\$ 34,824	\$ 405,095
Total Long-Term Liabilities	<u>\$ 370,271</u>	<u>\$ 34,824</u>	<u>\$ 405,095</u>
Accrued Compensated Absences, Current	<u>\$ 107,473</u>	<u>\$ 28,712</u>	<u>\$ 136,185</u>

Long-term debt additions and retirements related to revenue bonds and loans for governmental activities for the current year were \$71,769 and \$21,762, respectively. Accrued compensated absences additions and retirements were \$89,819 and \$58,613, respectively, for governmental activities. Business type activities accrued compensated absences additions and retirements were \$25,516 and \$23,979, respectively.

See the notes in the accompanying Notes to the Financial Statements for further information regarding the Town of Red River's long-term debt.

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare favorably to national indices.

The above factors were considered in preparing the Town of Red River's budget for the 2017 fiscal year. There are no currently known facts, decisions, or conditions that are expected to have a significant effect or impact on the Town's financial position or results of operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Red River's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Red River Administration, Town of Red River, P.O. Box 1020, Red River, New Mexico, 87558.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,322,545	\$ 433,060	\$ 2,755,605
Restricted Cash	117,437	-	117,437
Investments	1,566,476	-	1,566,476
Accounts and Taxes Receivable, Net	368,285	106,064	474,349
Due from Other Governments	185,216	-	185,216
Total Current Assets	4,559,959	539,124	5,099,083
Noncurrent Assets:			
Capital Assets			
Capital Assets Not Being Depreciated	2,211,958	-	2,211,958
Capital Assets Being Depreciated	12,235,303	8,866,818	21,102,121
Less: Accumulated Depreciation	<u>(8,117,539)</u>	<u>(7,712,136)</u>	<u>(15,829,675)</u>
Total Noncurrent Assets	6,329,722	1,154,682	7,484,404
Deferred Outflows of Resources:			
Deferred Outflows, Pension Related	819,505	231,142	1,050,647
Total Deferred Outflows of Resources	819,505	231,142	1,050,647
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 11,709,186	\$ 1,924,948	\$ 13,634,134
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 19,401	\$ 4,547	\$ 23,948
Accrued Salaries and Benefits	31,976	5,658	37,634
Compensated Absences Payable	107,473	28,712	136,185
Current Portion of Loans and Bonds Payable	36,657	-	36,657
Total Current Liabilities	195,507	38,917	234,424
Noncurrent Liabilities:			
Net Pension Liability	2,444,153	689,376	3,133,529
Loans and Bonds Payable, Long-term	333,614	34,824	368,438
Total Noncurrent Liabilities	2,777,767	724,200	3,501,967
TOTAL LIABILITIES	2,973,274	763,117	3,736,391
Deferred Inflows of Resources:			
Deferred Inflows, Pension Related	111,620	31,482	143,102
Total Deferred Inflows of Resources	111,620	31,482	143,102
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,084,894	794,599	3,879,493
NET POSITION			
Net Investment in Capital Assets	5,959,451	1,119,858	7,079,309
Restricted for General Fund	185,801	-	185,801
Restricted for Special Revenue	947,729	-	947,729
Restricted for Capital Projects	994,334	-	994,334
Restricted for Debt Service	1,535,824	-	1,535,824
Unrestricted	<u>(998,847)</u>	<u>10,491</u>	<u>(988,356)</u>
Total Net Position	8,624,292	1,130,349	9,754,641
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 11,709,186	\$ 1,924,948	\$ 13,634,134

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contrib.	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 1,152,293	\$ 518,293	\$ 90,000	\$ -	\$ (544,000)	\$ -	\$ (544,000)
Public Safety	2,062,126	1,037,809	306,642	87,043	(630,632)	-	(630,632)
Public Works	1,497,819	116,107	2,289,088	-	907,376	-	907,376
Culture and Recreation	945,329	-	10,390	-	(934,939)	-	(934,939)
Health and Welfare	313,860	-	-	-	(313,860)	-	(313,860)
Interest on Long-Term Debt	32,644	-	-	-	(32,644)	-	(32,644)
Total Governmental Activities	<u>6,004,071</u>	<u>1,672,209</u>	<u>2,696,120</u>	<u>87,043</u>	<u>(1,548,699)</u>	<u>-</u>	<u>(1,548,699)</u>
Business-Type Activities							
Sewer	652,714	487,772	-	-	-	(164,942)	(164,942)
Solid Waste	307,810	376,060	-	-	-	68,250	68,250
Water	426,559	373,372	-	-	-	(53,187)	(53,187)
Pension Expense	42,283	-	-	-	-	(42,283)	(42,283)
Total Business-Type Activities	<u>1,429,366</u>	<u>1,237,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,162)</u>	<u>(192,162)</u>
General Revenues:							
Taxes:							
Property Taxes levied for general purposes					401,402	-	401,402
Franchise Taxes					105,167	-	105,167
Gross Receipts Taxes					2,555,949	-	2,555,949
Interest Income					168	29,133	29,301
Miscellaneous Income					317,751	-	317,751
Subtotal, General Revenues					<u>3,380,437</u>	<u>29,133</u>	<u>3,409,570</u>
Change in Net Position					1,831,738	(163,029)	1,668,709
Net Position, Beginning					<u>6,792,554</u>	<u>1,293,378</u>	<u>8,085,932</u>
Net Position, Ending					<u>\$ 8,624,292</u>	<u>\$ 1,130,349</u>	<u>\$ 9,754,641</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Economic Development</u>	<u>Fire/EMS Donations</u>	<u>Lodgers' Tax Fund</u>	<u>Infrastructure Replacement</u>
ASSETS					
Cash and Cash Equivalents	\$ 875,497	\$ 18,041	\$ 138,599	\$ 107,341	\$ 289,827
Restricted Cash	-	-	-	-	-
Investments	-	-	-	-	-
Accounts and Taxes Receivable	182,980	-	-	85,110	31,882
Due From Other Governments	2,390	-	167,260	-	-
TOTAL ASSETS	<u>\$ 1,060,867</u>	<u>\$ 18,041</u>	<u>\$ 305,859</u>	<u>\$ 192,451</u>	<u>\$ 321,709</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 9,659	\$ 936	\$ -	\$ 1,411	\$ 1,157
Accrued Salaries and Benefits	20,513	1,636	6,619	-	-
TOTAL LIABILITIES	<u>30,172</u>	<u>2,572</u>	<u>6,619</u>	<u>1,411</u>	<u>1,157</u>
FUND BALANCES					
Restricted for:					
General Fund	185,801	-	-	-	-
Special Revenue Funds	-	15,469	299,240	191,040	-
Capital Projects Funds	-	-	-	-	320,552
Debt Service Funds	-	-	-	-	-
Unassigned for:					
General Fund	844,894	-	-	-	-
TOTAL FUND BALANCES	<u>1,030,695</u>	<u>15,469</u>	<u>299,240</u>	<u>191,040</u>	<u>320,552</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,060,867</u>	<u>\$ 18,041</u>	<u>\$ 305,859</u>	<u>\$ 192,451</u>	<u>\$ 321,709</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
BALANCE SHEET – GOVERNMENTAL FUNDS – (continued)
JUNE 30, 2017**

	Grants Capital Project Fund	GO Bond Fund	Other Governmental Funds	Total
ASSETS				
Cash and Cash Equivalents	\$ 23,815	\$ -	\$ 869,425	\$ 2,322,545
Restricted Cash	-	-	117,437	117,437
Investments	-	1,482,533	83,943	1,566,476
Accounts and Taxes Receivable	-	-	68,313	368,285
Due From Other Governments	7,133	-	8,433	185,216
TOTAL ASSETS	<u>\$ 30,948</u>	<u>\$ 1,482,533</u>	<u>\$ 1,147,551</u>	<u>\$ 4,559,959</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 6,238	19,401
Accrued Salaries and Benefits	-	-	3,208	31,976
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>9,446</u>	<u>51,377</u>
FUND BALANCES				
Restricted for:				
General Fund	-	-	-	185,801
Special Revenue Funds	-	-	441,980	947,729
Capital Projects Funds	30,948	-	642,834	994,334
Debt Service Funds	-	1,482,533	53,291	1,535,824
Unassigned for:				
General Fund	-	-	-	844,894
TOTAL FUND BALANCES	<u>30,948</u>	<u>1,482,533</u>	<u>1,138,105</u>	<u>4,508,582</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,948</u>	<u>\$ 1,482,533</u>	<u>\$ 1,147,551</u>	<u>\$ 4,559,959</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds \$ 4,508,582

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Total Cost of Capital Assets are:	14,447,261	
Less: Accumulated Depreciation	<u>(8,117,539)</u>	
Capital Assets, Net		6,329,722

Deferred outflows and inflows of resources related to pensions are
applicable to future periods and therefore, are not reported in funds:

Deferred Outflows Related to GASB 68	819,505
Deferred Inflows Related to GASB 68	(111,620)

Long-term and certain other liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as liabilities in the
funds. Long-term and other liabilities at year end consist of:

Debt: Long-Term and Current Portion	(370,271)	
Net Pension Liability	(2,444,153)	
Accrued Compensated Absences	(107,473)	
Total		<u>(2,921,897)</u>

Net Position of Governmental Activities **\$ 8,624,292**

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Economic Development</u>	<u>Fire/EMS Donations</u>	<u>Lodgers' Tax Fund</u>	<u>Infrastructure Replacement</u>
REVENUES					
Taxes	\$ 1,494,037	\$ -	\$ -	\$ 776,818	\$ 197,199
State Grants	90,000	-	-	-	20,543
Federal Grants	-	-	-	-	-
Charges for Services	35,137	28,271	-	-	-
Licenses and Fees	394,404	46,948	724,473	-	384
Investment Income	-	-	-	-	-
Miscellaneous	227,868	-	2,437	-	-
TOTAL REVENUES	<u>2,241,446</u>	<u>75,219</u>	<u>726,910</u>	<u>776,818</u>	<u>218,126</u>
EXPENDITURES					
Current					
General Government	827,669	-	-	-	-
Public Safety	1,180,515	-	601,210	-	-
Public Works	-	-	-	-	127,136
Culture and Recreation	71,903	298,669	-	478,353	-
Health and Welfare	405	-	125	-	-
Capital Outlay	102,392	-	-	-	35,331
Debt Service Principal	-	-	-	-	-
Debt Service Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,182,884</u>	<u>298,669</u>	<u>601,335</u>	<u>478,353</u>	<u>162,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	58,562	(223,450)	125,575	298,465	55,659
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	-	-	-
Transfers in	-	208,000	-	-	-
Transfers out	(5,000)	-	-	(268,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>208,000</u>	<u>-</u>	<u>(268,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	53,562	(15,450)	125,575	30,465	55,659
FUND BALANCE, BEGINNING OF YEAR	<u>977,133</u>	<u>30,919</u>	<u>173,665</u>	<u>160,575</u>	<u>264,893</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,030,695</u>	<u>\$ 15,469</u>	<u>\$ 299,240</u>	<u>\$ 191,040</u>	<u>\$ 320,552</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	Grants Capital Project Fund	GO Bond	Other Governmental Funds	Total
REVENUES				
Taxes	\$ -	\$ 151,404	\$ 443,060	\$ 3,062,518
State Grants	917,436	1,351,109	317,032	2,696,120
Federal Grants	-	-	87,043	87,043
Charges for Services	-	-	13,533	76,941
Licenses and Fees	-	-	429,059	1,595,268
Investment Income	-	-	168	168
Miscellaneous	-	-	87,446	317,751
TOTAL REVENUES	917,436	1,502,513	1,377,341	7,835,809
EXPENDITURES				
Current				
General Government	-	-	119,089	946,758
Public Safety	-	-	73,231	1,854,956
Public Works	749,857	-	526,925	1,403,918
Culture and Recreation	21,060	-	10,544	880,529
Health and Welfare	-	-	270,383	270,913
Capital Outlay	132,405	-	292,091	562,219
Debt Service Principal	-	-	21,762	21,762
Debt Service Interest	-	19,980	12,664	32,644
TOTAL EXPENDITURES	903,322	19,980	1,326,689	5,973,699
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,114	1,482,533	50,652	1,862,110
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	71,769	71,769
Transfers in	-	-	65,000	273,000
Transfers out	-	-	-	(273,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	136,769	71,769
NET CHANGE IN FUND BALANCES	14,114	1,482,533	187,421	1,933,879
FUND BALANCE, BEGINNING OF YEAR	16,834	-	950,684	2,574,703
FUND BALANCE, END OF YEAR	\$ 30,948	\$ 1,482,533	\$ 1,138,105	\$ 4,508,582

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balance - Governmental Funds **\$ 1,933,879**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period:

Capital Outlay	562,219
Depreciation Expense	(434,044)

Governmental funds report Town pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension Expense	(149,103)
-----------------	-----------

In the Statement of Activities, operating expenses such as compensated absences and long-term debt are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid):

Loan Proceeds	(71,769)
Debt Service Principal	21,762
(Increase) Decrease in Compensated Absences	<u>(31,206)</u>

Change in Net Position of Governmental Activities **\$ 1,831,738**

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY
BASIS) AND ACTUAL – GENERAL FUND 101
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 1,480,550	\$ 1,480,550	\$ 1,490,090	\$ 9,540
State Grants	90,000	90,000	90,000	-
Federal Grants	-	-	-	-
Charges for Services	76,115	76,115	35,137	(40,978)
Licenses and Fees	400,404	400,404	393,195	(7,209)
Investment Income	-	-	-	-
Miscellaneous	42,572	42,572	277,868	235,296
TOTAL REVENUES	2,089,641	2,089,641	2,286,290	196,649
EXPENDITURES				
Current				
General Government	831,366	867,360	833,473	33,887
Public Safety	1,242,818	1,245,638	1,176,266	69,372
Public Works	-	-	-	-
Culture and Recreation	97,692	97,692	71,903	25,789
Health and Welfare	4,100	4,100	405	3,695
Capital Outlay	230,000	230,000	147,563	82,437
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	2,405,976	2,444,790	2,229,610	215,180
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(316,335)	(355,149)	56,680	411,829
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(5,000)	(5,000)	(5,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	(5,000)	(5,000)	-
NET INCREASE (DECREASE)	(321,335)	(360,149)	\$ 51,680	\$ 411,829
PRIOR YEAR CASH BALANCE BUDGETED	\$ 316,335	\$ 355,149		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 2,286,290
Revenues, Actual on Modified Accrual Basis	2,241,446
Adjustments to revenues	<u>\$ 44,844</u>
Expenditures, Actual on a Budget Basis	\$ 2,187,884
Expenditures, Actual on Modified Accrual Basis	2,187,884
	<u>\$ -</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY
BASIS) AND ACTUAL – ECONOMIC DEVELOPMENT 298 (SPECIAL REVENUE FUND)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Charges for Services	27,594	27,594	28,271	677
Licenses and Fees	26,791	26,791	46,948	20,157
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	54,385	54,385	75,219	20,834
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	304,999	304,999	301,899	3,100
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	304,999	304,999	301,899	3,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(250,614)	(250,614)	(226,680)	23,934
OTHER FINANCING SOURCES (USES):				
Transfers in	208,000	208,000	208,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	208,000	208,000	208,000	-
NET INCREASE (DECREASE)	(42,614)	(42,614)	\$ (18,680)	\$ 23,934
PRIOR YEAR CASH BALANCE BUDGETED	\$ 250,614	\$ 250,614		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 283,219
Revenues, Actual on Modified Accrual Basis	283,219
	\$ -
Expenditures, Actual on a Budget Basis	\$ 301,899
Expenditures, Actual on Modified Accrual Basis	298,669
Adjustments to expenditures	\$ 3,230

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY
BASIS) AND ACTUAL – FIRE EMS DONATION FUND 299 (SPECIAL REVENUE FUND)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	475,000	475,000	731,927	256,927
Investment Income	-	-	-	-
Miscellaneous	20,411	20,411	17,437	(2,974)
	<u>495,411</u>	<u>495,411</u>	<u>749,364</u>	<u>253,953</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	467,205	611,145	595,640	15,505
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	1,000	1,000	125	875
Capital Outlay	15,000	15,000	15,000	-
Debt Service Principal	-	-	-	-
Debt Service Interest	1	1	-	1
	<u>483,206</u>	<u>627,146</u>	<u>610,765</u>	<u>16,381</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	12,205	(131,735)	138,599	270,334
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET INCREASE (DECREASE)				
	<u>12,205</u>	<u>(131,735)</u>	<u>\$ 138,599</u>	<u>\$ 270,334</u>
PRIOR YEAR CASH BALANCE BUDGETED				
	<u>\$ (12,205)</u>	<u>\$ 131,735</u>		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 749,364
Revenues, Actual on Modified Accrual Basis	<u>726,910</u>
Adjustments to revenues	<u>\$ 22,454</u>
Expenditures, Actual on a Budget Basis	\$ 610,765
Expenditures, Actual on Modified Accrual Basis	<u>601,335</u>
Adjustments to expenditures	<u>\$ 9,430</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP BUDGETARY
BASIS) AND ACTUAL – LODGERS TAX FUND 214 (SPECIAL REVENUE FUND)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 715,489	\$ 715,489	\$ 764,183	\$ 48,694
State Grants	-	-	-	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
	715,489	715,489	764,183	48,694
TOTAL REVENUES	715,489	715,489	764,183	48,694
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	534,600	534,600	476,942	57,658
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
	534,600	534,600	476,942	57,658
TOTAL EXPENDITURES	534,600	534,600	476,942	57,658
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	180,889	180,889	287,241	106,352
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(268,000)	(268,000)	(268,000)	-
	(268,000)	(268,000)	(268,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(268,000)	(268,000)	(268,000)	-
NET INCREASE (DECREASE)	(87,111)	(87,111)	\$ 19,241	\$ 106,352
PRIOR YEAR CASH BALANCE BUDGETED	\$ (180,889)	\$ (180,889)		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 764,183
Revenues, Actual on Modified Accrual Basis	776,818
Adjustments to revenues	\$ (12,635)
Expenditures, Actual on a Budget Basis	\$ 744,942
Expenditures, Actual on Modified Accrual Basis	746,353
Adjustments to expenditures	\$ (1,411)

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 22,598	\$ 323,887	\$ 86,575	\$ 433,060
Accounts Receivable, Net	<u>45,556</u>	<u>27,894</u>	<u>32,614</u>	<u>106,064</u>
TOTAL CURRENT ASSETS	68,154	351,781	119,189	539,124
NONCURRENT ASSETS				
Capital Assets:				
Capital Assets Being Depreciated	6,740,178	568,863	1,557,777	8,866,818
Less: Accumulated Depreciation	<u>(5,816,738)</u>	<u>(568,863)</u>	<u>(1,326,535)</u>	<u>(7,712,136)</u>
Total Noncurrent Assets	<u>923,440</u>	<u>-</u>	<u>231,242</u>	<u>1,154,682</u>
Deferred Outflows of Resources:				
Deferred Outflows, Pension Related	<u>105,065</u>	<u>52,532</u>	<u>73,545</u>	<u>231,142</u>
Total Deferred Outflows of Resources	<u>105,065</u>	<u>52,532</u>	<u>73,545</u>	<u>231,142</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,096,659</u>	<u>\$ 404,313</u>	<u>\$ 423,976</u>	<u>\$ 1,924,948</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 998	\$ 2,886	\$ 663	\$ 4,547
Accrued Salaries and Benefits	2,548	1,075	2,035	5,658
Compensated Absences Payable	14,157	7,560	6,995	28,712
Current Portion of Loans and Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	17,703	11,521	9,693	38,917
Noncurrent Liabilities:				
Net Pension Liability	313,353	156,676	219,347	689,376
Loans and Bonds Payable, Long-term	<u>-</u>	<u>-</u>	<u>34,824</u>	<u>34,824</u>
Total Noncurrent Liabilities	<u>313,353</u>	<u>156,676</u>	<u>254,171</u>	<u>724,200</u>
TOTAL LIABILITIES	331,056	168,197	263,864	763,117
Deferred Inflows of Resources:				
Deferred Inflows, Pension Related	<u>14,310</u>	<u>7,155</u>	<u>10,017</u>	<u>31,482</u>
Total Deferred Inflows of Resources	<u>14,310</u>	<u>7,155</u>	<u>10,017</u>	<u>31,482</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>345,366</u>	<u>175,352</u>	<u>273,881</u>	<u>794,599</u>
NET POSITION				
Net Investment in Capital Assets	923,440	-	196,418	1,119,858
Unrestricted	<u>(172,147)</u>	<u>228,961</u>	<u>(46,323)</u>	<u>10,491</u>
TOTAL NET POSITION	<u>751,293</u>	<u>228,961</u>	<u>150,095</u>	<u>1,130,349</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 1,096,659</u>	<u>\$ 404,313</u>	<u>\$ 423,976</u>	<u>\$ 1,924,948</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for Services	\$ 487,772	\$ 376,060	\$ 373,372	\$ 1,237,204
TOTAL OPERATING REVENUES	<u>487,772</u>	<u>376,060</u>	<u>373,372</u>	<u>1,237,204</u>
OPERATING EXPENSES				
Operating Expenses	183,180	182,043	124,818	490,041
Travel	3,697	-	1,780	5,477
Gross Receipts Tax	-	-	16,091	16,091
Depreciation	140,761	-	37,940	178,701
Purchases for Resale	-	-	-	-
Contract Services	18,976	10,992	10,021	39,989
Salaries	285,624	112,885	228,626	627,135
Supplies	20,476	1,890	7,283	29,649
Pension Expense	19,219	9,609	13,455	42,283
TOTAL OPERATING EXPENSES	<u>671,933</u>	<u>317,419</u>	<u>440,014</u>	<u>1,429,366</u>
OPERATING INCOME (LOSS)	<u>(184,161)</u>	<u>58,641</u>	<u>(66,642)</u>	<u>(192,162)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	-	43,619	-	43,619
Interest Expense	-	(14,486)	-	(14,486)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>	<u>29,133</u>	<u>-</u>	<u>29,133</u>
EXCESS OF REVENUES OVER EXPENSES	(184,161)	87,774	(66,642)	(163,029)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(184,161)	87,774	(66,642)	(163,029)
NET POSITION, BEGINNING	<u>935,454</u>	<u>141,187</u>	<u>216,737</u>	<u>1,293,378</u>
NET POSITION, END OF YEAR	<u>\$ 751,293</u>	<u>\$ 228,961</u>	<u>\$ 150,095</u>	<u>\$ 1,130,349</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from user charges	\$ 487,772	\$ 376,060	\$ 373,372	\$ 1,237,204
Cash payments to employees for services	(285,624)	(112,885)	(228,626)	(627,135)
Cash payments to suppliers for goods and services	<u>(222,279)</u>	<u>(191,528)</u>	<u>(124,863)</u>	<u>(538,670)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	(20,131)	71,647	19,883	71,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Change in Accrued Compensated Absences	<u>(1,537)</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES:	<u>(1,537)</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net Interest	<u>-</u>	<u>29,133</u>	<u>-</u>	<u>29,133</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES:	<u>-</u>	<u>29,133</u>	<u>-</u>	<u>29,133</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(21,668)	100,780	19,883	98,995
CASH EQUIVALENTS, BEGINNING OF YEAR	<u>44,266</u>	<u>223,107</u>	<u>66,692</u>	<u>334,065</u>
CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,598</u>	<u>\$ 323,887</u>	<u>\$ 86,575</u>	<u>\$ 433,060</u>

Reconciliation of Operating Incomes to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (184,161)	\$ 58,641	\$ (66,642)	\$ (192,162)
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation Expense	140,761	-	37,940	178,701
Changes In:				
Receivables	(1,653)	(465)	(1,939)	(4,057)
Other Assets	21,768	10,073	48,340	80,181
Accrued Expenses	2,548	1,075	2,035	5,658
Accounts Payable	<u>606</u>	<u>2,323</u>	<u>149</u>	<u>3,078</u>
Net Cash Provided by Operating Activities	<u>\$ (20,131)</u>	<u>\$ 71,647</u>	<u>\$ 19,883</u>	<u>\$ 71,399</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>26,265</u>
TOTAL ASSETS	<u>\$ 26,265</u>
LIABILITIES	
Deposits Held in Trust for Others	\$ <u>26,265</u>
TOTAL LIABILITIES	<u>\$ 26,265</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies

The Town of Red River ("Town") was incorporated in 1971, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Town of Red River is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets and the construction of major capital projects which are not financed by the proprietary or nonexpendable trust funds.

The *Fiduciary Funds* account for assets held by the Town in a trustee capacity for the Town or as an agent for individuals, private organizations, other governments and/or other funds. These are custodial in nature (assets equal liabilities) and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund, 911 Grant Fund, Fire Protection Fund, Lodgers' Tax Fund, and the Capital Projects Fund. No other funds were required to be presented as major at the discretion of management.

General Fund – the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Economic Development Fund (298) - To account for monies received from the State of New Mexico for the purpose of advertising and promoting the tourism industry of Red River and the enhancement of economic development. Funds are restricted to the economic development of the Town. No minimum balance required according to legislation. (Special Revenue Fund)

Fire/EMS Donations Fund (299) - To account for State grant funds to be used to provide an advanced life support system for the Town's Fire and EMS departments. Authorized by Emergency Medical Services Fund Section 24-10A-1, NMSA 1978. No minimum balance required according to legislation. (Special Revenue Fund)

Lodgers' Tax Fund – To account for the operations of a special fund to promote tourist operations in the Town. Financing is provided by a special lodger's tax charged on all transient lodging in the Town. One half of the tax collected must be used to promote the Town. Funding authority is NMSA 1978 Section 3-38-15. (Special Revenue Fund)

Infrastructure Replacement Fund (311) – To account for the financing, construction and maintenance of streets within the Town limits. Funding is through 1/8 cent sales tax imposed by legislation for such projects. (Capital Projects Fund)

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Grants Capital Projects Fund – To account for various grant collections and expenditures. Authorization varies with each grant award. (Capital Projects Fund)

GO Bond Fund (401) – To account for transactions related to the debt service of the Town's General Obligation Bond. (Debt Service Fund)

The Town reports its proprietary funds as a major business-type funds:

Major Enterprise Funds:

Sewer/AWWT Fund – to account for the provision of sewer services to the residents of the Town.

Solid Waste Fund – to account for the provision of solid waste services to the residents of the Town.

Water Fund – to account for the provision of water services to the residents of the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Program revenues reduce the cost of the function to be financed from the Town's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund comes from charges for services for the Town's various utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied and the amount is available and provided. Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets (continued): Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	30
Infrastructure	50
Equipment	5
Vehicles	5

Inventory: Inventory is reflected at historical cost. The Town has no inventory as of June 30, 2017.

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

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 represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Town has several items that qualify for reporting in this category: changes in proportion, net difference between expected and actual experience and employer contributions subsequent to measurement date. These total \$1,050,647 and have been reported as deferred outflows of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element 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 inflow of resources.

The Town has three types of deferred inflows which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, these items, net difference between projected and actual investment earnings, change in assumptions, and differences between expected and actual experience, are reported on the Statement of Net Position in the amount of \$143,102 as of June 30, 2017. Net difference between expected and actual investment earnings are amortized into pension expense over a five-year period. Changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. Differences between expected and actual experience are amortized into pension expense over the five-year period. Detail is found in the notes and the required supplementary information.

Compensated Absences: Eligible employees are entitled to accumulate compensated absences earned. Vacation leave can carry over year to year for unused hours with a maximum of 240 hours. After one year of service, an employee can earn vacation leave as follows: 1-5 service years, earn 3.85 hours per pay period; 6-10 service years, 5.39 hours; 11-15 service years, 6.93 hours; service years > 15 years, 8.47 hours. Upon termination, eligible employees will be paid for all days of current year accrued annual leave not yet taken.

Eligible employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year with a maximum 720 hours. Upon termination, employees receive no pay for sick time accumulated. Accumulated sick leave benefits vest with each employee in accordance with the Town's policy. Vacation leave is accrued when incurred in the governmental-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of services by employees.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

Fund Balance: Fund Balance Classification: The Town has implemented the provisions of GASB 54. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town. These amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town or through the Town delegating this responsibility to the Town through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Fund Balance for Subsequent Years Expenditures. According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Town is required to reserve 1/12th of the General Fund's expenditures (\$185,801) for subsequent year expenditures to maintain an adequate cash flow. The Town is in compliance with these DFA requirements.

Net Position: For the government-wide statement of net position, the net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Net position is reported as restricted when constraints placed on net position use either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position which does not meet the definition of “restricted” and “net investment in capital assets”.

The Town’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

Tax Revenues: The Town receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Town recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Town records only the portion of the taxes considered ‘measureable’ and ‘available’ in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes classified as deferred inflows of resources are recorded only when the information is available and provided.

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.

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

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.

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Councilors and the Department of Finance and Administration. The legal level of budgetary control is at the fund level. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, where applicable.

The Town is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund are shown on each budgetary statement.

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. Deposits and Investments

State statutes authorize the investment of the Town 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 Town properly followed State investment requirements as of June 30, 2017.

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 Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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 of 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits.

	Peoples Bank	NMFA Reserves
Operating, interest-bearing	\$ 4,454,872	\$ 117,437
Certificates of Deposit, interest-bearing	83,943	-
Total Deposits	4,538,815	117,437
Less: FDIC Coverage	(250,000)	(117,437)
Total Uninsured Public Funds	4,288,815	-
50% Collateral Requirement	2,144,408	-
Pledged Securities	2,001,094	-
(Over) Under collateralized	\$ 143,314	\$ -

The collateral pledged is listed on page 83 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. Deposits and Investments (continued)

Reconciliation of Cash and Temporary Investments:

Carrying amounts by fund per financial statement at June 30, 2017 is:

Cash and Cash Equivalents, Statement of Net Position (<i>Governmental Activities</i>)	\$	2,322,545
Restricted Cash, Statement of Net Position (Governmental Activities)		117,437
Investments - Statement of Net Position (Governmental Activities)		1,566,476
Cash and Cash Equivalents per Statement of Fiduciary Assets and Liabilities		26,265
Cash and Cash Equivalents per Proprietary Statement of Net Position		<u>433,060</u>
Total	\$	<u>4,465,783</u>

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged for bank accounts in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least 50% of the amount on deposit with the institution.

The New MexiGrow Local Governmental Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance. In accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares.

Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2017, the Town's investment balances were exposed to custodial credit risk as follows:

NMFA reserves: \$ 117,437

Interest Rate Risk and Credit Rating

The Town does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Town's investments at June 30, 2017 include the following:

NMFA reserves: \$ 117,437

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. Receivables

Receivables as of June 30, 2017, are as follows:

Governmental Activities:

	<u>General Fund</u>	<u>Economic Development</u>	<u>Fire/EMS Donations</u>	<u>Lodgers' Tax Fund</u>
Receivables:				
Taxes	\$ 182,980	\$ -	\$ -	\$ 85,110
Due From Other Governments	2,390	-	-	-
Other Accounts Receivable	-	-	167,260	-
Total Receivables	<u>\$ 185,370</u>	<u>\$ -</u>	<u>\$ 167,260</u>	<u>\$ 85,110</u>

	<u>Infrastructure Replacement</u>	<u>Grants Capital Projects Fund</u>	<u>GO Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ -	\$ -	\$ -	\$ 68,313	\$ 336,403
Due From Other Governments	31,882	7,133	-	8,433	49,838
Other Accounts Receivable	-	-	-	-	167,260
Total Receivables	<u>\$ 31,882</u>	<u>\$ 7,133</u>	<u>\$ -</u>	<u>\$ 76,746</u>	<u>\$ 553,501</u>

The above governmental receivables are deemed 100% collectible.

Business-type Activities:

	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
Accounts Receivable	\$ 55,816	\$ 35,491	\$ 45,236	\$ 136,543
Less: Allowance for Uncollectable Accounts	(10,260)	(7,597)	(12,622)	(30,479)
Accounts Receivables, Net	<u>\$ 45,556</u>	<u>\$ 27,894</u>	<u>\$ 32,614</u>	<u>\$ 106,064</u>

The business-type activities accounts receivable are net of an estimated allowance for uncollectible accounts as state above.

NOTE 5. Interfund Receivables, Payables, and Transfers

There were no "Due to" and "Due from" funds reported as of June 30, 2017.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 5,000
Lodger's Tax Fund	-	268,000
Infrastructure Replacement Fund	-	-
Water Fund	-	-
Environmental Gross Receipts Tax fund	-	-
Transportation Fund	60,000	-
Economic Development Fund	208,000	-
Sewer Fund	-	-
Motor Vehicles Department	5,000	-
Total	<u>\$ 273,000</u>	<u>\$ 273,000</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows:

Governmental Activities:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,176,627	\$ -	\$ -	\$ 2,176,627
Construction in Progress	-	35,331	-	35,331
Total Capital Assets Not Being Depreciated	<u>2,176,627</u>	<u>35,331</u>	<u>-</u>	<u>2,211,958</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,236,080	26,764	-	4,262,844
Equipment	2,213,892	7,405	5,682	2,215,615
Vehicles	2,296,343	492,719	-	2,789,062
Infrastructure	2,967,782	-	-	2,967,782
Total Capital Assets Being Depreciated	<u>11,714,097</u>	<u>526,888</u>	<u>5,682</u>	<u>12,235,303</u>
Total Capital Assets	<u>13,890,724</u>	<u>562,219</u>	<u>5,682</u>	<u>14,447,261</u>
Accumulated Depreciation:				
Buildings and Improvements	2,255,514	104,341	-	2,359,855
Equipment	2,096,667	94,165	5,682	2,185,150
Vehicles	2,074,491	152,390	-	2,226,881
Infrastructure	1,262,505	83,148	-	1,345,653
Total Accumulated Depreciation	<u>7,689,177</u>	<u>434,044</u>	<u>5,682</u>	<u>8,117,539</u>
Capital Assets, Net	<u>\$ 6,201,547</u>	<u>\$ 128,175</u>	<u>\$ -</u>	<u>\$ 6,329,722</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

General Government	\$	25,226
Public Safety		207,170
Public Works		93,901
Culture and Recreation		64,800
Health and Welfare		42,947
Total Depreciation Expense	<u>\$</u>	<u>434,044</u>

Depreciation expense relating to governmental activities for the year ended June 30, 2017 totaled \$434,044.

Business-type Activities:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital Assets Being Depreciated:				
Land, Buildings and Improvements	\$ 8,083,014	\$ -	\$ -	\$ 8,083,014
Equipment	368,476			368,476
Vehicles	<u>415,328</u>	<u>-</u>	<u>-</u>	<u>415,328</u>
Total Capital Assets Being Depreciated	8,866,818	-	-	8,866,818
Accumulated Depreciation:				
Land, Buildings and Improvements	6,765,970	167,072	-	6,933,042
Equipment	355,045	8,721	-	363,766
Vehicles	<u>412,420</u>	<u>2,908</u>	<u>-</u>	<u>415,328</u>
Total Accumulated Depreciation	<u>7,533,435</u>	<u>178,701</u>	<u>-</u>	<u>7,712,136</u>
Capital Assets, Net	<u>\$ 1,333,383</u>	<u>\$ (178,701)</u>	<u>\$ -</u>	<u>\$ 1,154,682</u>

Depreciation expense relating to business-type activities for the year ended June 30, 2017 totaled \$178,701.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. Long-term Debt

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	Balance			Balance	Due
	June 30, 2016	Additions	Retirements	June 30, 2017	Within
					One Year
NMFA Aerial Platform Truck	\$ 130,170	\$ -	\$ 20,152	\$ 110,018	\$ 20,678
NMFA Fire Station Loan	190,094	-	1,610	188,484	1,654
NMFA Street Sweeper	-	71,769	-	71,769	14,325
Compensated Absences Payable	76,267	89,819	58,613	107,473	107,473
Total Long-Term Debt	\$ 396,531	\$ 161,588	\$ 80,375	\$ 477,744	\$ 144,130

Interest expense paid on long-term debt totaled \$32,644 for the year ended June 30, 2017 as indicated on the *Statement of Activities*.

The Town has entered into several loan agreements with the New Mexico Finance Authority, wherein the Town pledged revenue derived from New Mexico Fire Protection Allotments to cover debt service. They will also use gross receipts tax to cover debt service. This revenue is subject to intercept agreements.

The governmental activities NMFA loans are as follows:

NMFA Loans - Governmental Activities

Description	Purpose	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance, June 30, 2017
NMFA Loan	Arial Platform Fire Truck	Jul-09	May-22	0.68-3.87%	238,720	\$ 110,018
NMFA Loan	Fire Station Loan	Jun-10	May-22	1.03-4.78%	197,686	188,484
NMFA Loan	Street Sweeper	Apr-17	May-22	0.09995%	71,769	71,769
Total						\$ 370,271

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the long-term debt of NMFA for governmental activities as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 36,657	\$ 12,128	\$ 48,785
2019	37,313	11,506	48,819
2020	38,038	10,784	48,822
2021	38,841	9,982	48,823
2022	39,750	9,071	48,821
2023-2027	91,061	33,091	124,152
2028-2032	88,611	10,711	99,322
Total	<u>\$ 370,271</u>	<u>\$ 97,273</u>	<u>\$ 467,544</u>

Business-Type Activities:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
NMFA - New Storage Tank	\$ -	\$ 34,824	\$ -	\$ 34,824	\$ -
Compensated Absences Payable	27,175	25,516	23,979	28,712	28,712
Total Long-Term Debt	<u>\$ 27,175</u>	<u>\$ 60,340</u>	<u>\$ 23,979</u>	<u>\$ 63,536</u>	<u>\$ 28,712</u>

Interest expense paid on long-term debt totaled \$14,486 for the year ended June 30, 2017 as indicated on the *Proprietary Fund - Statement of Revenues, Expense and Changes in Net Position*.

The Town has entered into a loan agreements with the New Mexico Finance Authority, wherein the Town will use net revenues of the water system cover debt service.

The business-type activities NMFA loans are as follows:

NMFA Loans - Business-Type Activities						
<u>Description</u>	<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance, June 30, 2017</u>
NMFA Loan	Water Tank Improvement Project	Mar-17	May-38	0.25%	435,000	\$ 34,824
Total						<u>\$ 34,824</u>

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**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the long-term debt of NMFA for business-type activities as of June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 544	\$ 544
2019	21,238	1,088	22,326
2020	21,291	1,008	22,299
2021	21,344	955	22,299
2022	21,398	901	22,299
2023-2027	107,793	3,699	111,492
2028-2032	109,148	2,342	111,490
2023-2037	110,518	970	111,488
2038	22,270	28	22,298
Total	<u>\$ 435,000</u>	<u>\$ 11,535</u>	<u>\$ 446,535</u>

Compensated Absences – During fiscal year June 30, 2017, compensated absences increased \$31,206 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities for governmental activities. Enterprise funds are typically used to liquidate compensated absences related to business-type activities.

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Town of Red River participates in the New Mexico Self-Insurer's Fund risk pool. The Town pays an annual premium to the pool based on claim experience and the status of the pool. The Town is not liable for more than the premium paid.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued. At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town of Red River.

New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements Overview of certain information concerning individual funds including:

- There were no deficit fund balance of individual funds for the year ended June 30, 2017.
- There were no overexpenditures of appropriations by individual funds for the year ended June 30, 2017

NOTE 10. Operating Leases

The Town has several operating leases as of June 30, 2017. Lease payments for the year ending June 30, 2017 were \$8,066. Future minimum payment under these leases are as follows:

<u>Year</u>	
<u>Ending</u>	<u>Amount</u>
2018	\$ 7,754
2019	5,538
2020	787
2021	788
2022	-
Total	\$ 14,867

NOTE 11. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. Management and the Town's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town's insurance as described in Note 8.

NOTE 12. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 13. Construction Commitments

As of June 30, 2017, there were no contract in project or construction commitments.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association

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, 2016 available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financialreports/CAFR-2015.pdf>

Contributions

The contribution requirements of defined benefit plan members and the Town 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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 21 through 23 of the PERA FY15 annual audit report at http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf. The PERA coverage options that apply to Town are: General Division, Police Division and Fire Division. Statutorily required contributions to the pension plan from the Town were \$163,585 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2017.

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, 2015. 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, 2016.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (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 Town'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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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.

For PERA Fund Division – General Division, at June 30, 2017, the Town reported a liability of \$2,118,502 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was 0.1326 percent, which decreased by .108 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized PERA Fund Division – General Division pension expense of \$214,320. At June 30, 2017, the Town reported PERA Fund Division – General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,850	\$ 20,676
Changes of assumptions	124,225	352
Net difference between projected and actual earnings on pension plan investments	389,800	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	13,738	85,330
The Town's contributions subsequent to the measurement date	111,364	-
Total	\$ 744,977	\$ 106,358

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (continued)

\$111,364 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 109,124
2019	109,124
2020	212,862
2021	96,145
2022	-
Thereafter	-
Total	<u>\$ 527,255</u>

For PERA Fund Division – Police Division, at June 30, 2017, the Town reported a liability of \$532,713 for its proportionate share of the net pension liability. At June 30, 2017, the Town’s proportion was 0.0722 percent, which was a decrease of .0029 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized PERA Fund Division – Police Division pension expense of \$69,242. At June 30, 2017, the Town reported PERA Fund Division – Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,108	\$ -
Changes of assumptions	35,284	9,607
Net difference between projected and actual earnings on pension plan investments	84,252	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	6,742	10,264
The Town's contributions subsequent to the measurement date	26,639	-
Total	<u>\$ 192,025</u>	<u>\$ 19,871</u>

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (continued)

\$26,639 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 35,277
2019	35,277
2020	53,704
2021	21,257
2022	-
Thereafter	-
Total	\$ 145,515

For PERA Fund Division – Fire Division, at June 30, 2017, the Town reported a liability of \$482,314 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion was 0.0723 percent, which was a decrease of .0046 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Town recognized PERA Fund Division – Fire Division pension expense of \$58,804. At June 30, 2017, the Town reported PERA Fund Division – Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,841	\$ -
Changes of assumptions	25,513	-
Net difference between projected and actual earnings on pension plan investments	40,174	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	7,287	16,873
The Town's contributions subsequent to the measurement date	18,831	-
Total	\$ 113,646	\$ 16,873

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (continued)

\$18,831 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 22,050
2019	22,050
2020	23,928
2021	9,914
2022	-
Thereafter	-
Total	<u>\$ 77,942</u>

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, 2016 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	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 projection to 2018 using scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	<u>20.00%</u>	7.35%
Total	100.0%	

Discount rate: A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Pension Plan – Public Employees Retirement Association (continued)

Sensitivity of the Town'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 Town's net pension liability in each PERA Fund Division that Town 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.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 3,158,498	\$ 2,118,502	\$ 1,255,877
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<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 783,753	\$ 532,713	\$ 327,392
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<u>PERA Fund Division Municipal Fire</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.48%)</u>
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The Town's proportionate share of the net pension liability	\$ 630,865	\$ 482,314	\$ 360,296
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Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan. At June 30, 2017, the Town had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

NOTE 15. Post-Employment Benefits

The Town of Red River has elected not to obtain Retiree Health Care Act Coverage.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16. Memorandum of Understanding/Joint Powers Agreements

Creation of "The Enchanted Circle Regional Fire Protection Association"

Purpose: The agreement is for the sole purpose of establishing, implementing, and maintaining a regional fire protection association. This program will provide cooperative fire suppression, firefighter training programs, and cost efficient purchasing of firefighting equipment and supplies for all parties involved.

Participants: The Town of Red River, The Town of Red River, The Town of Angel Fire, The Town of Eagle Nest, The Town of Red River, The Town of Questa, The County of Red River, and The County of Colfax

Responsible Party for Operation and Audit: The Town of Red River

Beginning and Ending Date of Agreement: Started March 23, 2007 and is renewed annually with changes made no later than September 30

Total Estimated Amount of Project and Actual Amount Contributed: None

Operation of the Solid Waste Landfill

Purpose: To operate the Taos Regional Landfill

Participants: Town of Taos, Questa, Eagle Nest, Taos Ski Valley, Taos County and the Town of Red River

Responsible Party for Operation and Audit: Town of Taos

Beginning and Ending Date of Agreement: Started July 22, 2008 for a period of 50 years

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

Wildland Suppression

Purpose: To document EMNRD and the Town of Red River's commitment to wildland fire suppression by using interagency cooperation, management assistance, and cooperation with the use of federal excess property.

Participants: EMNRD and the Town of Red River

Responsible Party for Operation and Audit: The Energy, Minerals and Natural Resources Department

Beginning and Ending Date of Agreement: Started September 22, 2006 and is continuous unless terminated by either party due to insufficient appropriation or suspended performance pending approval from the New Mexico State Legislature.

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16. Memorandum of Understanding/Joint Powers Agreements (continued)

E911 Land Line Services

Purpose: The Town of Red River and Town of Angel Fire to provide funding for enhanced 911 landline service and wireless Phase I and Phase II Services.

Participants: Town of Red River and Town of Angel Fire

Responsible Party for Operation and Audit: Town of Angel Fire

Beginning and Ending Date of Agreement: 02-20-07 to 30 days upon written notification by either party

Total Estimated Amount of Project and Actual Amount Contributed: None

Traffic Safety Bureau Grant

Purpose: All are concerned with the safety, health, and welfare to the rest of our community and desire to reduce DWI in their communities and Taos County overall.

Participants: Town of Red River, Questa, Taos and Taos County

Responsible Party for Operation and Audit: Taos County

Beginning and Ending Date of Agreement: 5-25-2010 to 30 days upon written notification by either party

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

NOTE 17. Tax Abatements

The Town of Red River has evaluated GASB 77 with regard to tax abatements and has determined that the Town is not a party to the any agreements that abate taxes.

NOTE 18. Related Party Transactions

The Town has entered into various related party transactions in the normal course of business. We are required to review those transactions to ensure that they are considered “arm’s length” and are required to disclose those related party transactions that might have a material effect on the financial statements as a whole. The following related parties had transactions with the Town during fiscal 2017 that are deemed to have a material effect on the financial statements (these transactions appear to be at “arm’s length”):

- Universal Professional Services: \$25,965. Nature of transactions were for lobbying services.
- Ambitions Consulting Group: \$44,587. Nature of transactions were for IT consulting.
- Questa Lumber: \$7,829. Nature of transactions were for supplies and materials.
- Robles, Rael and Anaya: \$31,343. Nature of transactions were for attorney fees.

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 19. Subsequent Events

The Town of Red River has evaluated subsequent events through December 14, 2017, which is the date the financial statements were dated. There were no significant subsequent events to report.

NOTE 20. Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

For funds where the actual revenues or expenditures on a budget basis were different than the actual revenues or expenditures on a budget basis, a reconciling schedule can be found at the bottom of the statements.

See Independent Auditors' Report

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL GENERAL FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.1326%	0.1434%	0.1410%
Town's proportionate share of the net pension liability	\$ 2,118,502	\$ 1,462,087	\$ 1,099,951
Town's covered-employee payroll	\$ 1,166,533	\$ 1,180,013	\$ 1,145,615
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.61%	123.90%	96.01%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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, the Town will present information for those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL POLICE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0722%	0.0751%	0.0724%
Town's proportionate share of the net pension liability	\$ 532,713	\$ 361,123	\$ 236,016
Town's covered-employee payroll	\$ 172,984	\$ 183,002	\$ 174,041
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	307.96%	197.33%	135.61%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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, the Town will present information for those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL FIRE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL FIRE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0723%	0.0769%	0.0739%
Town's proportionate share of the net pension liability	\$ 482,314	\$ 396,895	\$ 308,458
Town's covered-employee payroll	\$ 103,106	\$ 105,820	\$ 102,192
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	467.78%	375.07%	301.84%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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, the Town will present information for those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S CONTRIBUTIONS PERA FUND DIVISION -
MUNICIPAL GENERAL
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL GENERAL FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 111,404	\$ 112,691	\$ 104,824
Contributions in relation to the contractually required contribution	<u>111,364</u>	<u>112,567</u>	<u>104,824</u>
Contribution deficiency (excess)	<u>\$ 40</u>	<u>\$ 124</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,166,533	\$ 1,180,013	\$ 1,145,615
Contributions as a % of covered-employee payroll	9.55%	9.54%	9.15%

*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, the Town will present information for those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S CONTRIBUTIONS PERA FUND DIVISION -
MUNICIPAL POLICE
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL POLICE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 32,694	\$ 28,182	\$ 26,106
Contributions in relation to the contractually required contribution	<u>26,639</u>	<u>28,182</u>	<u>26,106</u>
Contribution deficiency (excess)	<u>\$ 6,055</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 172,984	\$ 183,002	\$ 174,041
Contributions as a % of covered-employee payroll	15.40%	15.40%	15.00%

*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, the Town will present information for those years for which information is available.

See Independent Auditors' Report

Schedules of Required Supplementary Information
SCHEDULE OF THE TOWN'S CONTRIBUTIONS PERA FUND DIVISION -
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years* 2017

MUNICIPAL FIRE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,487	\$ 18,942	\$ 17,884
Contributions in relation to the contractually required contribution	<u>18,831</u>	<u>18,942</u>	<u>17,884</u>
Contribution deficiency (excess)	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 103,106	\$ 105,820	\$ 102,192
Contributions as a % of covered-employee payroll	18.26%	17.90%	17.50%

*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, the Town will present information for those years for which information is available.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. <https://www.saonm.org>.

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

See Independent Auditors' Report

NONMAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Town with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Local Government Corrections Fund (201) – To account for the operation and maintenance of the Town's jail. Financing is provided by the assessment of correction fees which may be used only for prisoner care. Authorized by NMSA 1978 35-14-44. No minimum balance required according to legislation.

Environmental Gross Receipts Tax Fund (202) – To account for the collection and expenditure of one sixteenth of one percent gross receipts tax dedicated for the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, waste water facilities or sewer systems. Authorized by NMSA Chapter 7, Article 20E. No minimum balance required according to legislation.

Emergency Medical Services Fund (206) – To account for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Authorized by NMSA 24-10A & NMS 6-11-6. No minimum balance required according to legislation.

Law Enforcement Protection Fund (211) – To account for the grant funds used for maintenance and development of the Town's police force. Financing is provided by a grant from the State of New Mexico. Such revenue provided for purchase and repairs of equipment as well as classes to upgrade the training of police personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1. No minimum balance required according to legislation.

State Library Grant Fund (213) – To account for the operations of a Library Grant from the New Mexico State Library for additions to the Town Library. Authorized by Section 18-2-4B NMSA 1978. No minimum balance required according to legislation.

State Gasoline Tax Fund (216) – To account for special gasoline tax distribution to be used for maintenance and improvement of the streets and highways. Funding is from State gasoline tax. Authorized by NMSA 1978 7-1-6.9 to 7-13-18. No minimum balance required according to legislation.

Transportation Grant Fund (224) - To account for a grant to administer and operate a Federal Transportation Administration 5311 Program- Rural Transportation System. Funds are restricted to the transportation system. No minimum balance required according to legislation.

Ambulance Transfer Fund (290) – To account for Ambulance fees collected and transferred between the Town of Red River and Taos County. Funds are restricted to the ambulance related services. No minimum balance required according to legislation.

Motor Vehicle Department Fund (296) – To account for a portion of the fees and taxes collected through the Motor Vehicle Department for payroll purposes within the MVD. Funds are restricted to motor vehicle department for payroll. No minimum balance required according to legislation.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
JUNE 30, 2017**

911 Grant Fund (207) – To account for monies received from the State of new Mexico under Section 63-9D-1 NMSA 1978 as amended for the enhancement of the 911 Telephone Emergency System.

Fire Protection Fund (209) – To account for the grant funds used for maintenance and development of the Town fire department. Financing is provided by a grant from the State of New Mexico. Such revenue provided for purchase and repairs of equipment as well as classes to upgrade the training of fire personnel and may be used only for these purposes. Funding authority is NMSA 29-13-1.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources that are to be used for the acquisition or construction of major capital projects. The Town has five separate funds classified as Capital Projects Funds, as follows:

Sewer AWTT Replacement Fund (304) – To account for funds collected in prior years to fund the replacement of part of the waste water treatment plant.

Water Line Replacement Fund (306) – To account for financing, construction and maintenance of water lines within the Town limits. Funding is through ¼ cent sales tax imposed by legislation for such projects.

Parks Replacement Fund (310) – To account for the financing, construction and maintenance of land and parks within the Town limits. Funding is through ¼ cent sales tax imposed by legislation for such projects.

Streets Tax Fund (398) – To account for the collection of a quarter cent sales tax imposed by the Town Council to fund the construction and maintenance of streets within the Town limits.

DEBT SERVICE FUNDS

Debt Service Fund is used to account for financial resources to be used for the acquisition and payment of long-term bonds and notes of the Town.

Debt Service Fund (606) – To account for transactions related to the acquisition and payment of long-term debt.

All funds are on a reimbursement basis, therefore there are no reverting fund requirements.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue			
	Local Gov't Corrections Fund	Environmental GRT Fund	Emergency Medical Services Fund	Law Enforcement Protection Fund
ASSETS				
Cash and Cash Equivalents	\$ 10,058	\$ 55,426	\$ -	\$ 14,641
Restricted Cash	-	-	-	-
Investments	-	-	-	-
Accounts and Taxes Receivable	-	5,313	-	-
Due From Other Governments	-	-	-	-
TOTAL ASSETS	<u>\$ 10,058</u>	<u>\$ 60,739</u>	<u>\$ -</u>	<u>\$ 14,641</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES				
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	10,058	60,739	-	14,641
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Unassigned for:				
General Fund	-	-	-	-
TOTAL FUND BALANCES	<u>10,058</u>	<u>60,739</u>	<u>-</u>	<u>14,641</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,058</u>	<u>\$ 60,739</u>	<u>\$ -</u>	<u>\$ 14,641</u>

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS -
CONTINUED
JUNE 30, 2017**

	Special Revenue			
	State Library Grant Fund	State Gasoline Tax Fund	Federal Transportation Grant Fund	Ambulance Transfer Fund
ASSETS				
Cash and Cash Equivalents	\$ 298	\$ 29,729	\$ -	\$ 242,050
Restricted Cash	-	-	-	-
Investments	-	-	-	-
Accounts and Taxes Receivable	-	-	-	-
Due From Other Governments	-	-	8,433	-
TOTAL ASSETS	<u>\$ 298</u>	<u>\$ 29,729</u>	<u>\$ 8,433</u>	<u>\$ 242,050</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 825	\$ 3,139
Accrued Salaries and Benefits	-	-	1,265	1,943
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,090</u>	<u>5,082</u>
 FUND BALANCES				
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	298	29,729	6,343	236,968
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Unassigned for:				
General Fund	-	-	-	-
TOTAL FUND BALANCES	<u>298</u>	<u>29,729</u>	<u>6,343</u>	<u>236,968</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 298</u>	<u>\$ 29,729</u>	<u>\$ 8,433</u>	<u>\$ 242,050</u>

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS -
CONTINUED
JUNE 30, 2017**

	Special Revenue			Debt Service
	Motor Vehicle Dept Fund	911 Grant Fund	Fire Protection Fund	Debt Service Fund
ASSETS				
Cash and Cash Equivalents	\$ 8,335	\$ 971	\$ 28,309	\$ 53,291
Restricted Cash	-	-	45,668	-
Investments	-	-	-	-
Accounts and Taxes Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
TOTAL ASSETS	<u>\$ 8,335</u>	<u>\$ 971</u>	<u>\$ 73,977</u>	<u>\$ 53,291</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 79	\$ -
Accrued Salaries and Benefits	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>79</u>	<u>-</u>
 FUND BALANCES				
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	8,335	971	73,898	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	53,291
Unassigned for:				
General Fund	-	-	-	-
TOTAL FUND BALANCES	<u>8,335</u>	<u>971</u>	<u>73,898</u>	<u>53,291</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 8,335</u>	 <u>\$ 971</u>	 <u>\$ 73,977</u>	 <u>\$ 53,291</u>

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS -
CONTINUED
JUNE 30, 2017**

	Capital Projects				Total Nonmajor Governmental Funds
	Water Line Replacement Fund	Park Replacement Fund	Streets Tax Fund	Sewer AWTT Fund	
ASSETS					
Cash and Cash Equivalents	\$ 92,826	\$ 167,223	\$ 66,227	\$ 100,041	\$ 869,425
Restricted Cash	-	-	71,769	-	117,437
Investments	-	-	83,943	-	83,943
Accounts and Taxes Receivable	21,000	21,000	21,000	-	68,313
Due From Other Governments	-	-	-	-	8,433
TOTAL ASSETS	<u>\$ 113,826</u>	<u>\$ 188,223</u>	<u>\$ 242,939</u>	<u>\$ 100,041</u>	<u>1,147,551</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 503	\$ 946	\$ 746	\$ -	6,238
Accrued Salaries	-	-	-	-	3,208
TOTAL LIABILITIES	<u>503</u>	<u>946</u>	<u>746</u>	<u>-</u>	<u>9,446</u>
FUND BALANCES					
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	441,980
Capital Projects Funds	113,323	187,277	242,193	100,041	642,834
Debt Service Funds	-	-	-	-	53,291
Unassigned for:					
General Fund	-	-	-	-	-
TOTAL FUND BALANCES	<u>113,323</u>	<u>187,277</u>	<u>242,193</u>	<u>100,041</u>	<u>1,138,105</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 113,826</u>	<u>\$ 188,223</u>	<u>\$ 242,939</u>	<u>\$ 100,041</u>	<u>\$ 1,147,551</u>

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			
	Local Gov't Corrections Fund	Environmental GRT Fund	Emergency Medical Services Fund	Law Enforcement Protect. Fund
REVENUES				
Taxes	\$ -	\$ 32,864	\$ -	\$ -
State Grants	-	-	143,505	22,400
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	1,780	-	-	-
Investment Income	-	-	-	-
Miscellaneous	300	-	-	10,055
TOTAL REVENUES	<u>2,080</u>	<u>32,864</u>	<u>143,505</u>	<u>32,455</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	388	-	-	5,130
Public Works	-	23,924	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	9,255	-
Capital Outlay	-	-	134,250	36,204
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	<u>388</u>	<u>23,924</u>	<u>143,505</u>	<u>41,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,692	8,940	-	(8,879)
OTHER FINANCING SOURCES (USES):				
Loan Proceeds				-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,692	8,940	-	(8,879)
FUND BALANCE, BEGINNING OF YEAR	<u>8,366</u>	<u>51,799</u>	<u>-</u>	<u>23,520</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,058</u>	<u>\$ 60,739</u>	<u>\$ -</u>	<u>\$ 14,641</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			
	State Library Grant Fund	State Gasoline Tax Fund	Federal Trans. Grant Fund	Ambulance Transfer Fund
REVENUES				
Taxes	\$ -	\$ 11,802	\$ -	\$ -
State Grants	10,390	-	-	55,477
Federal Grants	-	-	87,043	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	15,682	311,556
Investment Income	-	-	-	-
Miscellaneous	-	-	-	41
TOTAL REVENUES	10,390	11,802	102,725	367,074
EXPENDITURES				
Current				
General Government	-	-	145	-
Public Safety	-	-	-	426
Public Works	-	-	177,607	-
Culture and Recreation	10,390	-	-	-
Health and Welfare	-	-	-	261,128
Capital Outlay	-	-	-	50,407
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	10,390	-	177,752	311,961
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	11,802	(75,027)	55,113
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers in	-	-	60,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	60,000	-
NET CHANGE IN FUND BALANCES	-	11,802	(15,027)	55,113
FUND BALANCE, BEGINNING OF YEAR	298	17,927	21,370	181,855
FUND BALANCE, END OF YEAR	\$ 298	\$ 29,729	\$ 6,343	\$ 236,968

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue			Debt Service
	Motor Vehicle Dept Fund	911 Grant Fund	Fire Protection Fund	Debt Service Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	85,260	-
Federal Grants	-	-	-	-
Charges for Services	13,533	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	13,533	-	85,260	-
EXPENDITURES				
Current				
General Government	200	-	-	19,900
Public Safety	12,965	-	54,322	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	-	-	21,762	-
Debt Service Interest	-	-	12,664	-
TOTAL EXPENDITURES	13,165	-	88,748	19,900
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	368	-	(3,488)	(19,900)
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers in	5,000	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	-	-	-
NET CHANGE IN FUND BALANCES	5,368	-	(3,488)	(19,900)
FUND BALANCE, BEGINNING OF YEAR	2,967	971	77,386	73,191
FUND BALANCE, END OF YEAR	\$ 8,335	\$ 971	\$ 73,898	\$ 53,291

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

	Capital Projects				Total Nonmajor Governmental Funds
	Water Line Replacement Fund	Park Replacement Fund	Streets Tax Fund	SEWER AWTT Fund	
REVENUES					
Taxes	\$ 132,361	\$ 132,362	\$ 133,671	\$ -	\$ 443,060
State Grants	-	-	-	-	317,032
Federal Grants	-	-	-	-	87,043
Charges for Services	-	-	-	-	13,533
Licenses and Fees	-	-	-	100,041	429,059
Investment Income	-	-	168	-	168
Miscellaneous	-	5,820	71,230	-	87,446
TOTAL REVENUES	132,361	138,182	205,069	100,041	1,377,341
EXPENDITURES					
Current					
General Government	-	-	-	98,844	119,089
Public Safety	-	-	-	-	73,231
Public Works	114,982	84,438	125,974	-	526,925
Culture and Recreation	-	154	-	-	10,544
Health and Welfare	-	-	-	-	270,383
Capital Outlay	-	-	71,230	-	292,091
Debt Service Principal	-	-	-	-	21,762
Debt Service Interest	-	-	-	-	12,664
TOTAL EXPENDITURES	114,982	84,592	197,204	98,844	1,326,689
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,379	53,590	7,865	1,197	50,652
OTHER FINANCING SOURCES (USES):					
Loan Proceeds	-	-	71,769	-	71,769
Transfers in	-	-	-	-	65,000
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCE	-	-	71,769	-	136,769
NET CHANGE IN FUND BALANCES	17,379	53,590	79,634	1,197	187,421
FUND BALANCE, BEGINNING OF YE	95,944	133,687	162,559	98,844	950,684
FUND BALANCE, END OF YEAR	\$ 113,323	\$ 187,277	\$ 242,193	\$ 100,041	\$ 1,138,105

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL – INFRASTRUCTURE DEVELOPMENT
FUND 311 (CAPITAL PROJECTS FUND)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 196,899	\$ 196,899	\$ 195,135	\$ (1,764)
State Grants	43,000	43,000	43,543	543
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	477	477	384	(93)
Investment Income	-	-	-	-
Miscellaneous	1,000	1,000	-	(1,000)
TOTAL REVENUES	241,376	241,376	239,062	(2,314)
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	178,792	178,792	129,543	49,249
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	56,000	56,000	35,331	20,669
Debt Service Principal	52,000	52,000	23,000	29,000
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	286,792	286,792	187,874	98,918
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(45,416)	(45,416)	51,188	96,604
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET INCREASE (DECREASE)	(45,416)	(45,416)	\$ 51,188	\$ 96,604
PRIOR YEAR CASH BALANCE BUDGETED	\$ 45,416	\$ 45,416		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 239,062
Revenues, Actual on Modified Accrual Basis	218,126
Adjustments to revenues	<u>\$ 20,936</u>
Expenditures, Actual on a Budget Basis	\$ 187,874
Expenditures, Actual on Modified Accrual Basis	162,467
Adjustments to expenditures	<u>\$ 25,407</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL – GRANTS CAPITAL PROJECTS FUND 399
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	1,305,134	1,795,182	927,137	(868,045)
Federal Grants	-	-	-	-
Charges for Services	150	150	-	(150)
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	1,305,284	1,795,332	927,137	(868,195)
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	1,082,182	1,422,230	739,932	682,298
Culture and Recreation	21,060	21,060	21,060	-
Health and Welfare	-	-	-	-
Capital Outlay	201,995	325,000	142,330	182,670
Debt Service Principal	-	-	-	-
Debt Service Interest	-	-	-	-
TOTAL EXPENDITURES	1,305,237	1,768,290	903,322	864,968
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47	27,042	23,815	(3,227)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET INCREASE (DECREASE)	47	27,042	\$ 23,815	\$ (3,227)
PRIOR YEAR CASH BALANCE BUDGETED	\$ (47)	\$ (27,042)		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 927,137
Revenues, Actual on Modified Accrual Basis	917,436
Adjustments to revenues	\$ 9,701
Expenditures, Actual on a Budget Basis	\$ 903,322
Expenditures, Actual on Modified Accrual Basis	903,322
	\$ -

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
STATEMENT OF REVENUES AND EXPENSES – BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL – GO BOND
FUND 401 (DEBT SERVICE FUND)
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 161,496	\$ 161,496	\$ 151,404	\$ (10,092)
State Grants	1,367,364	1,367,364	1,351,109	(16,255)
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Licenses and Fees	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	1,528,860	1,528,860	1,502,513	(26,347)
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	1,280,000	26,995	-	26,995
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service Principal	19,846	1,280,000	-	1,280,000
Debt Service Interest	-	-	19,980	(19,980)
TOTAL EXPENDITURES	1,299,846	1,306,995	19,980	1,287,015
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	229,014	221,865	1,482,533	1,260,668
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET INCREASE (DECREASE)	229,014	221,865	\$ 1,482,533	\$ 1,260,668
PRIOR YEAR CASH BALANCE BUDGETED	\$ (229,014)	\$ (221,865)		

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 1,502,513
Revenues, Actual on Modified Accrual Basis	1,502,513
	\$ -
Expenditures, Actual on a Budget Basis	\$ 19,980
Expenditures, Actual on Modified Accrual Basis	19,980
	\$ -

See Independent Auditors' Report

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY
FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

ENCHANTED CIRCLE EMS	<u>Balance</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 22,522	\$ 13,884	\$ 10,141	\$ 26,265
<u>LIABILITIES</u>				
Deposits Held in Trust for Others	\$ 22,522	\$ 13,884	\$ 10,141	\$ 26,265

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2017**

Name of Depository	Type of Security	Rate	CUSIP #	Fair Market Value, June 30, 2017	Par Value, June 30, 2017	Maturity Date
Peoples Bank	FHLMC High LTV	2.50%	3132G5AS8	509,591	503,887	5/1/2028
Peoples Bank	FHLMC 20YR	5.00%	31335HVE0	58,126	53,266	1/1/2023
Peoples Bank	FHR 3533 CY	4.50%	31398CWF1	119,231	111,020	5/15/2029
Peoples Bank	FHR 3822 VE	4.00%	3137A8KD9	77,617	74,227	5/15/2022
Peoples Bank	FNR 2010-135 A	4.00%	31398SJ20	7,788	7,606	12/25/1938
Peoples Bank	FNR 2010-135 A	4.00%	31398SJ20	38,939	38,031	12/25/1938
Peoples Bank	FNR 2010-135 A	4.00%	31398SJ20	93,453	91,274	12/25/1938
Peoples Bank	FHR 2673 PE	5.50%	31394JKA4	44,994	40,523	9/15/1933
Peoples Bank	FHR 2673 PE	5.50%	31394JKA4	89,988	81,046	9/15/1933
Peoples Bank	FHR 3450 PE	5.00%	31397TEY4	605,444	576,045	5/15/1938
Peoples Bank	FNMA 15YR	3.50%	3138ELFD0	355,923	339,168	5/1/2028
Total				<u>\$ 2,001,094</u>		
Collateralization Amount Required				<u>2,144,408</u>		
Amount Overcollateralized				<u>(143,314)</u>		

See Independent Auditors' Report

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2017**

Bank Account Type / Name	People's Bank of Red River
General Fund	\$ 2,078,180
Municipal Court	1,900
Infrastructure Savings	168,395
GO Bond Cash	1,280,666
Fire Savings	15,003
AWWT Savings	100,041
Planning - Money Market	361,052
Ambulance - Money Market	67,084
Claim Jumper Project - Money Market	30,498
Bond Revenue Debt Service - Checking	201,867
Solid Waste Equipment Replacement - Money Market	150,186
NMFA Restricted Cash	117,437
Certificate of Deposit - Interest-Bearing	83,943
Total on Deposit	<u>4,656,252</u>
Reconciling Items	<u>(190,469)</u>
Total Cash and Investments at June 30, 2017	<u><u>4,465,783</u></u>

This amount is reflected in the financial statements as follows:

Cash and Cash Equivalents, Statement of Net Position	\$ 2,322,545
Restricted Cash, Statement of Net Position	117,437
Investments - Statement of Net Position	1,566,476
Cash and Cash Equivalents, Proprietary Statement of Net Position	433,060
Fiduciary Cash	26,265
Total Cash and Investments at June 30, 2017	<u><u>\$ 4,465,783</u></u>

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' 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**

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and the Town Council
Town of Red River
Red River, New Mexico

We have been engaged to audit, 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 governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and special revenue funds of the State of New Mexico, Town of Red River (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report dated December 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 of the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Town'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 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 2017-001 and 2017-002.

Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town'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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
December 14, 2017

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I. FINANCIAL STATEMENT AUDIT FINDINGS

2017-001 - Inadequate Pledged Collateral - Noncompliance - Other

Condition: During our test work of the Town's deposits, we noted that their financial institution did not have adequate pledged collateralized as required by the State of New Mexico.

Management's Progress: New finding in FY2017.

Criteria: Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978) including the requirements of Sections 6-10-10(A) and (B) NMSA 1978 that municipal treasurers deposit money in their respective entities, and the requirement of Section 6-10-17 NMSA 1978 that the agency receive a joint safe keeping receipt for pledged collateral. The pledged collateral should be no less than fifty-percent of the uninsured cash balance held with financial institutions.

Cause: The Town was not aware that they were under-collateralized.

Effect: In the event of that the Town's bank closed, the Town could potentially lose \$143,314.

Auditors' Recommendation: We recommend that the Town has their bank pledge collateral equal to 50% of the uninsured bank balance as required by the State of New Mexico.

Management's Response: The bank has determined that due to an internal error the aggregate amount of bonds pledged to the Town of Red River as of 6/30/2017 was short of required amount. The account XXXX4161 opened on 3/30/2017 was not properly coded at the bank level as being a public fund. Which in turn was not pulled over to the pledging application. On 9/25/2017, additional bonds have been pledged to cover the outstanding shortfall and the account has been properly reclassified.

Responsible Party: Chad Hime, Peoples Banking Unusual and Georgiana Rael, Town Administrator.

Timeline: Corrected prior to the report date.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

2017-002 – Internal Control over Receipts and Deposits – Noncompliance - Other

Condition: During our test work of the Town's receipts and deposits, we noted that three (3) out of ten (10) deposits tested were not sent to the bank in a timely manner. These deposits totaled \$38,960.

Management's Progress: New finding in FY2017.

Criteria: Appropriate internal controls in cash receipts and cash disbursements is required to properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978 law related to the 24 hour deposit rule.

Cause: For the fiscal year 2017, different processes were in place regarding various receipt and deposit activities. There is lack of accountability in areas of the Town's operations with respect to receipts and deposits. There is inadequate supervision and accountability within some aspects of the Town's receipt and deposit process.

Effect: The risk of misappropriation increases with the amount of time receipts are not deposited. Revenues should be deposited within 24 hours of receipt as required by the State of New Mexico.

Auditors' Recommendation: We recommend that management implement proper internal controls over receipts and deposits. There should be no autonomous departments in the Town that are able to operate outside of the Town's policies and procedures. All of the Town's receipts should be deposited in accordance with laws and regulations of the State of New Mexico.

Management's Response: It was discovered that the municipal court clerk was not processing/ depositing court payments within a 24 hour period. The municipal Judge will refer the clerk to chapter 12, section 12.3.2 of the New Mexico Municipal Court Manual for Judges, "Guidelines for daily deposits". Because the court only has one clerk, the manual suggests that someone within the municipal government be assigned to assist with the process. This procedure protects the clerk and the court. Therefore, the Town of Red River will implement this procedure.

Responsible Party: Honorable Jack Griffin

Timeline: The procedure will be implemented by June 30, 2018.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no findings for the year ended June 30, 2016.

**STATE OF NEW MEXICO
TOWN OF RED RIVER
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was held on December 14, 2017 to discuss the results of the audit. Attending were the following:

Representing the Town:

Linda Calhoun, Mayor
Georgiana Rael, Municipal, Town Administrator
Kim Leach, Finance/Deputy Clerk

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA
Andrew Quintana, CPA

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Town's Administrator. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.