

# VILLAGE OF RUIDOSO

NEW MEXICO



*Living in Nature's  
Playground*

## Annual Financial Report For the Year Ended June 30, 2017

Progress & Success through Leadership,  
Commitment, & Sustainable Results

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# **STATE OF NEW MEXICO VILLAGE OF RUIDOSO**

**INDEPENDENT AUDITOR'S REPORT WITH FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017**

Prepared by:  
Judi M. Starkovich, CPA  
Finance Director

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## INTRODUCTORY SECTION

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**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2017**

**ELECTED OFFICIALS**

MAYOR	TOM BATTIN
MAYOR PRO TEM	LYNN CRAWFORD
COUNCILOR	RAFAEL "RIFLE" SALAS
COUNCILOR	JOE EBY
COUNCILOR	JOHN CORNELIUS
COUNCILOR	TIM COUGHLIN
COUNCILOR	GARY JACKSON

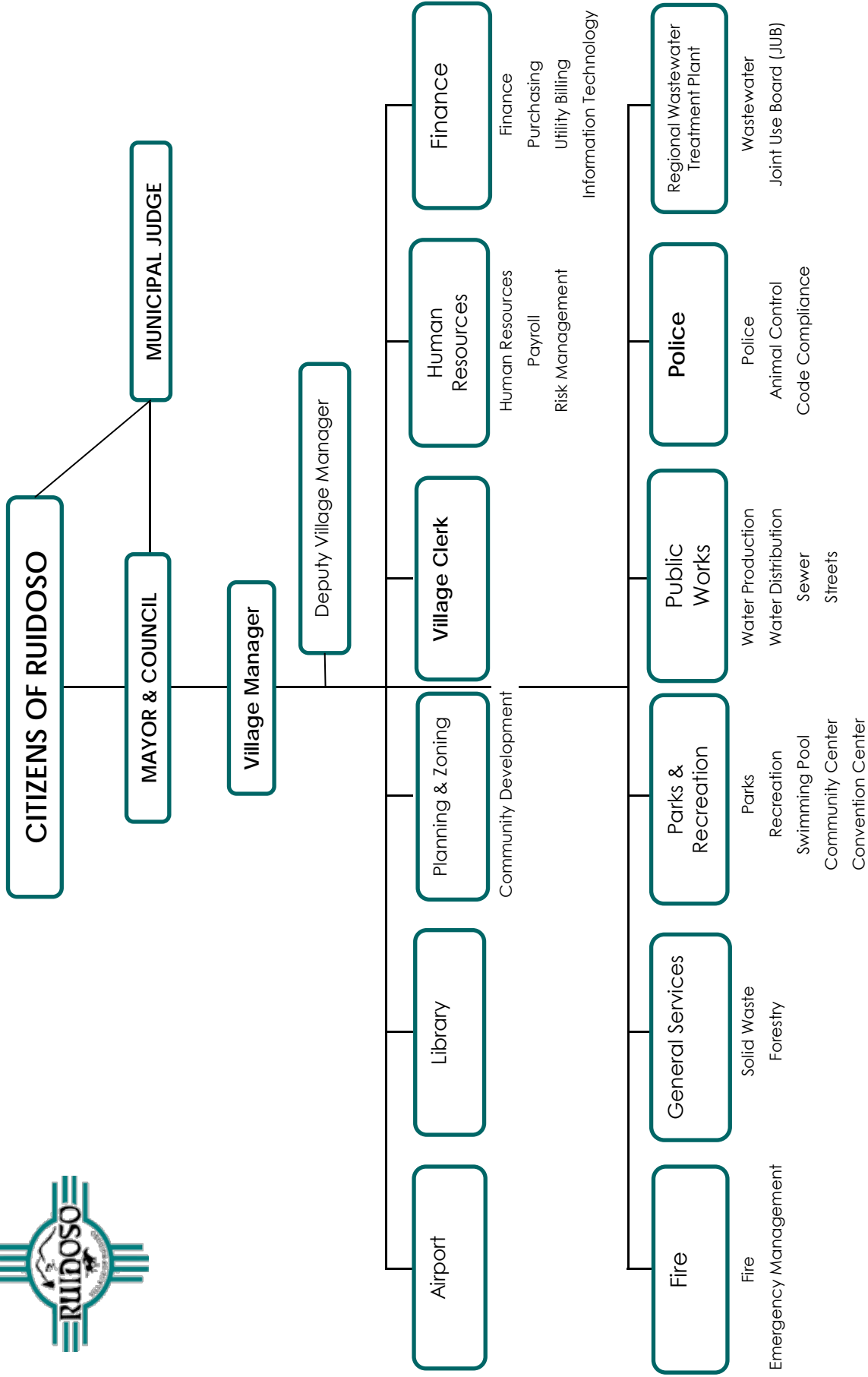
**APPOINTED OFFICIALS**

VILLAGE MANAGER	DEBI LEE
VILLAGE CLERK	IRMA DEVINE
POLICE CHIEF	DARREN HOOKER

**OTHER OFFICIALS**

FINANCE DIRECTOR	JUDI STARKOVICH
ASST. FINANCE DIRECTOR	KAREN GUTIERREZ

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**ELECTED OFFICIALS**  
**Appointed Officials**  
 Department Heads

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**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To Wayne Johnson New  
Mexico State Auditor and  
The Village Council  
Village of Ruidoso, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Ruidoso (Village), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village'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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions. **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 Village, 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 general fund and major special revenue fund 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 5-16, the Schedule of Village's Proportionate Share of the Net Pension Liability, and Schedule of Village Contributions on pages 63-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Village's financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements and 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the 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 accounting 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, the combining and individual nonmajor fund financial statements and the 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 15, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
December 15, 2017



# Village of Ruidoso

**Mayor** Tom Battin  
**Councilors** Rafael Salas  
Lynn Crawford  
Joe Eby  
John Cornelius  
Tim Coughlin  
Gary Jackson  
**Manager** Debi Lee

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Ruidoso (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the audit report.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,971,355 (*net position*). Of this amount, (\$15,183,815) represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased \$3,357,963, which is a dramatic increase over the prior year. Mainly due to the decrease in depreciation expense for Governmental Activities and the reduction in overall departmental operating expenditures.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$12,880,838, an increase of \$202,628 in comparison with the prior year. Approximately 10.0% of this amount \$1,288,207 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$6,085,248, or approximately 16.0% of total general fund expenditures.
- Deferred outflows of resources of \$8,096,109 related to employer contributions subsequent to June 30, 2016, deferred inflows of resources of \$271,471, and a net pension liability of \$21,065,844 related to a the Village's proportionate share of the public Employees Retirement Association (PERA), a multiple employer cost sharing defined benefit pension plan at June 30, 2017.
- Deferred outflows of resources includes unearned revenue of \$25,356,970 from the Federal Emergency Management Agency (FEMA) for the sewer line rehabilitation project.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 Village's finances, in a manner similar to private-sector business.

The *statement of net position* presents financial information on all of the Village's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village'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 for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village 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 Village include general government, public safety, public works (including highways and streets), culture and recreation, and health and welfare. The business-type activities of the Village include the operations of Ruidoso Joint Utilities (RJU) (water and sewer), the Sierra Blanca Regional Airport, Solid Waste, the Regional Wastewater Treatment Plant (RWWTP), and the Risk Management Internal Service Fund.

The government-wide financial statements include only the Village itself (known as the *primary government*) because it does not have any component units.

The government-wide financial statements can be found on pages 17 - 18 of this report.

**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 Village, 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 Village 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 assessing a government's near-term financing requirements.

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 Village maintains seventeen (17) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Municipal Gas Tax Special Revenue Fund, Bonds the General Obligation (GO) Bond Debt Service Fund, and the FEMA Capital Project Fund, which are considered to be major funds. Data from the other thirteen (13) 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 Village adopts an annual appropriated budget for all of its governmental and proprietary funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with each budget.

The basic governmental fund financial statements can be found on pages 19 - 24 of this report.

**Proprietary Funds.** The Village maintains two different types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its Ruidoso Joint Utilities (RJU), Airport, Solid Waste and Regional Wastewater Treatment Plant (RWWTP) operations. The Village uses an *Internal Service Fund* to account for its insurance administration. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for RJU, Solid Waste and RWWTP operations, all of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 25 - 28 of this report.

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

The Village maintains one type of fiduciary funds. The *Agency fund* reports resources held by the Village in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements can be found on page 29 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire 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 30 - 62 of this report.

**Other Information.** 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

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,971,355, at the close of the most recent fiscal year.

#### VILLAGE OF RUIDOSO'S NET POSITION (AMOUNTS IN THOUSANDS)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
<b>ASSETS</b>						
Current and other assets	\$ 39,387	\$ 13,539	\$ 19,202	\$ 18,672	\$ 58,589	\$ 32,211
Capital assets	<u>32,409</u>	<u>32,174</u>	<u>40,723</u>	<u>38,051</u>	<u>73,132</u>	<u>70,225</u>
Total Assets	<u>71,796</u>	<u>45,713</u>	<u>59,925</u>	<u>56,723</u>	<u>131,721</u>	<u>102,436</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>6,185</u>	<u>1,708</u>	<u>1,925</u>	<u>449</u>	<u>8,110</u>	<u>2,157</u>
<b>LIABILITIES</b>						
Other liabilities	903	398	889	1,093	1,792	1,491
Long-term liabilities outstanding	9,078	8,738	14,288	15,162	23,366	23,900
Net pension liability	<u>16,025</u>	<u>10,775</u>	<u>5,041</u>	<u>3,238</u>	<u>21,066</u>	<u>14,013</u>
Total Liabilities	<u>26,006</u>	<u>19,911</u>	<u>20,218</u>	<u>19,493</u>	<u>46,224</u>	<u>39,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>25,579</u>	<u>2,784</u>	<u>57</u>	<u>79</u>	<u>25,636</u>	<u>575</u>

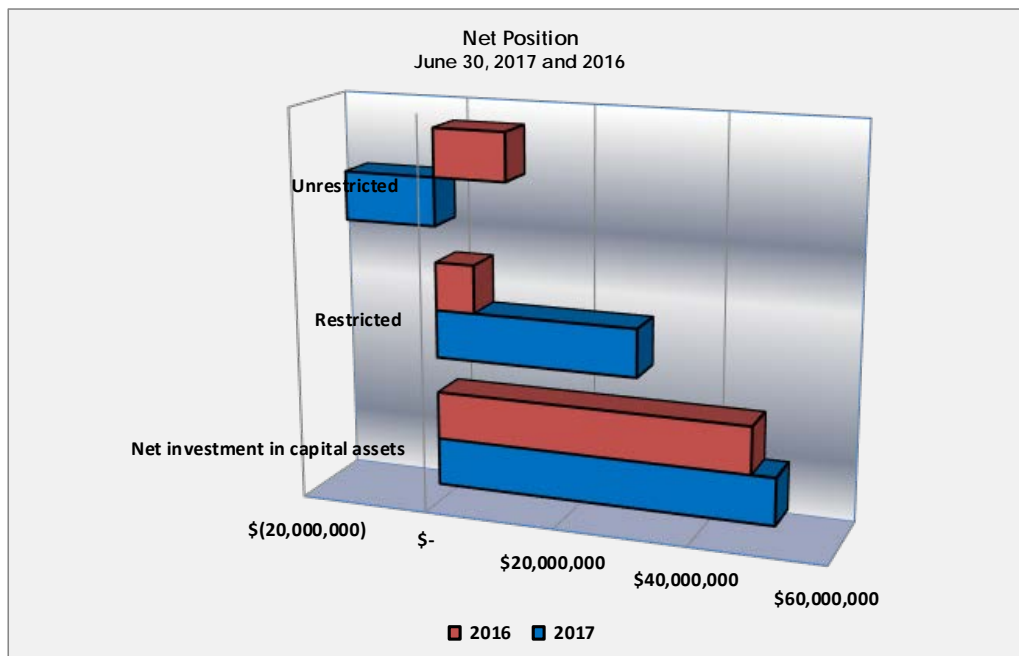
NET POSITION	Governmental Activities		Business-type Activities		Total Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Net investment in capital assets	24,277	24,277	26,964	23,351	51,241	47,628
Restricted	28,534	3,437	3,380	2,499	31,914	5,936
Unrestricted (deficits)	(26,415)	(702)	11,231	11,751	(15,184)	11,049
Total Net Position	\$ 26,396	\$ 27,012	\$ 41,575	\$ 37,601	\$ 67,971	\$ 64,613

By far, the largest portion of the Village's net position 75.4% (\$51,240,492) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position which totals \$31,914,678 (47.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$15,183,815) (-22.3%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. The negative balance is primary caused by the increase in restricted net position due to the advance payment of federal grant funds during the year.

At the end of the current fiscal year, the Village is able to report positive balances in all reported categories of net position except for the unrestricted category for governmental activities (\$26,415,455), which is attributed to the receipt of FEMA funds for the Sewer Line Reconstruction Project. The Village received \$22,633,023 up front to finish design and construct the project and must finish the project by the spring of 2020. In the prior year, the Village reported the only negative net position in the unrestricted category which was attributed to the recording of a net pension liability under GASB 68, *Accounting and Financial Reporting for Pensions*. All categories of net position for business-type activities reported positive balances in both fiscal years.

The Village's overall net position increased \$3,357,963 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.



**VILLAGE OF RUIDOSO'S CHANGES IN NET POSITION**  
(AMOUNTS IN THOUSANDS)

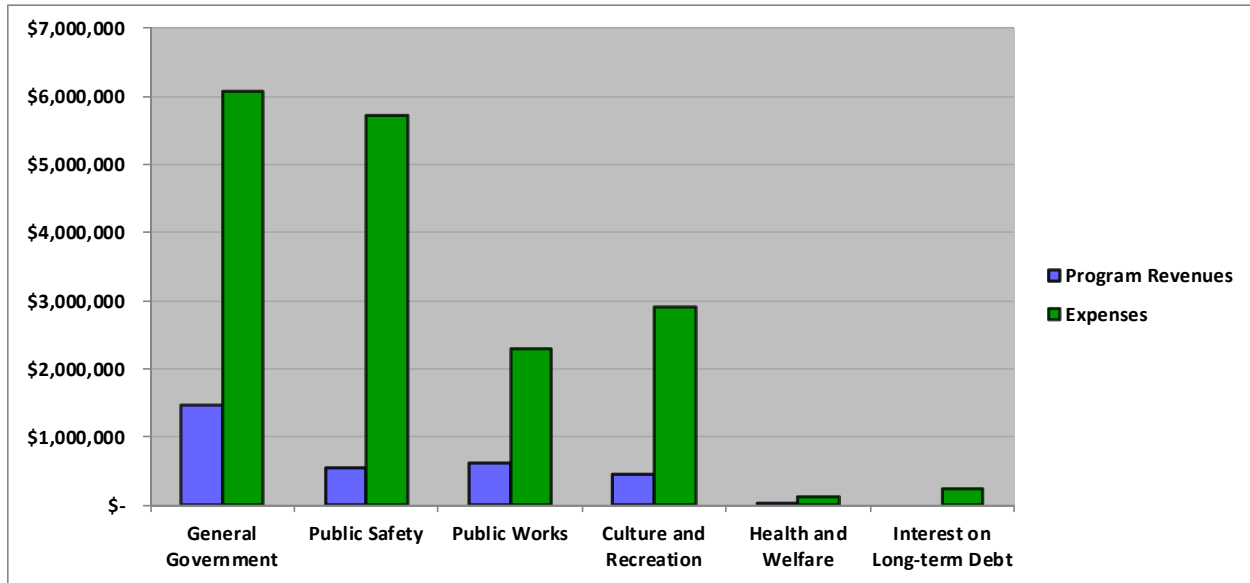
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,844	\$ 2,489	\$ 13,587	\$ 13,005	\$ 15,431	\$ 15,494
Operating grants and contributions	1,012	1,265	30	56	1,042	1,321
Capital grants and contributions	303	796	344	386	647	1,182
General revenues:						
Property taxes	3,247	3,307	-	-	3,247	3,307
Other taxes	6,350	6,264	4,037	3,990	10,387	10,254
Grants and contributions not restricted to specific programs	3,399	3,378	-	-	3,399	3,378
Other	<u>636</u>	<u>1,853</u>	<u>(22)</u>	<u>283</u>	<u>614</u>	<u>2,136</u>
Total Revenues	<u>16,791</u>	<u>19,352</u>	<u>17,976</u>	<u>17,720</u>	<u>34,767</u>	<u>37,072</u>
<b>EXPENSES</b>						
General government	6,084	12,496	-	0	6,084	12,496
Public safety	5,714	6,016	-	0	5,714	6,016
Public works	2,296	2,388	-	0	2,296	2,388
Culture and recreation	2,911	3,671	-	0	2,911	3,671
Health and welfare	136	139	-	0	136	139
Interest on long-term debt	254	344	-	0	254	344
Water and sewer	-	0	6,096	6,288	6,096	6,288
Airport	-	0	1,341	2,392	1,341	2,392
Solid waste	-	0	3,193	3,489	3,193	3,489
Wastewater	<u>-</u>	<u>0</u>	<u>3,384</u>	<u>2,753</u>	<u>3,384</u>	<u>2,753</u>
Total Expenses	<u>17,395</u>	<u>25,054</u>	<u>14,014</u>	<u>14,922</u>	<u>31,409</u>	<u>39,976</u>
Increase (decrease) in net position before transfers	(604)	(5,702)	3,962	2,798	3,358	(2,904)
Transfers	<u>(12)</u>	<u>(870)</u>	<u>12</u>	<u>870</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(616)	(6,572)	3,974	3,668	3,358	(2,904)
Net Position, Beginning of Year	<u>27,012</u>	<u>33,584</u>	<u>37,601</u>	<u>33,933</u>	<u>64,613</u>	<u>67,517</u>
Net Position, End of Year	<u>\$ 26,396</u>	<u>\$ 27,012</u>	<u>\$ 41,575</u>	<u>\$ 37,601</u>	<u>\$ 67,971</u>	<u>\$ 64,613</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$616,464 from the prior fiscal year for an ending balance of \$26,395,937. Both fiscal years resulted in decreases in net position; however the current year decrease was substantially lower by \$5,954,385. The main reason for the difference is that in the prior year, excess depreciation was taken in order for net asset values to line up with useful lives which resulted in additional expense of \$7,707,095. Although overall tax revenues remained flat, there was a reduction of one time revenue streams in service charges for fire services and street paving repairs and other miscellaneous sales of property and the reclassification of FEMA grants receivables that were written off, which resulted in a decrease of \$2,562,536 in revenues.

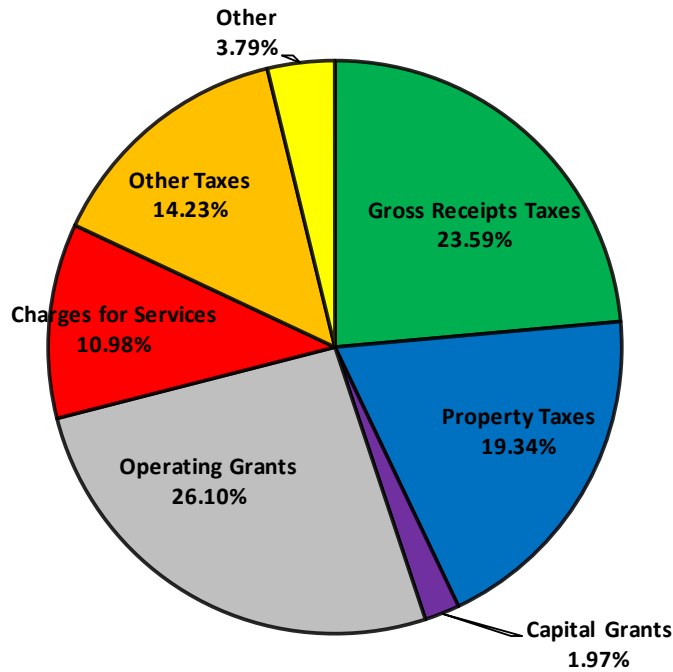
The change in net transfers was attributable to the reduction of transfers from NMFA loans (governmental) to water infrastructure project funds (business-type) for the completion of the Grindstone Liner and automated meter read loans. In addition, the cost of capital projects associated with water infrastructure (governmental activities) completed during the year were greater than administrative fees paid (business-type activities).

On June 30, 2017, the Village received \$22,263,023 from FEMA under the Sandy Recovery Improvement Act of 2013 for the federal share of repair costs for the main sewer line. The Village has agreed to receive 100% of federal funding for the project at a cost of \$36 million, with a two (2) year completion time line (estimated fall 2019). If actual project costs exceed this amount, it is the Village's responsibility to pay for them. At report date, the Village has completed 30% design and has contracted with an engineering firm to finish design and start construction by May 2018.

**PROGRAM REVENUES AND EXPENSES – GOVERNMENTAL ACTIVITIES**



**GENERAL REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**

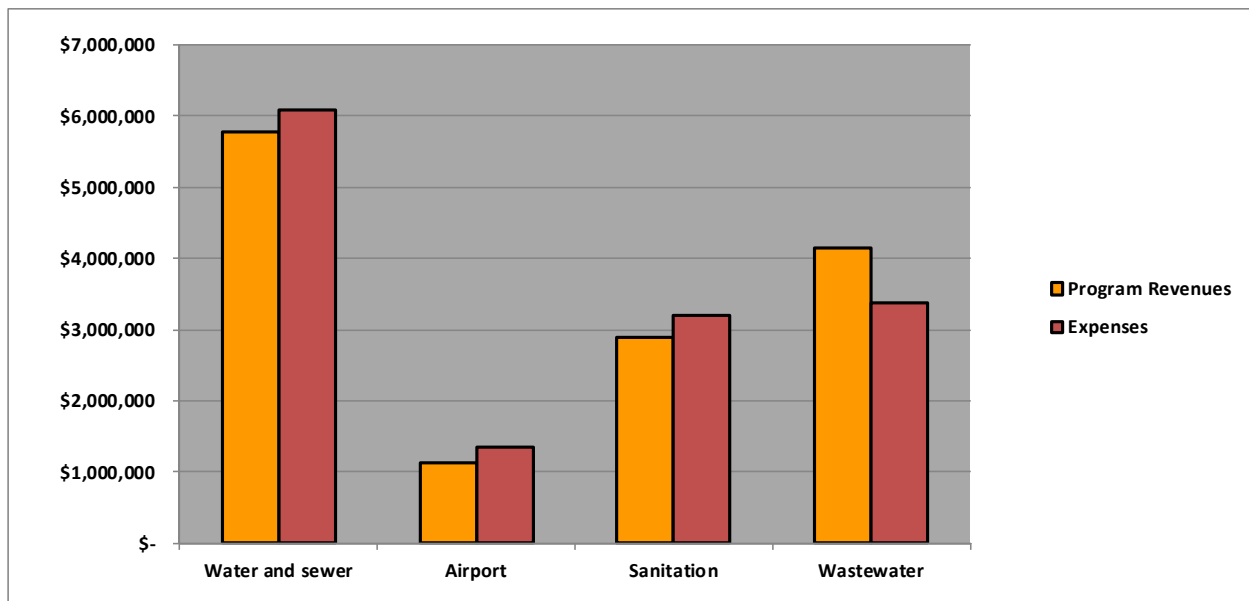


**Business-type Activities.** During the current fiscal year, net position for business-type activities increased \$3,974,427 from the prior fiscal year for an ending balance of \$41,575,418. When comparing both fiscal years, which reported increases in net position, the difference totals \$307,534. The current fiscal year was the first complete year that the Village’s new water meters were in effect. Based on preliminary reports this change out along with the ongoing effort of replacing water lines has led to a savings of 75 million gallons of water. This savings and the fact that the new meters are reading consumption correctly has led to a \$582,032 increase in service charges for utilities.

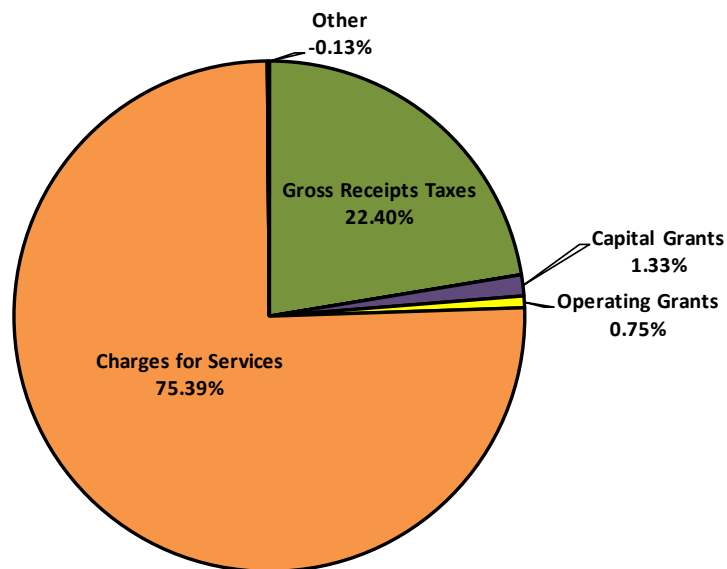
In addition, overall expenses decreased by \$909,070 as a result of frugal budget management by departments. Capital infrastructure projects are paid by funding sources other than utility rates. Ruidoso is one of only two municipalities in the State of New Mexico that received legislative approval for a 1% Supplemental Gross Receipts Tax (SGRT) that is restricted to water projects and yields approximately \$2,500,000 each year. Village residents also voted in March 2016 to pay additional ad valorem (property) taxes to issue \$3,000,000 in GO bonds for water infrastructure within a two (2) year election cycle. The increase to property taxes is 1.5 mils.

Net transfers decreased \$857,911 due to the completion of the installation of the auto read water meters which was funded by an NMFA loan and the corresponding payoff of the debt.

**PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES**



**GENERAL REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**

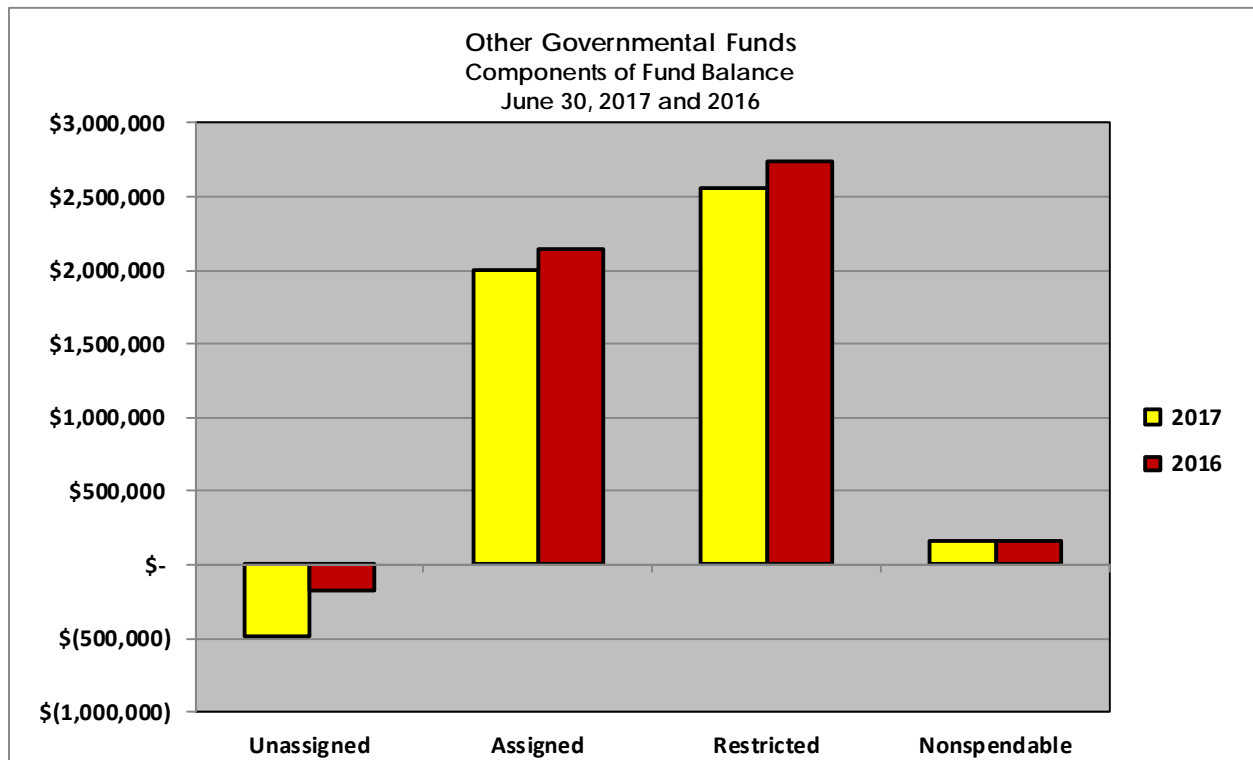


**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

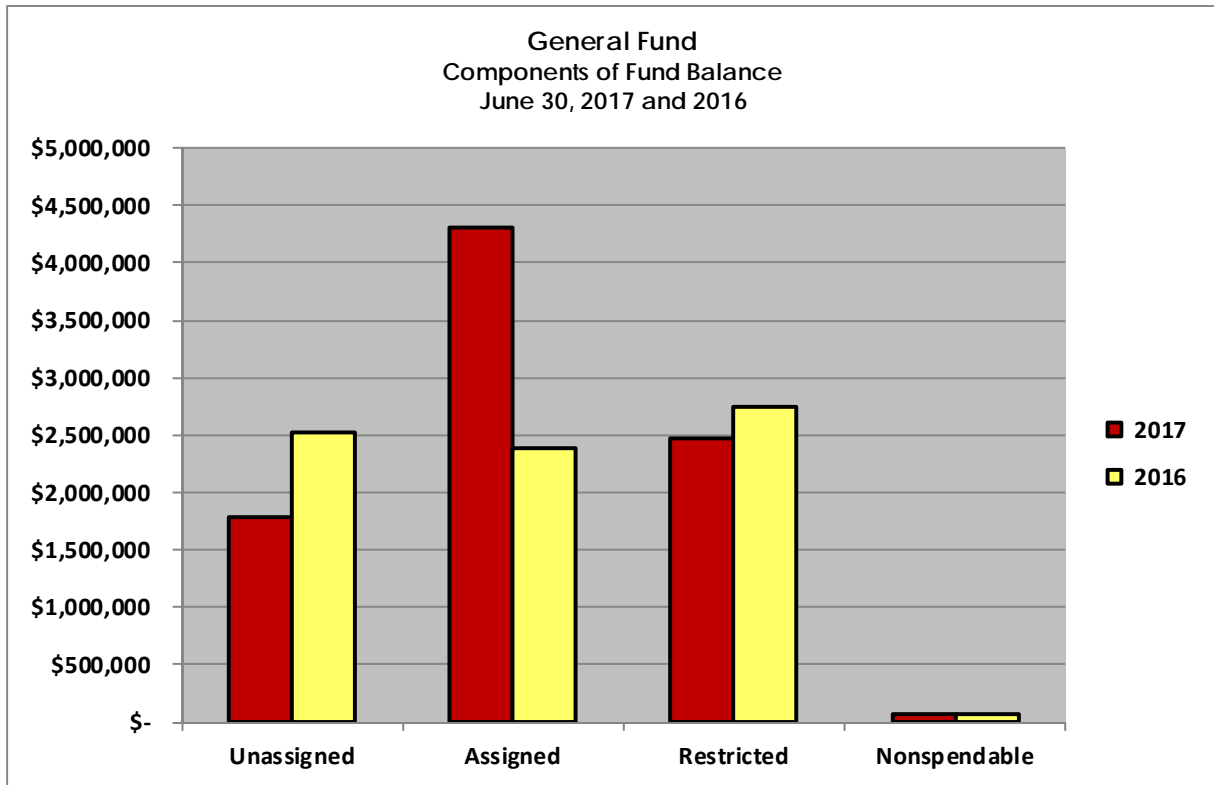
As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

At June 30, 2017, the Village's governmental funds reported combined fund balances of \$12,880,838, an increase of \$202,628 in comparison with the prior year. Approximately 10.0% of this amount \$1,288,207 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *non-spendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$242,705), 2) legally required to be maintained intact (\$2,476,942), 3) restricted for particular purposes (\$2,565,412), or 4) assigned for particular purposes (\$6,307,572).



The General fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,777,971, while total fund balance increased to \$8,639,661. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 16.0% of total general fund expenditures, while total fund balance represents approximately 77.7% of that same amount.



The fund balance of the Village's general fund increased \$911,253 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was less than the prior year mainly due the reduction of the one-time revenue streams from the sale of property and the additional service charges generated by the Fire Department. Expenditures were higher last fiscal year due to the construction of the downtown parking lot and Fire Station remodel. Net transfers changed due to the reduction of one-time influx of funds from debt issuance.

**Proprietary Funds.** The Village'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 year unrestricted net position of the following operations was \$11,231,640: RJU (water and sewer) totaled \$2,976,382, Solid Waste totaled \$149,025, RWWTP (wastewater) totaled \$8,043,631, and Airport totaled \$62,602. The total growth in net position for all four (4) funds was \$3,974,427 (RJU \$3,128,831, Solid Waste \$23,233, RWWTP \$971,193, and Airport (\$148,830)). RJU also reported a positive balance in restricted net position of \$2,664,663, which is restricted for meter deposits and for cash and investments associated with Supplemental Gross Receipts Tax (SGRT) that is restricted to water infrastructure projects and RWWTP reported a restricted in net position in the amount of \$715,372 that is associated with a debt reserve fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

**Original Budget compared to Final Budget.** Since the Village budget is due to the State of New Mexico's Department of Finance and Administration (DFA) by June 1<sup>st</sup>, year-end rollovers of grants and/or capital projects are not reflected in the Original Budget. These budget increases are included in the first budget adjustment of the subsequent fiscal year and increased revenues by \$1,179,775 (grants) and expenditures by \$3,257,528 (capital projects).



In addition the Airport Enterprise Fund, the DWI Grant Special Revenue Fund, the Special Library Special Revenue Fund, and the Trust and Agency Fund all had timing issues with grant reimbursements that led to negative cash balances totaling \$315,370. The General Fund budgeted additional transfers out in order to compensate for these temporary loans. All loans were paid during first quarter of FY 2018.

**Final Budget compared to Actual Results.** General Fund actual revenues decreased over final budget by \$931,905. However, the most significant difference between estimated revenues and actual revenues was in Intergovernmental – Federal Grants. The progress of the Main Road 1 Bridge reconstruction was still in the design phase and did not go out to bid for construction until fall 2017 with an estimated completion date of April 2018. The project is funded by an Economic Development Agency (EDA) grant in the amount of \$1,000,000, with a Village match of \$326,000. All other revenue streams remained flat with the only growth coming from Gross Receipts Tax due to the start of construction projects by both Lincoln County and Ruidoso Municipal Schools. The majority of the growth from these projects should be realized in FY 2018 when both projects will be completed.

The budget savings in the expenditure area were a combination of three scenarios. First, several vacant positions were not filled during the fiscal year and therefore, saved the General Fund approximately \$849,480. In addition, the actual increase to health insurance was three percent (3%) lower than budgeted. Management of departmental budgets was tight and therefore, actual levels did not even come close to budgeted amounts (savings of \$1,073,304) and several capital outlay projects were not completed during the fiscal year (savings of \$2,586,012).

Net transfers were short \$1,418,185 compared to budget which was caused by the a combination of subsidy payments and administrative fees (5% of revenues from Enterprise Funds, except Airport, and Lodgers' Tax Special Revenue Fund) not meeting budgeted levels and the temporary loans to other funds for the time lag between year-end and grant reimbursements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$73,133,162 (net of accumulated depreciation). This investment in capital assets includes, land building, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and distribution and production systems. The total increase of \$2,907,913 in capital assets for the current fiscal year was approximately 4.10%.

**VILLAGE OF RUIDOSO'S CAPITAL ASSETS  
NET OF DEPRECIATION  
(AMOUNTS IN THOUSANDS)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
Land	\$ 10,316	\$ 10,316	\$ 1,140	\$ 1,140	\$ 11,456	\$ 11,456
Construction in progress	2,139	1,478	2,324	3,456	4,463	4,934
Art	18	18	-	-	18	18
Infrastructure	12,325	12,579	11,959	30,108	24,284	42,687
Buildings and improvements	4,552	4,801	23,294	1,448	27,846	6,249
Machinery and equipment	1,116	1,211	807	829	1,923	2,040
Vehicles	1,943	1,771	1,200	1,071	3,143	2,842
	<u>\$ 32,409</u>	<u>\$ 32,174</u>	<u>\$ 40,724</u>	<u>\$ 38,052</u>	<u>\$ 73,133</u>	<u>\$ 70,226</u>

Major capital asset events during the current fiscal year included the following:

- Completion of the auto-read meter installation project of \$3,115,910. This project has had a direct effect on utility billing. The Village has seen a 4.3% increase in service charges in utility revenues.

- Purchase of several pieces of heavy equipment at a total cost of \$1,073,839.
- Various projects related to water and sewer distribution systems improvements at a total cost of \$1,520,616. Projects included a couple of river restoration and trail projects at a cost of \$520,195 and several water infrastructure projects totaling \$621,605.
- Partial completion of several system improvement and infrastructure projects that increased construction in progress by \$3,001,605, including the Cherokee project \$1,497,495 and the replacement of the HVAC system at the Convention Center \$584,031.

Additional information on the Village's capital assets can be found on pages 45 - 46 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Village had a total bonded debt outstanding of \$21,893,670. This entire amount is backed by the full faith and credit of the government.

**VILLAGE OF RUIDOSO'S OUTSTANDING DEBT**  
(AMOUNTS IN THOUSANDS)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
General obligation bonds	\$ 2,425	\$ 1,595	\$ -	\$ -	\$ 2,425	\$ 1,595
Gross receipts tax revenue bonds	3,550	3,700	1,865	2,155	5,415	5,855
Revenue bonds	-	-	11,895	12,545	11,895	12,545
	5,975	5,295	13,760	14,700	19,735	19,995
Loans payable	2,158	2,602	-	-	2,158	2,602
	<u>\$ 8,133</u>	<u>\$ 7,897</u>	<u>\$ 13,760</u>	<u>\$ 14,700</u>	<u>\$ 21,893</u>	<u>\$ 22,597</u>

The Village's total debt decreased \$703,946 (3.1%) during the current fiscal year. The Village issued \$1,500,000 series of GO Bonds in November 2016. Proceeds are used to fund Water infrastructure projects. The revenue pledged is a 1.5 mill property tax that is renewable by the voters every two years. March 2018 is the next scheduled election to renew the levy. Principal payments totaled \$670,000.

Several of the Village's bond issues are rated by Moody's and Standard & Poor's. The Village maintains an A1 rating from Moody's on its Series 2012 Refunding Revenue Bonds, an AA from Standard & Poor's and an A1 from Moody's on its Series 2013 GO Refunding Bonds, and an A+ from Standard and Poor's and an A2 from Moody's its Series 2013 Wastewater System Refunding Revenue Bonds.

Additional information on the Village's long-term debt can be found on pages 47 – 52 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The current economic factors affecting the Village which were considered in developing the 2017-2018 fiscal year budget are as follows:

- Estimated revenues were budgeted at fiscal year 2017 levels even though the schools did begin construction on a new high school and Lincoln County will begin construction on a new hospital, which will increase local option GRT revenues. Additional funds generated will be used to fund capital reserves.
- Personnel costs were increased by 15.0% due estimated insurance renewal costs and individual pay rates increased by \$1 per employee as a cost of living adjustment. This increase totaled approximately \$416,000.
- Inflationary trends in the region compare favorably to national indices.
- Departmental operating and capital budgets remained at fiscal year 2017 levels.

During the current fiscal year, the assigned fund balance in the general fund was \$4,307,277. The Village has appropriated \$3,820,829 of this amount for spending in the 2017-2018 fiscal year. This action rolled over several projects that were not completed during the 2017 fiscal year.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Village of Ruidoso, Finance Department, 313 Cree Meadows Drive, Ruidoso, NM 88345.

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## BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	PRIMARY GOVERNMENT		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,773,542	\$ 2,411,627	\$ 5,185,169
Investments	5,839,084	11,465,146	17,304,230
Restricted cash and investments	28,534,643	3,380,035	31,914,678
Receivables, net of allowance	1,704,592	1,341,694	3,046,286
Internal balances	292,069	(50,000)	242,069
Inventories	187,109	652,330	839,439
Prepaid expenses	55,596	927	56,523
Capital assets:			
Land	10,315,759	1,139,946	11,455,705
Construction in progress	2,139,351	2,324,290	4,463,641
Art	18,200	-	18,200
Infrastructure	39,328,349	37,418,079	76,746,428
Buildings and improvements	13,817,944	4,996,965	18,814,909
Machinery and equipment	3,578,527	2,023,509	5,602,036
Vehicles	6,358,331	5,892,430	12,250,761
Less: accumulated depreciation	<u>(43,147,042)</u>	<u>(13,071,476)</u>	<u>(56,218,518)</u>
Total Assets	<u>71,796,054</u>	<u>59,925,502</u>	<u>131,721,556</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Insurance on bond issue, net of amortization	14,297	-	14,297
Pension related	<u>6,170,960</u>	<u>1,925,149</u>	<u>8,096,109</u>
Total Deferred Outflows of Resources	<u>6,185,257</u>	<u>1,925,149</u>	<u>8,110,406</u>
<b>LIABILITIES</b>			
Accounts payable	770,560	369,875	1,140,435
Accrued liabilities	104,015	57,915	161,930
Deposits payable	4,450	257,409	261,859
Accrued interest	24,149	204,136	228,285
Noncurrent liabilities:			
Due within one year	767,574	1,007,223	1,774,797
Due in more than one year	8,310,221	13,280,572	21,590,793
Net pension obligation	<u>16,024,887</u>	<u>5,040,957</u>	<u>21,065,844</u>
Total Liabilities	<u>26,005,856</u>	<u>20,218,087</u>	<u>46,223,943</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	222,548	48,923	271,471
Unearned revenue	<u>25,356,970</u>	<u>8,223</u>	<u>25,365,193</u>
Total Deferred Inflows of Resources	<u>25,579,518</u>	<u>57,146</u>	<u>25,636,664</u>
<b>NET POSITION</b>			
Net investment in capital assets	24,276,749	26,963,743	51,240,492
Restricted	28,534,643	3,380,035	31,914,678
Unrestricted (deficits)	<u>(26,415,455)</u>	<u>11,231,640</u>	<u>(15,183,815)</u>
Total Net Position	<u>\$ 26,395,937</u>	<u>\$ 41,575,418</u>	<u>\$ 67,971,355</u>

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

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STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE)/REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating		Governmental Activities	PRIMARY GOVERNMENT	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 6,084,078	\$ 1,292,938	\$ 190,133	\$ -	\$ (4,601,007)	\$ -	\$ (4,601,007)
Public safety	5,714,619	-	550,580	-	(5,164,039)	-	(5,164,039)
Public works	2,295,781	266,107	58,111	303,086	(1,668,477)	-	(1,668,477)
Culture and recreation	2,911,255	285,137	174,522	-	(2,451,596)	-	(2,451,596)
Health and welfare	135,604	-	38,478	-	(97,126)	-	(97,126)
Interest on long-term debt	254,021	-	-	-	(254,021)	-	(254,021)
Total Governmental Activities	17,395,358	1,844,182	1,011,824	303,086	(14,236,266)	-	(14,236,266)
<b>Business-type activities:</b>							
Water and sewer	6,096,295	5,677,229	-	106,231	-	(312,835)	(312,835)
Airport	1,340,958	914,467	29,800	188,337	-	(208,354)	(208,354)
Solid waste	3,192,814	2,897,188	-	-	-	(295,626)	(295,626)
Wastewater	3,384,250	4,098,370	-	50,000	-	764,120	764,120
Total Business-type Activities	14,014,317	13,587,254	29,800	344,568	-	(52,695)	(52,695)
Total Primary Government	\$ 31,409,675	\$ 15,431,436	\$ 1,041,624	\$ 647,654	(14,236,266)	(52,695)	(14,288,961)
<b>GENERAL REVENUES:</b>							
Property taxes, levied for general purposes					3,246,579	-	3,246,579
Franchise taxes					706,560	-	706,560
Gross receipts taxes					3,960,520	4,037,600	7,998,120
Public service taxes					1,682,837	-	1,682,837
Grants and contributions not restricted to specific program					3,399,381	-	3,399,381
Investment earnings					9,917	217	10,134
Miscellaneous income					626,243	-	626,243
Gain (loss) on disposal of assets					-	(22,930)	(22,930)
Net transfers					(12,235)	12,235	-
Total General Revenues and Transfers					13,619,802	4,027,122	17,646,924
Change in Net Position					(616,464)	3,974,427	3,357,963
Net Position, Beginning of Year					27,012,401	37,600,991	64,613,392
Net Position, End of Year					\$ 26,395,937	\$ 41,575,418	\$ 67,971,355

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General</u>	<u>SPECIAL REVENUE FUND Municipal Gas Tax</u>	<u>DEBT SERVICE FUND GO Bonds</u>	<u>CAPITAL PROJECT FUND FEMA</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,578,027	\$ 20,526	\$ 56,326	\$ -	\$ 1,218,242	\$ 3,873,121
Investments	4,636,719	-	-	-	-	4,636,719
Restricted cash and investments	4,450	-	-	26,673,017	1,857,176	28,534,643
Receivables, net of allowance	1,489,625	30,396	-	-	184,571	1,704,592
Due from other funds	399,069	-	-	-	-	399,069
Inventories	22,113	164,996	-	-	-	187,109
Prepaid items	55,358	238	-	-	-	55,596
Total Assets	<u>\$ 9,185,361</u>	<u>\$ 216,156</u>	<u>\$ 56,326</u>	<u>\$ 26,673,017</u>	<u>\$ 3,259,989</u>	<u>\$ 39,390,849</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 300,799	\$ 49,047	\$ -	\$ 48,465	\$ 352,631	\$ 750,942
Accrued liabilities	94,049	9,469	-	-	497	104,015
Deposits payable	4,450	-	-	-	-	4,450
Due to other funds	-	100,000	-	-	7,000	107,000
Total Liabilities	<u>399,298</u>	<u>158,516</u>	<u>-</u>	<u>48,465</u>	<u>360,128</u>	<u>966,407</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned revenue	-	-	-	25,356,970	-	25,356,970
Unavailable property taxes	146,402	-	40,232	-	-	186,634
	<u>146,402</u>	<u>-</u>	<u>40,232</u>	<u>25,356,970</u>	<u>-</u>	<u>25,543,604</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable:						
Inventory	22,113	164,996	-	-	-	187,109
Prepaid items	55,358	238	-	-	-	55,596
Restricted:						
Public safety	-	-	-	-	283,174	283,174
Capital projects	-	-	-	604,418	530,566	1,134,984
Debt service	-	-	16,094	-	740,552	756,646
Other purposes	2,476,942	-	-	-	390,608	2,867,550
Assigned:						
Purchases on order	486,448	4,535	-	663,164	433,749	1,587,896
Subsequent year's budget; appropriation of fund balance	3,820,829	4,029	-	-	894,818	4,719,676
Unassigned (deficits)	<u>1,777,971</u>	<u>(116,158)</u>	<u>-</u>	<u>-</u>	<u>(373,606)</u>	<u>1,288,207</u>
Total Fund Balances	<u>8,639,661</u>	<u>57,640</u>	<u>16,094</u>	<u>1,267,582</u>	<u>2,899,861</u>	<u>12,880,838</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,185,361</u>	<u>\$ 216,156</u>	<u>\$ 56,326</u>	<u>\$ 26,673,017</u>	<u>\$ 3,259,989</u>	<u>\$ 39,390,849</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2017

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

Total Fund Balances (Deficits) - Governmental Funds	\$ 12,880,838
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statements.	32,263,886
Long-term liabilities, including bonds payable and net pension obligation, are not due and payable in the current period and, therefore, are not reported in the fund statements.	(25,112,534)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	228,701
Defined benefit pension plan deferred outflows and inflows are not available resources and, therefore, are not reported in the fund statements.	5,948,412
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds (unearned property taxes).	<u>186,634</u>
Net Position of Governmental Activities	<u>\$ 26,395,937</u>

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>SPECIAL REVENUE FUND Municipal Gas Tax</u>	<u>DEBT SERVICE FUND GO Bonds</u>	<u>CAPITAL PROJECT FUND FEMA</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ 2,500,837	\$ -	\$ 758,497	\$ -	\$ -	\$ 3,259,334
Gross receipts	3,960,520	-	-	-	-	3,960,520
Other	706,560	170,590	-	-	1,512,247	2,389,397
Intergovernmental:						
Federal grants	33,791	-	-	198,936	29,652	262,379
State grants	3,573,471	58,111	-	31,358	788,972	4,451,912
Licenses and permits	277,178	-	-	-	-	277,178
Charges for services	285,137	266,107	-	-	-	551,244
Fines and forfeitures	82,366	-	-	-	47,022	129,388
Investment earnings	-	208	-	-	9,709	9,917
Miscellaneous	577,413	984	-	-	47,846	626,243
Total Revenues	<u>11,997,273</u>	<u>496,000</u>	<u>758,497</u>	<u>230,294</u>	<u>2,435,448</u>	<u>15,917,512</u>
<b>EXPENDITURES</b>						
Current:						
General government	3,596,573	-	3,739	-	-	3,600,312
Public safety	5,091,641	-	-	-	326,308	5,417,949
Public works	50,909	1,748,625	-	150,831	81,585	2,031,950
Culture and recreation	1,868,070	-	-	-	947,511	2,815,581
Health and welfare	80,899	-	-	-	54,271	135,170
Debt service:						
Principal	-	32,640	670,000	-	561,306	1,263,946
Interest	-	8,910	41,883	-	203,927	254,720
Bond issuance costs	-	-	43,025	-	-	43,025
Capital outlay	426,795	434,901	-	21,429	756,871	1,639,996
Total Expenditures	<u>11,114,887</u>	<u>2,225,076</u>	<u>758,647</u>	<u>172,260</u>	<u>2,931,779</u>	<u>17,202,649</u>
Excess (Deficiency) of Revenues over Expenditures	<u>882,386</u>	<u>(1,729,076)</u>	<u>(150)</u>	<u>58,034</u>	<u>(496,331)</u>	<u>(1,285,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,941,659	1,423,574	-	-	2,102,238	5,467,471
Transfers out	(1,912,792)	(140,000)	(1,450,000)	-	(1,976,914)	(5,479,706)
Proceeds from debt issuance	-	-	1,500,000	-	-	1,500,000
Net Other Financing Sources (Uses)	<u>28,867</u>	<u>1,283,574</u>	<u>50,000</u>	<u>-</u>	<u>125,324</u>	<u>1,487,765</u>
Net Change in Fund Balances	911,253	(445,502)	49,850	58,034	(371,007)	202,628
Fund Balances, Beginning of Year	<u>7,728,408</u>	<u>503,142</u>	<u>(33,756)</u>	<u>1,209,548</u>	<u>3,270,868</u>	<u>12,678,210</u>
Fund Balances (Deficits), End of Year	<u>\$ 8,639,661</u>	<u>\$ 57,640</u>	<u>\$ 16,094</u>	<u>\$ 1,267,582</u>	<u>\$ 2,899,861</u>	<u>\$ 12,880,838</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
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

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

Net Change in Fund Balances - Governmental Funds	\$	202,628
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		244,932
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of insurance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(236,848)
<p>The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue is reported with governmental activities in the statement of activity.</p>		
		(35,162)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(792,014)</u>
Change in Net Position Governmental Activities	\$	<u>(616,464)</u>

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,575,590	\$ 2,575,590	\$ 2,500,837	\$ (74,753)
Gross receipts	3,673,910	3,673,910	3,960,520	286,610
Other	790,770	790,770	706,560	(84,210)
Intergovernmental:				-
Federal grants	-	1,036,493	33,791	(1,002,702)
State grants	3,364,900	3,558,407	3,560,913	2,506
Licenses and permits	306,900	306,900	277,178	(29,722)
Charges for services	296,800	306,200	255,839	(50,361)
Fines and forfeitures	89,500	89,500	82,366	(7,134)
Investment earnings	17,000	17,000	-	(17,000)
Miscellaneous	<u>323,600</u>	<u>532,552</u>	<u>577,413</u>	<u>44,861</u>
Total Revenues	<u>11,438,970</u>	<u>12,887,322</u>	<u>11,955,417</u>	<u>(931,905)</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,757,576	3,967,628	3,475,823	491,805
Public safety	5,568,079	5,634,757	5,091,641	543,116
Public works	-	614,872	50,909	563,963
Culture and recreation	2,176,420	2,168,648	1,868,070	300,578
Health and welfare	82,290	82,174	80,899	1,275
Debt service:				
Principal	-	146,320	-	146,320
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	<u>509,180</u>	<u>2,866,487</u>	<u>426,795</u>	<u>2,439,692</u>
Total Expenditures	<u>12,093,545</u>	<u>15,480,886</u>	<u>10,994,137</u>	<u>4,486,749</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(654,575)</u>	<u>(2,593,564)</u>	<u>961,280</u>	<u>3,554,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	426,955	2,541,514	-	(2,541,514)
Transfers in	2,439,820	2,858,482	1,941,659	(916,823)
Transfers out	(2,212,200)	(2,806,432)	(2,305,070)	501,362
Refunding bonds issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Other Financing Sources (Uses)	<u>654,575</u>	<u>2,593,564</u>	<u>(363,411)</u>	<u>(2,956,975)</u>
Net Change in Cash Balances	<u>\$ -</u>	<u>\$ -</u>	597,869	<u>\$ 597,869</u>
Cash Balances, Beginning of Year			<u>6,621,327</u>	
Cash Balances, End of Year			<u>\$ 7,219,196</u>	
<b>RECONCILIATION TO GAAP BASIS:</b>				
Net Change in Cash Balances			\$ 597,869	
Adjustments to revenues			41,856	
Adjustments to expenditures			<u>271,528</u>	
Net Change in Fund Balances (GAAP Basis)			<u>\$ 911,253</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
MUNICIPAL GAS TAX (STREETS) SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGETED AMOUNTS</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	138,020	138,020	170,590	32,570
Intergovernmental:				-
Federal grants	-	-	-	-
State grants	233,835	233,835	58,111	(175,724)
Licenses and permits	-	-	-	-
Charges for services	710,000	710,000	261,738	(448,262)
Fines and forfeitures	-	-	-	-
Investment earnings	-	-	208	208
Miscellaneous	-	-	984	984
Total Revenues	<u>1,081,855</u>	<u>1,081,855</u>	<u>491,631</u>	<u>(590,224)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,623,328	1,585,650	1,655,512	(69,862)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Debt service:				
Principal	(8,910)	(8,910)	32,640	(41,550)
Interest	8,910	8,910	8,910	-
Bond issuance costs	-	-	-	-
Capital outlay	532,117	556,345	434,901	121,444
Total Expenditures	<u>2,155,445</u>	<u>2,141,995</u>	<u>2,131,963</u>	<u>10,032</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,073,590)</u>	<u>(1,060,140)</u>	<u>(1,640,332)</u>	<u>(580,192)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	25,000	65,000	-	(65,000)
Transfers in	1,048,590	1,135,140	1,523,574	388,434
Transfers out	-	(140,000)	(140,000)	-
Proceeds from debt issuance	-	-	-	-
Net Other Financing Sources (Uses)	<u>1,073,590</u>	<u>1,060,140</u>	<u>1,383,574</u>	<u>323,434</u>
Net Change in Cash Balances	<u>\$ -</u>	<u>\$ -</u>	(256,758)	<u>\$ (256,758)</u>
Cash Balances, Beginning of Year			<u>277,284</u>	
Cash Balances, End of Year			<u>\$ 20,526</u>	
<b>RECONCILIATION TO GAAP BASIS:</b>				
Net Change in Cash Balances			\$ (256,758)	
Adjustments to revenues			(95,631)	
Adjustments to expenditures			<u>(93,113)</u>	
Net Change in Fund Balances (GAAP Basis)			<u>\$ (445,502)</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES					GOVERNMENTAL
	Utility	Solid Waste	RWWTP	Nonmajor Airport	Total	ACTIVITIES Internal Service
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	\$ 596,944	\$ 732,249	\$ 1,031,484	\$ 50,950	\$ 2,411,627	\$ 102,786
Investments	3,621,743	506,655	7,336,748	-	11,465,146	-
Restricted cash and investments	2,664,663	-	715,372	-	3,380,035	-
Receivables, net of allowance	581,328	273,572	402,915	83,879	1,341,694	-
Due from other funds	-	-	-	-	-	-
Inventories	346,003	76,160	188,702	41,465	652,330	-
Prepaid expenses	613	-	-	314	927	-
Total Current Assets	<u>7,811,294</u>	<u>1,588,636</u>	<u>9,675,221</u>	<u>176,608</u>	<u>19,251,759</u>	<u>102,786</u>
Noncurrent Assets						
Capital assets:						
Land	-	-	39,946	1,100,000	1,139,946	-
Construction in progress	2,145,819	-	-	178,471	2,324,290	-
Infrastructure	14,767,803	-	22,650,276	-	37,418,079	-
Buildings and improvements	394,475	1,232,358	-	3,370,132	4,996,965	-
Machinery and equipment	407,757	576,793	354,442	684,517	2,023,509	223,430
Vehicles	1,234,960	3,547,993	128,714	980,763	5,892,430	-
Less: accumulated depreciation	<u>(2,214,015)</u>	<u>(3,786,088)</u>	<u>(3,153,230)</u>	<u>(3,918,143)</u>	<u>(13,071,476)</u>	<u>(77,897)</u>
Total Noncurrent Assets	<u>16,736,799</u>	<u>1,571,056</u>	<u>20,020,148</u>	<u>2,395,740</u>	<u>40,723,743</u>	<u>145,533</u>
Total Assets	<u>24,548,093</u>	<u>3,159,692</u>	<u>29,695,369</u>	<u>2,572,348</u>	<u>59,975,502</u>	<u>248,319</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related	<u>916,502</u>	<u>677,375</u>	<u>331,272</u>	<u>-</u>	<u>1,925,149</u>	<u>-</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	176,937	98,856	81,531	12,551	369,875	19,618
Accrued liabilities	27,280	16,211	8,834	5,590	57,915	-
Deposits payable	257,409	-	-	-	257,409	-
Due to other funds	-	-	-	50,000	50,000	-
Accrued interest	4,922	-	199,214	-	204,136	-
Bonds and loans payable	205,000	-	760,000	-	965,000	-
Compensated absences	16,612	16,422	6,178	3,011	42,223	-
Unearned revenue	-	-	-	8,223	8,223	-
Total Current Liabilities	<u>688,160</u>	<u>131,489</u>	<u>1,055,757</u>	<u>79,375</u>	<u>1,954,781</u>	<u>19,618</u>
Noncurrent Liabilities						
Compensated absences	191,035	188,854	71,052	34,631	485,572	-
Bonds and notes payable	1,750,000	-	11,045,000	-	12,795,000	-
Net pension obligation	<u>2,389,239</u>	<u>1,779,453</u>	<u>872,265</u>	<u>-</u>	<u>5,040,957</u>	<u>-</u>
Total Noncurrent Liabilities	<u>4,330,274</u>	<u>1,968,307</u>	<u>11,988,317</u>	<u>34,631</u>	<u>18,321,529</u>	<u>-</u>
Total Liabilities	<u>5,018,434</u>	<u>2,099,796</u>	<u>13,044,074</u>	<u>114,006</u>	<u>20,276,310</u>	<u>19,618</u>

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



STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES</u>				<u>Total</u>	<u>GOVERNMENTAL</u>
	<u>Utility</u>	<u>Solid Waste</u>	<u>RWWTP</u>	<u>Nonmajor Airport</u>		<u>ACTIVITIES</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related	<u>23,317</u>	<u>17,190</u>	<u>8,416</u>	<u>-</u>	<u>48,923</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	14,781,799	1,571,056	8,215,148	2,395,740	26,963,743	145,533
Restricted	2,664,663	-	715,372	-	3,380,035	-
Unrestricted	<u>2,976,382</u>	<u>149,025</u>	<u>8,043,631</u>	<u>62,602</u>	<u>11,231,640</u>	<u>83,168</u>
Total Net Position	<u>\$20,422,844</u>	<u>\$ 1,720,081</u>	<u>\$ 16,974,151</u>	<u>\$ 2,458,342</u>	<u>\$41,575,418</u>	<u>\$ 228,701</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES					GOVERNMENTAL
	Utility	Solid Waste	RWWTP	Nonmajor Airport	Total	ACTIVITIES Internal Service
<b>OPERATING REVENUES</b>						
Charges for services	\$ 5,648,660	\$ 2,851,592	\$ 3,648,735	\$ 701,583	\$ 12,850,570	\$ 886,372
Intergovernmental - State	-	-	-	29,800	29,800	-
Miscellaneous	28,569	45,596	449,635	212,884	736,684	-
Total Revenues	<u>5,677,229</u>	<u>2,897,188</u>	<u>4,098,370</u>	<u>944,267</u>	<u>13,617,054</u>	<u>886,372</u>
<b>OPERATING EXPENSES</b>						
Current:						
Personnel services	2,431,782	1,520,775	669,176	534,829	5,156,562	-
Materials and supplies	594,803	171,328	315,208	439,880	1,521,219	57,849
Repairs and maintenance	682,148	434,838	573,348	86,644	1,776,978	838
Utilities	385,867	65,728	463,469	51,585	966,649	-
Contractual services	1,502,480	630,420	379,760	40,793	2,553,453	823,636
Depreciation expense	435,491	369,725	579,298	187,227	1,571,741	39,211
Total Expenditures	<u>6,032,571</u>	<u>3,192,814</u>	<u>2,980,259</u>	<u>1,340,958</u>	<u>13,546,602</u>	<u>921,534</u>
Operating Income/(loss)	<u>(355,342)</u>	<u>(295,626)</u>	<u>1,118,111</u>	<u>(396,691)</u>	<u>70,452</u>	<u>(35,162)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Gross receipts taxes	2,612,058	712,771	712,771	-	4,037,600	-
Intergovernmental:						
Federal grants	-	-	-	160,621	160,621	-
State grants	106,231	-	50,000	27,716	183,947	-
Investment earnings	-	-	-	217	217	-
Premium on the issuance of debt	-	-	-	-	-	-
Gain (loss) on disposal of assets	(2,558)	(5,033)	(15,339)	-	(22,930)	-
Debt service:						
Interest	(63,724)	-	(403,991)	-	(467,715)	-
Bond issuance costs	-	-	-	-	-	-
Net Nonoperating Revenues	<u>2,652,007</u>	<u>707,738</u>	<u>343,441</u>	<u>188,554</u>	<u>3,891,740</u>	<u>-</u>
Income Before Transfers	<u>2,296,665</u>	<u>412,112</u>	<u>1,461,552</u>	<u>(208,137)</u>	<u>3,962,192</u>	<u>(35,162)</u>
<b>NET TRANSFERS</b>						
Transfers in	1,890,787	-	-	59,307	1,950,094	-
Transfers out	(1,058,621)	(388,879)	(490,359)	-	(1,937,859)	-
Net Transfers	<u>832,166</u>	<u>(388,879)</u>	<u>(490,359)</u>	<u>59,307</u>	<u>12,235</u>	<u>-</u>
Net Change in Net Position	3,128,831	23,233	971,193	(148,830)	3,974,427	(35,162)
Net Position, Beginning of Year	<u>17,294,013</u>	<u>1,696,848</u>	<u>16,002,958</u>	<u>2,607,172</u>	<u>37,600,991</u>	<u>263,863</u>
Net Position, End of Year	<u>\$ 20,422,844</u>	<u>\$ 1,720,081</u>	<u>\$ 16,974,151</u>	<u>\$ 2,458,342</u>	<u>\$ 41,575,418</u>	<u>\$ 228,701</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	BUSINESS-TYPE ACTIVITIES					GOVERNMENTAL
	Utility	Solid Waste	RWWTP	Nonmajor Airport	Total	ACTIVITIES Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 5,786,498	\$ 2,875,433	\$ 4,040,562	\$ 838,811	\$ 13,541,304	\$ 886,372
Cash received from operational grants	-	-	-	29,800	29,800	-
Cash received from other funds for services	-	-	-	50,000	50,000	-
Cash paid to suppliers for goods and services	(3,120,253)	(1,357,092)	(1,682,387)	(588,702)	(6,748,434)	(871,588)
Cash paid on behalf of employees for retirement	132,000	106,214	58,521	-	296,735	-
Cash paid to employees for salaries and benefits	<u>(2,403,739)</u>	<u>(1,494,038)</u>	<u>(649,079)</u>	<u>(544,513)</u>	<u>(5,091,369)</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>394,506</u>	<u>130,517</u>	<u>1,767,617</u>	<u>(214,604)</u>	<u>2,078,036</u>	<u>14,784</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Cash received from taxes	2,612,058	712,771	712,771	-	4,037,600	-
Operating subsidies from (to) other funds	<u>832,166</u>	<u>(388,879)</u>	<u>(490,359)</u>	<u>59,307</u>	<u>12,235</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>3,444,224</u>	<u>323,892</u>	<u>222,412</u>	<u>59,307</u>	<u>4,049,835</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(2,954,041)	(534,731)	(535,534)	(242,558)	(4,266,864)	(30,000)
Proceeds from the issuance of debt	-	-	-	-	-	-
Capital grants	106,231	-	50,000	188,337	344,568	-
Principal paid on capital debt	(200,000)	-	(740,000)	-	(940,000)	-
Interest paid on capital debt	<u>(64,148)</u>	<u>-</u>	<u>(408,141)</u>	<u>-</u>	<u>(472,289)</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,111,958)</u>	<u>(534,731)</u>	<u>(1,633,675)</u>	<u>(54,221)</u>	<u>(5,334,585)</u>	<u>(30,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment earnings	-	-	-	217	217	-
Net Increase (Decrease) in Cash and Cash Equivalents	726,772	(80,322)	356,354	(209,301)	793,503	(15,216)
Cash and Cash Equivalents, Beginning of Year	<u>6,156,578</u>	<u>1,319,226</u>	<u>8,727,250</u>	<u>260,251</u>	<u>16,463,305</u>	<u>118,002</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,883,350</u>	<u>\$ 1,238,904</u>	<u>\$ 9,083,604</u>	<u>\$ 50,950</u>	<u>\$ 17,256,808</u>	<u>\$ 102,786</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>						
Operation income (loss)	\$ (355,342)	\$ (295,626)	\$ 1,118,111	\$ (396,691)	\$ 70,452	\$ (35,162)
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation	435,491	369,725	579,298	187,227	1,571,741	39,211
(Increase) decrease in accounts receivable	100,327	(17,196)	(61,236)	(83,879)	(61,984)	-
Increase (decrease) in allowance for doubtful	(4,427)	(4,559)	3,428	-	(5,558)	-
(Increase) decrease in inventories	215,710	(32,443)	47,424	44,658	275,349	-
(Increase) decrease in prepaid items	6,366	-	-	-	6,366	-
(Increase) decrease in deferred outflows	(702,576)	(519,265)	(253,948)	-	(1,475,789)	-
Increase (decrease) in accounts payable	(177,031)	(22,335)	1,974	(14,458)	(211,850)	10,735
Increase (decrease) in accrued wages and taxes	(23)	(1,230)	1,901	(1,361)	(713)	-
Increase (decrease) in meter deposits	13,369	-	-	-	13,369	-
Increase (decrease) in compensated absences	28,066	27,967	18,196	(8,323)	65,906	-
Increase (decrease) in unearned revenue	-	-	-	8,223	8,223	-
Increase (decrease) in deferred inflows	(14,525)	(10,735)	(5,250)	-	(30,510)	-
Increase (decrease) in net pension liability	<u>849,101</u>	<u>636,214</u>	<u>317,719</u>	<u>-</u>	<u>1,803,034</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 394,506</u>	<u>\$ 130,517</u>	<u>\$ 1,767,617</u>	<u>\$ (214,604)</u>	<u>\$ 2,078,036</u>	<u>\$ 14,784</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30,2017

	<u>Special Gifts</u>	<u>Bail Bonds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 90,882	\$ 834	\$ 91,716
Accounts receivable	<u>242,470</u>	<u>-</u>	<u>242,470</u>
Total Assets	<u>\$ 333,352</u>	<u>\$ 834</u>	<u>\$ 334,186</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 174	\$ -	\$ 174
Due to other funds	242,069	-	\$ 242,069
Special projects payable	<u>91,109</u>	<u>834</u>	<u>91,943</u>
Total Liabilities	<u>\$ 333,352</u>	<u>\$ 834</u>	<u>\$ 334,186</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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.

**B. Reporting Entity**

The Village of Ruidoso (the Village) is a municipal corporation formed during 1945, under the provisions of Chapter 3, Article 2, NMSA 1978. It is governed by an elected mayor and six-member governing council and provides the following services as provided by law: public safety (police and fire), highways and streets, welfare services, culture and recreation, public works, planning and zoning, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards (GAFRS) which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Village, 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 Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**B. Reporting Entity (Continued)**

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.

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 Village of Ruidoso and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Village and is generally available to 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 Village 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 Village has no component units during the fiscal year ended June 30, 2017.

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model: Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.

**Deferred outflows of resources** are consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

**Deferred inflows of resources** are acquisitions of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

**Net position** is the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported in three parts – net investment in capital assets, restricted, and unrestricted.

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, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources, resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities, and deferred inflows and outflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. 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.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual basis of accounting*. Under this method, 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, subject to the availability criterion. 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, subject to the availability criterion. 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.

The Village reports the following major governmental funds:

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 Village except for items included in other funds.

The *Municipal Gas Tax (Streets) Special Revenue Fund* accounts for resources received from the once-cent gasoline tax imposed by Section 7-1-6.27 NMSA 1978. The funds are to be used for the reconstruction, resurfacing, maintaining and repairing, or otherwise improvement of existing or new alleys, streets, roads, or bridges. In addition, the daily operations of the street department is also accounted for in this fund.

The *General Obligation (GO) Bond Debt Service Fund* accounts for bond proceeds received in connection with debt issued and pledged by a voter passed 1.5 mill property tax levy that is used for water capital improvements, mainly the replacement of outdated water lines.

The *Federal Emergency Management Agency (FEMA) Capital Projects Fund* accounts for grant proceeds received for the reimbursement of the Village's expenditures in connection with its Federal Emergency disasters.



STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Proprietary funds use the *flow of economic resources measurement focus* for accounting purposes. The accounting objectives are a determination of net income, financial position, and changes in cash flow. The Proprietary Funds are accounted for using the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable FASB (Financial Accounting Standards Board) pronouncements issued after November 30, 1989, to government-wide financial statements (business-type activities) and to proprietary funds in the fund financial statements. The Village reports the following major proprietary funds:

The *Ruidoso Joint Utility (RJU) Enterprise Fund* accounts for water and sewer system services provided to residents of the Village, including administration, operations, maintenance, debt service, and billing and collection.

The *Solid Waste Enterprise Fund* accounts for refuse collection and disposal services, including yard waste, provided to Village residents including administration, operations, maintenance, debt service, and billing and collection.

The *Regional Wastewater Treatment Plant (RWWTWP) Enterprise Fund* was established on July 3, 1974 from a joint powers agreement (JPA) between the Village and the City of Ruidoso Downs (CORD). The JPA created a Joint Use Board for the implementation of construction and operation of the regional control of wastewater treatment facilities. This fund accounts for the wastewater services provided to residents of the Village, the CORD, and the surrounding area, including administration, operations, maintenance, debt service, and billing and collection.

Additionally, the Village reports the following fund type:

The *Internal Service Fund* is used to account for the operation of the Risk Management Fund which services the Village's departments on a cost-reimbursement basis for insurance.

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds accounts for assets that the Village holds for others in an agency capacity.

As a rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the charges between the Village's water, sewer, solid waste, wastewater, and insurance functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating revenues and expenses from nonoperating items*. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges for sales services, although subsidies may be used for operating or capital to some degree. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgetary Information**

*Budgetary Basis of Accounting*

Annual budgets are prepared and adopted on a cash basis of accounting, which is consistent with generally accepted accounting principles, for the general fund, special revenue funds, debt services funds, and enterprise funds. Capital project funds adopt project-length budgets. Agency funds are not budgeted. Appropriated budgets are prepared by fund, department, and functional category (i.e., personnel, operations, and capital outlay). The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the fund level.

Prior to June 1st, budgets are prepared, balanced, and approved by resolution by Village Council and submitted to the State of New Mexico's Department of Finance and Administration (DFA) for oversight approval. Once the budget has been formally approved, amendments (increases, decreases to the overall amounts) must be approved by the Village Manager, the Village Council and DFA.

All annual appropriations lapse at fiscal year-end even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Valid outstanding encumbrances (performance under the executory contract is expected in the next year) are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

*Excess of Expenditures over Appropriations*

For the year ended June 30, 2017, expenditures did not exceed appropriations in any of the Village's individual funds.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

*Cash and Cash Equivalents*

The Village'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.

*Investments*

Investments for the Village are reported at fair value (generally based on quoted market prices). Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

*Restricted Assets*

The Village accepts deposits on utility accounts which after two (2) years, if the customer is in good standing, these funds are refunded back to the individual's utility account. In addition, funds received from granting authorities that are required to be legally separate are also identified as restricted assets. In addition, the Village supports two (2) debt reserve funds in connection with the Series 2013 RWWTP Revenue Bond and the Series 2013 SGRT Refunding Bonds.

*Receivables and Payables*

Activities 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". Any residual balances outstanding between government activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown net of an allowance for doubtful accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for doubtful accounts.

Property taxes are levied on November 1<sup>st</sup> on property tax values assessed as of January 1<sup>st</sup>. Property taxes collected by Lincoln County (the County) are due in two equal installments on November 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after these dates are considered delinquent and the County may assess penalties and interest. An enforceable lien attaches once the taxes are delinquent thirty (30) days after delinquency.

The Village is permitted to levy taxes for general operating purposes based on taxable value for residential and nonresidential property, taxable value being defined as one-third of full assessed value. In addition, the Village is allowed to levy taxes for payments of bond principal and interest in an amount approved by the Village. The Village's total tax rate to finance general government services for the year ended June 30, 2017 was \$5.080 per \$1,000 for residential property and \$4.532 for nonresidential property. In addition there was a \$1.500 per \$1,000 debt service levy for both residential and nonresidential property that is dedicated to water distribution infrastructure projects and is renewed every two (2) years by the citizens of the Village.

*Inventory*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and materials. The consumption accounting method is used to record the Village's inventories. An asset is recorded when the supplies are purchased and the recognition of the expenditure is deferred to the period in which the inventories are actually consumed.

*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 fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

STATE OF NEW MEXICO  
 VILLAGE OF RUIDOSO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

*Capital Assets*

Capital assets, which include property, plant, equipment (including software), and infrastructure (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at cost or if contributed at their fair market value at contribution. Assets capitalized have an original cost of \$5,000 or more (Section 12-6-10 NMSA 1978) and have an estimated useful life greater than one year. Capital assets, if purchased or constructed, are recorded at historical cost or estimated historical cost if original cost was not available.

Since the Village is a Phase III government for purposes of implementing GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003.

Repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction related interest is capitalized only in the proprietary funds. Information Technology equipment, including software, is capitalized and included in machinery and equipment. Library books are expensed when purchased because their estimated useful life is less than one year.

Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	40
Buildings and improvements	30
Machinery and equipment	5
Vehicles	5
Heavy equipment and vehicles	10

*Accrued Liabilities*

Accrued liabilities are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable taxes and employee benefits.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has two (2) items that qualifies for reporting in this category. It is the deferred cost of prepaid insurance associated with a debt issuance, which is amortized over the life of the bonds, using the straight-line method. The last item concerns the advancement of FEMA grant funds that were not fully earned as of year-end.

STATE OF NEW MEXICO  
 VILLAGE OF RUIDOSO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

*Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to further period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The government has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Compensated Absences*

Village employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Village allows the accumulation of vacation leave up to a maximum of 260 hours for regular employees and 330 hours for fire department employees. Earned vacation, up to the maximum amount, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation. Vacation benefit vesting is on a bi-weekly basis as follows:

<u>Service Period</u>	<u>Regular Employees</u>	<u>Fire Employees</u>
1 to 36 months	4.00 hours	5.30 hours
37 to 60 months	5.00 hours	6.15 hours
61 to 119 months	6.50 hours	7.75 hours
120 to 149 months	7.00 hours	9.15 hours
150 to 239 months	7.50 hours	10.30 hours
240 months & over	8.50 hours	11.20 hours

Village employees also earn sick leave at a rate of 4.00 hours per pay period for regular employees and 4.98 hours per pay period for fire department employees. The Village allows the accumulation of sick leave up to a maximum of 1,560 hours and can be carried over from one calendar year to the next. Upon retirement, employees are entitled to receive payment, at a rate of 2 for 1, of accrued, vested sick leave. The Village has adopted the following vesting schedule:

<u>Service Period</u>	<u>Vesting %</u>	<u>Maximum Hours</u>
1 to 9 years	0%	0 hours
10 to 14 years	50%	260 hours
15 to 19 years	75%	390 hours
Over 20 years	100%	520 hours

For governmental funds, expenditures are recognized during the period in which the amount is payable from current available resources. All vested compensated absences including all related employer payroll taxes are accrued in the government-wide and proprietary fund financial statements.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

*Long-term Obligations*

In the government-wide fund financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, with the exception of pre-paid insurance, are expensed in the year of issuance.

*Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (i.e., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Village's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

*Equity Classifications*

In the government-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets* which is the net amount of the cost of capital assets net of accumulated depreciation reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* which consists of equity with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

*Unrestricted* is the balance of all other equity that does not meet the definition of "restricted" or "net investment in capital assets."

*Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

*Fund Balance Policies (Continued)*

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

By state statute, the Village must maintain a minimum fund balance in the General Fund equal to 8.33% or 1/12th of budgeted expenditures. However, Village Council has, by ordinance, made it policy to reserve an additional 8.33% due to the number of recent natural disasters experienced within the last few years. This amount totals \$2,476,942 at June 30, 2017.

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include management's estimate of capital asset useful lives and allowance for doubtful accounts.

**G. Pensions**

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

**STATE OF NEW MEXICO**  
**VILLAGE OF RUIDOSO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide State of Net Position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term Liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$25,112,534 difference are as follows:

Bonds payable	\$ (5,975,000)
Loans payable	(2,157,670)
Net pension obligation	(16,024,887)
Accrued interest (amortized as interest expense)	(24,149)
Compensated absences	(945,125)
Less: deferred charge for insurance (amortized over debt life)	14,297
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$(25,112,534)</u>

Another element of that reconciliation states that “Defined benefit pension plan related deferred outflows and inflows are not available resources and, therefore, are not reported in the fund statements”. The details of this \$5,948,412:

Deferred inflows – pension related	
Difference between expected and actual results	\$ (64,474)
Change in assumptions	(85,155)
Change in proportion and difference between employer contributions and proportion share of contributions	(72,919)
Deferred outflows – pension related	
FY 2016 employee contributions	1,720,747
Difference between expected and actual results	892,200
Change in assumptions	953,004
Net difference between projected and actual investment earnings	2,356,176
Change in proportion and difference between employer contributions and proportion share of contribution	248,833
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 5,948,412</u>

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Net Position Balances and the Government-wide Statement of Activities**

The governmental statement of revenues, expenditures, and changes in net position includes reconciliation between net changes in net position – total governmental funds and changes in net position – governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$244,932 difference are as follows:

Capital outlay	\$ 1,639,996
Depreciation expense	(1,395,064)
Net adjustment to reduce net changes in fund balances – total governmental funds to arrive at changes in net position – governmental activities	<u>\$ 244,932</u>



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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

**B. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide State of Net Position (Continued)**

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs (insurance) when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities". The details of this \$236,848 difference are as follows:

Bond proceeds	\$(1,500,000)
Amortization expense	(794)
Less: principal repayments:	
Revenue bond debt	150,000
General obligation debt	670,000
Loans payable	443,946
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position – governmental activities	<u>\$ (236,848)</u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds". The details of this \$792,014 difference are as follows:

Pension expense	\$ (675,963)
Delinquent property taxes	(12,755)
Accrued interest	699
Less: compensated absences	(103,995)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position – governmental activities	<u>\$ (792,014)</u>

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note 1.B.2, on the *Excess of Expenditures over Appropriation*, describes that there were no violations of state statute concerning the budgetary level of control.

**B. Deficit Fund Equity**

At June 30, 2017, the Village did not report any funds with a negative fund balance.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

Below is a summary of the Village's cash, cash equivalents, and investments as of June 30, 2017.

	Fair Market Value (FMV)	Bank Balance	Maturities
<b>DEPOSITORY ACCOUNTS</b>			
Checking	\$ 30,095,129	\$ 30,421,135	Full liquidity
Savings	4,719,590	4,719,590	Full liquidity
Cash with fiscal agent	357,309	357,309	
	<u>35,172,028</u>	<u>35,498,034</u>	
<b>INVESTMENTS</b>			
Money market	1,257,127	1,257,127	Full liquidity
Certificates of deposit	10,716,418	10,716,418	Five years or less
Treasury notes	7,348,770	7,348,770	Five years or less
	<u>19,322,315</u>	<u>19,322,315</u>	
<b>SUBTOTAL</b>	54,494,343	54,820,349	
<b>CASH ON HAND</b>	1,450	-	
<b>TOTAL</b>	<u>\$ 54,495,793</u>	<u>\$ 54,820,349</u>	

State statutes (2.60.2 NMSA 1978) authorize the investment of Village 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 fund of the Village properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute (2.60.4 NMAC).

The collateral pledged is listed in the New Mexico State Auditor Disclosures section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

Details of pledged collateral specific to the Village's deposit with NMFA (cash with fiscal agent) are unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

State statutes allow for money markets. They do not have to be collateralized because they are fixed income securities or debt instruments inside the fund. A money market fund is made up of many different fixed income assets with short-term maturities.

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, none of the Village's bank balances of \$54,820,349 were exposed to custodial credit risk. All deposits were insured and collateralized by securities held by the pledging bank's trust department, not in the Village's name.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**A. Cash Deposits with Financial Institutions (Continued)**

*Interest Rate Risk - Deposits*

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk - Deposits*

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statically rating organizations. The Village has no investment policy that would further limit its investment choices.

The statement of net position reports brokerage accounts and certificates of deposit with original maturities in excess of three months as investments for financial statement reporting purposes. For note disclosure purposes these are classified as deposits.

At June 30, 2017, investments were measured at fair value using:

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investments by Fair Value Level</b>				
US Bank	\$ 1,257,127	\$ -	\$ -	\$ 1,257,127
Marketable CDs	10,716,418	-	-	10,716,418
FNMA	-	2,652,545	-	2,652,545
FHLB	-	2,976,250	-	2,976,250
SLM	-	251,855	-	251,855
FFC	-	1,468,120	-	1,468,120
<b>Total</b>	<b><u>\$ 11,973,545</u></b>	<b><u>\$ 7,348,770</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 19,322,315</u></b>

**B. Restricted Assets**

The following is a summary of the Village's restricted assets as of year-end:

<b>GOVERNMENTAL ACTIVITIES</b>	
Restricted bond proceeds	\$ 1,499,866
Restricted grant funds	26,673,017
Cash with fiscal agent	357,310
Customer deposits	<u>4,450</u>
	<u>28,534,643</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Restricted GRT revenues	2,235,670
Debt service reserve fund	886,956
Customer deposits	<u>257,409</u>
	<u>3,380,035</u>
Total Restricted Cash and Investments	<u>\$31,914,678</u>

**C. Receivables**

Amounts are aggregated into a single account receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. Below is the detail of receivables for the General Fund and the major and nonmajor governmental funds in the aggregate including the applicable allowance for doubtful accounts.

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**C. Receivables (Continued)**

	General	Municipal Gas Tax Special Revenue	FEMA	Nonmajor Governmental	Total
<b>RECEIVABLES</b>					
Accounts	\$ 81,482	\$ 53,694	\$ -	\$ -	\$ 135,176
Taxes	1,576,346	25,580	-	169,380	1,771,306
Intergovernmental	52,662	-	203,932	15,191	271,785
	1,710,490	79,274	203,932	184,571	2,178,267
Allowance for doubtful accounts	(220,865)	(48,878)	(203,932)	-	(473,675)
NET RECEIVABLES	\$ 1,489,625	\$ 30,396	\$ -	\$ 184,571	\$ 1,704,592

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, property tax revenues in the amount of \$186,634 that were not collected within the period of availability have been reclassified as deferred revenues in the governmental fund financial statements as of June 30, 2017. In addition, FEMA grant funds advanced during the year in the amount of \$25,356,970 that were not expensed within the period of availability have been reclassified as unearned revenues in the governmental fund financial statements as of June 30, 2017.

Below is the detail of receivables for the Business-type activities in the aggregate including the applicable allowance for doubtful accounts.

	RJU	Solid Waste	RWWTP	Nonmajor Business-type	Total
<b>RECEIVABLES</b>					
Accounts	\$ 190,536	\$ 506,611	\$ 450,280	\$ 6,958	\$ 1,154,385
Taxes	464,576	127,164	127,164	-	718,904
Intergovernmental	-	-	-	76,921	76,921
	655,112	633,775	577,444	83,879	1,950,210
Allowance for doubtful accounts	(73,784)	(360,203)	(174,529)	-	(608,516)
NET RECEIVABLES	\$ 581,328	\$ 273,572	\$ 402,915	\$ 83,879	\$ 1,341,694

**D. Internal Balances**

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other funds" or "due to other funds" on the balance sheet. Receivables and payables from inter-fund transactions are usually the result of cash overdrafts. Below are inter-fund balances as of June 30, 2017.

**GOVERNMENTAL ACTIVITIES**

Due to the General Fund from Nonmajor Enterprise Fund	\$ 50,000
Due to the General Fund from Agency Fund	<u>242,069</u>
Total	<u>\$ 292,069</u>

**STATE OF NEW MEXICO**  
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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**D. Internal Balances (Continued)**

Net operating transfers for the year ended June 30, 2017 are as follows:

<b>MAJOR FUNDS</b>	<b>Transfers IN</b>	<b>Transfers OUT</b>	<b>Purpose</b>
<i>Governmental Activities</i>			
General Fund	\$ 1,941,659	\$ 1,912,792	Administrative fees, capital funding, bond proceeds, operating subsidies, and debt service
Municipal Gas Tax Special Revenue Fund	1,423,574	140,000	Operating subsidy and capital funding
GO Bonds Debt Service Fund	-	1,450,000	Bond proceeds for capital funding
<i>Business-type Activities</i>			
RJU Enterprise Fund	1,690,306	858,140	Administrative fees, debt service, and capital funding
Solid Waste Enterprise Fund	-	388,879	Capital funding and administrative fees
RWWTP Enterprise Fund	-	490,359	Administrative fees
<b>Total Major Funds</b>	<u>5,055,539</u>	<u>5,240,170</u>	
<b>NONMAJOR FUNDS</b>			
<i>Governmental Activities</i>	2,102,238	1,976,914	Operating subsidies, debt service, and capital funding
<i>Business-type Activities</i>	59,307	-	Capital funding
	<u>\$ 7,217,084</u>	<u>\$ 7,217,084</u>	

**E. Capital Assets**

Capital assets activity for governmental activities for the year ended June 30, 2017 was as follows.

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated				
Land	\$ 10,315,759	\$ -	\$ -	\$ 10,315,759
Construction in progress	1,477,847	774,176	(112,672)	2,139,351
Art	18,200	0	-	18,200
<i>Total capital assets not depreciated</i>	<u>11,811,806</u>	<u>774,176</u>	<u>(112,672)</u>	<u>12,473,310</u>
Capital assets, begin depreciated				
Infrastructure	39,112,120	216,229	-	39,328,349
Buildings and improvements	13,689,910	128,034	-	13,817,944
Machinery and equipment	3,464,934	113,593	-	3,578,527
Vehicles	5,916,947	550,637	(109,253)	6,358,331
<i>Total capital assets, being depreciated</i>	<u>62,183,911</u>	<u>1,008,493</u>	<u>(109,253)</u>	<u>63,083,151</u>
Accumulated depreciation for:				
Infrastructure	(26,533,520)	(469,610)	-	(27,003,130)
Buildings and improvements	(8,888,472)	(377,544)	-	(9,266,016)
Machinery and equipment	(2,253,609)	(208,735)	-	(2,462,344)
Vehicles	(4,146,418)	(378,387)	109,253	(4,415,552)
<i>Total accumulated depreciation</i>	<u>(41,822,019)</u>	<u>(1,434,276)</u>	<u>109,253</u>	<u>(43,147,042)</u>
<i>Total capital assets, net of depreciation</i>	<u>20,361,892</u>	<u>(425,783)</u>	<u>-</u>	<u>19,936,109</u>
<b>Net capital assets</b>	<b>\$ 32,173,698</b>	<b>\$ 348,393</b>	<b>\$ (112,672)</b>	<b>\$ 32,409,419</b>

STATE OF NEW MEXICO  
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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. Capital Assets (Continued)**

Depreciation expense was charged to function/programs of the primary government as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	
General government	\$791,293
Public safety	296,670
Public works	250,597
Culture and recreation	95,281
Health and welfare	435
	<u>\$1,434,276</u>

Capital assets activity for business-type activities for the year ended June 30, 2017 was as follows.

	Beginning Balance	Additions	Deletions	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets, not being depreciated				
Land	\$ 1,139,946	\$ -	\$ -	\$ 1,139,946
Construction in progress	3,455,642	2,227,430	(3,358,782)	2,324,290
<i>Total capital assets not depreciated</i>	<u>4,595,588</u>	<u>2,227,430</u>	<u>(3,358,782)</u>	<u>3,464,236</u>
Capital assets, begin depreciated				
Infrastructure	32,732,102	4,685,977	-	37,418,079
Buildings and improvements	4,939,857	57,108	-	4,996,965
Machinery and equipment	1,914,512	108,997	-	2,023,509
Vehicles	5,421,062	523,203	(51,835)	5,892,430
<i>Total capital assets, being depreciated</i>	<u>45,007,533</u>	<u>5,375,285</u>	<u>(51,835)</u>	<u>50,330,983</u>
Accumulated depreciation for:				
Infrastructure	(2,623,866)	(863,444)	-	(3,487,310)
Buildings and improvements	(3,491,599)	(183,011)	-	(3,674,610)
Machinery and equipment	(1,085,614)	(131,222)	-	(1,216,836)
Vehicles	(4,350,492)	(394,063)	51,835	(4,692,720)
<i>Total accumulated depreciation</i>	<u>(11,551,571)</u>	<u>(1,571,740)</u>	<u>51,835</u>	<u>(13,071,476)</u>
<i>Total capital assets, net of depreciation</i>	<u>33,455,962</u>	<u>3,803,545</u>	<u>-</u>	<u>37,259,507</u>
<b>Net capital assets</b>	<b>\$ 38,051,550</b>	<b>\$ 6,030,975</b>	<b>\$ (3,358,782)</b>	<b>\$ 40,723,744</b>

<b>BUSINESS-TYPE ACTIVITIES</b>	
Water and sewer (RJU)	\$ 435,490
Solid waste	369,725
Wastewater (RWTP)	579,298
Airport	187,227
	<u>\$1,571,740</u>

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities**

*Landfill Closure Costs*

The Village, County of Lincoln, Village of Capitan, City of Ruidoso Downs, Village of Corona, Town of Carrizozo, Otero County, City of Alamogordo, Village of Tularosa, and the Village of Cloudcroft have formed the Otero-Lincoln County Regional Landfill. All trash collected by the Village is transferred to the regional landfill. The financial accountability for the regional landfill is the responsibility of the City of Alamogordo. The Village has pledged environmental gross receipts tax collections to service bonds issued by the City of Alamogordo for facility construction. Financial assurances required by the State of New Mexico Environment Regulation Board for the closure and post-closure care costs are the responsibility of the City of Alamogordo. The Village has no landfill closure liability nor any post-closure costs associated with the regional landfill for the year ended June 30, 2017.

The Village issues bonds where the Village pledges income from the receipt of GRT (sales tax) revenue. GRT bonds have been issued for both governmental and business-type activities. The original amount of these bonds issued in the prior years was \$6,260,000. The bonds provided funds for the construction of many Village capital improvements. The Village pledges a portion of GRT for repayment of these bonds, which have varying interest rates that range from 2.00% to 4.00%.

GRT revenue bonds outstanding at year-end are as follows:

	Amount	Maturity Date
<b>May 2012</b>		
Water infrastructure	\$ 1,865,000	June 1, 2031
<b>August 2015</b>		
Capital projects	<u>3,550,000</u>	June 1, 2035
	<u>\$ 5,415,000</u>	

Annual debt service requirements to maturity for all capital project GRT revenue bonds in business-type activities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 115,000	\$ 56,187
2019	115,000	53,888
2020	115,000	51,587
2021	120,000	48,138
2022	120,000	44,537
2023 – 2027	665,000	165,163
2028 - 2031	<u>615,000</u>	<u>50,131</u>
	<u>\$ 1,865,000</u>	<u>\$ 469,631</u>

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities (Continued)**

*Gross Receipts Tax Revenue Bonds (Continued)*

Annual debt service requirements to maturity for all water infrastructure GRT revenue bonds in governmental activities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 155,000	\$ 120,500
2019	150,000	117,400
2020	150,000	114,400
2021	150,000	111,400
2022	165,000	106,900
2023 – 2027	920,000	456,050
2028 – 2032	1,095,000	287,175
2023 - 2035	<u>765,000</u>	<u>62,000</u>
	<u>\$ 3,550,000</u>	<u>\$ 1,375,825</u>

*Revenue Bonds*

The Village also issues bonds and pledges income derived from the net revenues from the operation of the municipal regional wastewater treatment plant and the water and sewer distribution systems. Revenue bonds have been issued for business-type activities. The original amount of revenue bonds issued in prior years was \$9,015,000. Of the total amount, \$570,000 were used to purchase water rights and land from the Village of Capitan and the remaining balance of \$8,445,000 refunded revenue bonds that were used for the construction and/or improvements to the wastewater plant. Interest rate on the bonds is ranges from 2.00% to 4.00%.

Revenue bonds outstanding at year-end are as follows:

	<u>Amount</u>	<u>Maturity Date</u>
<b>November 2011</b>		
Water	\$ 90,000	June 1, 2018
<b>July 2013</b>		
Wastewater	<u>7,625,000</u>	July 1, 2030
	<u>\$ 7,715,000</u>	

Annual debt service requirements to maturity for all water revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 90,000	\$ 2,880



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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities (Continued)**

Annual debt service requirements to maturity for all refunding wastewater revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 425,000	\$ 281,087
2019	435,000	266,013
2020	455,000	248,212
2021	470,000	232,063
2022	485,000	217,737
2023 – 2027	2,515,000	798,825
2028 - 2031	<u>2,840,000</u>	<u>271,231</u>
	<u>\$ 7,625,000</u>	<u>\$ 2,315,168</u>

*General Obligation (GO) Bonds*

The Village issues GO bonds to fund water and wastewater distribution capital improvements. These bonds have been issued for governmental activities, although the direct benefit is the RWWTP and the water distribution system (business-type activities). The original amount of general obligation bonds issued in prior years was \$8,130,000 and during the year, the Village issued an additional \$1,500,000 for water infrastructure projects. Of the total amount, \$4,500,000 provided funds for the water system and \$5,130,000 was used to refund bonds used for RWWTP construction. Interest rates on the bonds range from 1.62% to 2.64%. GO bonds are direct obligations and pledged the full faith and credit of the Village. Pledged revenue source for the water bonds is a 1.5 mil tax levy that is voter approved every two (2) years. The next election is scheduled for March 2018. In addition, the Village has repaid the RWWTP bonds with net revenues from wastewater operations instead of property taxes.

GO Bonds outstanding at year-end are as follows:

	<u>Amount</u>	<u>Maturity Date</u>
<b>GO Bonds</b>		
Water	\$ 625,000	June 1, 2024
Water	805,000	June 1, 2025
Water	<u>995,000</u>	June 1, 2027
	2,425,000	
Wastewater	<u>4,180,000</u>	July 1, 2027
	<u>\$ 6,605,000</u>	

Annual debt service requirements to maturity for water GO bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 250,000	\$ 42,619
2019	255,000	38,290
2020	260,000	33,876
2021	270,000	29,383
2022	270,000	24,711
2023 – 2027	<u>1,120,000</u>	<u>51,168</u>
	<u>\$ 2,425,000</u>	<u>\$ 220,047</u>

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities (Continued)**

Annual debt service requirements to maturity for wastewater GO bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 335,000	\$ 105,930
2019	340,000	97,020
2020	350,000	87,912
2021	360,000	78,540
2022	370,000	68,904
2023 – 2027	1,995,000	191,070
2028	<u>430,000</u>	<u>5,676</u>
	<u>\$ 4,180,000</u>	<u>\$ 635,052</u>

*Capital Loans*

The Village has also issued low interest rate loans provided by intergovernmental agencies and financial institutions for the acquisition of machinery, equipment, vehicles, and remodel of facilities. Capital loans were issued for both governmental and business-type activities. The original amount of capital loans issued in prior years was \$6,792,768.

Capital Loans outstanding at year-end are as follows:

	<u>Amount</u>	<u>Maturity Date</u>
Police building	\$ 230,000	May 1, 2019
Fire trucks	606,979	May 1, 2025
Convention center	1,058,395	May 1, 2029
Equipment	<u>262,296</u>	August 1, 2020
	<u>\$ 2,157,670</u>	

The Village obtained a loan from the NMFA on February 28, 2011 to refinance an existing debt on the remodel of the Police Administration Building. The original loan amount was \$1,210,000 with an interest rate of 3.00%. The term of the loan is nine (9) years with payments commencing in commencing May 2011. Principal is paid annually each May and interest is paid semi-annually each November and May. Payments range from \$105,000 to \$225,000. The note is secured by and payable from the revenues derived from Municipal GRT.

Debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 115,000	\$ 7,142
2019	<u>115,000</u>	<u>3,726</u>
	<u>\$ 230,000</u>	<u>\$ 10,868</u>

The Village obtained a loan from NMFA on July 23, 2009 for the purpose of acquiring two (2) fire trucks. The original loan amount was \$1,015,000 with an interest rate of 3.00%. The term of the loan is fifteen (15) years with payments commencing in commencing May 2011. Principal is paid annually each May and interest is paid semi-annually each November and May. Payments range from \$32,834 to \$86,264. The note is secured by and payable from the New Mexico Fire Marshall distribution of fire protection funds.

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities (Continued)**

Debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 67,377	\$ 22,691
2019	69,311	20,757
2020	71,446	18,623
2021	73,825	16,244
2022	76,527	13,542
2023 - 2025	<u>248,493</u>	<u>21,713</u>
	<u>\$ 606,979</u>	<u>\$ 113,570</u>

The Village obtained a loan from NMFA on February 10, 2012 for the purpose of remodeling the Convention Center. The original loan amount was \$1,537,768 with an interest rate of 3.00%. The term of the loan is twenty (20) years with payments commencing in May 2010. Principal is paid annually each May and interest is paid semi-annually each November and May. Payments range from \$30,764 to \$109,930. The note is secured by and payable from Lodgers' Tax revenues.

Debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 70,887	\$ 44,155
2019	73,269	41,773
2020	75,870	39,172
2021	78,692	36,349
2022	81,753	33,288
2023 – 2027	462,879	112,328
2028 - 2029	<u>215,045</u>	<u>15,038</u>
	<u>\$ 1,058,395</u>	<u>\$ 322,103</u>

The Village obtained a loan from Wagner Equipment Company on September 28, 2015 for the purpose of acquiring a Motor Grader. The original loan amount was \$321,250 with an interest rate of 5.00%. The term of the loan is five (5) years with payments commencing in September 28, 2015 with a balloon payment at the end. Principal and interest are paid monthly. Payments are fixed at \$3,467. The note is secured by and payable from Gasoline Tax revenues.

Debt service requirement to maturity of this loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 33,700	\$ 8,962
2019	34,794	7,902
2020	35,924	6,808
2021	<u>157,878</u>	<u>5,678</u>
	<u>\$ 262,296</u>	<u>\$ 29,350</u>

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**NOTE 4. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**F. Long-term Liabilities (Continued)**

*Changes in Long-term Liabilities*

In prior years, unamortized bond premiums and bond issuance costs were reported as a part of long-term liabilities (debt). With the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, these amounts are now expensed in the year of issuance, with the exception of insurance premiums. Long-term liability activity for the year ended June 30, 2017 follows:

	Outstanding 07/01/16	Borrowings	Repayments	Outstanding 06/30/17	Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
GRT revenue bonds	\$ 3,700,000	\$ -	\$ 150,000	\$ 3,550,000	\$ 155,000
GO bonds	1,595,000	1,500,000	670,000	2,425,000	250,000
Capital loans	2,601,616	-	443,946	2,157,670	286,964
	7,896,616	1,500,000	1,263,946	8,132,670	691,964
Compensated absences	841,130	103,994	-	945,124	75,610
Total Governmental	8,737,746	1,603,994	1,263,946	9,077,794	767,574
<b>BUSINESS-TYPE ACTIVITIES</b>					
GRT revenue bonds	1,975,000	-	110,000	1,865,000	115,000
GO bonds	4,505,000	-	325,000	4,180,000	425,000
Revenue bonds	8,220,000	-	505,000	7,715,000	425,000
	14,700,000	-	940,000	13,760,000	965,000
Compensated absences	461,889	65,907	-	527,796	42,224
Total Business-type	15,161,889	65,907	940,000	14,287,796	1,007,224
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 23,899,635</b>	<b>\$ 1,669,901</b>	<b>\$ 2,203,946</b>	<b>\$ 23,365,590</b>	<b>\$ 1,774,798</b>

In prior years, the General Fund typically liquidated long-term liabilities other than debt.

**G. Leases**

The Village leases office equipment, heavy equipment, and machinery under short-term cancellable operating leases. Rental expenses for the year ended June 30, 2017 was \$173,818.

**H. Fund Balance**

*Minimum Fund Balance Policy*

The governing body has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at two (2) months of general fund annual expenditures (approximately 16.66%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within one (1) year. The Village has not dipped into the reserve for the most recent three fiscal years.

**STATE OF NEW MEXICO**  
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**NOTE 5. OTHER INFORMATION**

**A. Risk Management**

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Village participates in the New Mexico Self-Insurers' Fund Risk Pool.

The Village 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 Village which exceeds the insurance coverage, the Village would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self- Insurers' Fund (NMSIF) assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages 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 Village of Ruidoso.

NMSIF has not provided information on 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.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

The Village was a defendant in various claims and lawsuits at June 30, 2017. Although the outcome of these suits and claims is not presently determinable, it is the opinion of legal counsel that all claims were within insurance policy limits or risk management provisions.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan**

*Plan Description*

The Public Employees Retirement fund (PERA Fund) is a cost-sharing, multiple- employer defined benefit retirement 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 twenty-four (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 separate, publicly available financial report and a comprehensive annual report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366. In addition, the report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

*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.pera.state.nm.us/pdf/AuditFinancial Statements/ 366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancial%20Statements/366_Public_Employees_Retirement_Association_2016.pdf).

*Contributions*

The contribution requirements of the defined benefit plan members and the Village 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 fiscal year 2016 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA fiscal year 2016 annual audit report at [http://osanm.org/media/audits/366 Public Employees Retirement Association 2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf). The PERA coverage options that apply to the Village are: Municipal General, Municipal Police, and Municipal Fire. Statutorily required contributions to the pension plan from the Village were \$1,719,981 and employer paid member benefits that were "picked up" by the employer were \$371,815 for the year ended June 30, 2017.

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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan (Continued)**

*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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. 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 Village'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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 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 Municipal General, at June 30, 2017, the Village reported a liability of \$11,535,131 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was 0.7220%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal General's pension expense of \$1,658,728. At June 30, 2017, the Village reported PERA Fund Division Municipal General's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 576,343	\$ 112,576
Change in assumptions	676,400	1,918
Net difference between projected and actual earnings on pension plan investments	2,122,442	-
Change in proportion and differences between employer contributions and proportionate share of contributions	253,344	-
Village contributions subsequent to measurement date	866,331	-
<b>TOTAL</b>	<b>\$ 4,424,860</b>	<b>\$ 114,494</b>

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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

\$866,331 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Deferral</u>
2018	\$ 811,483
2019	811,483
2020	1,350,975
2021	540,094
2022	-
	<u>\$ 3,514,035</u>

For PERA Fund Division Municipal Police, at June 30, 2017, the Village reported a liability of \$4,660,871 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was 0.6317%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal Police's pension expense of \$702,879. At June 30, 2017 the Village reported PERA Fund Division Municipal Police's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Type</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 342,176	\$ -
Change in assumptions	308,710	84,058
Net difference between projected and actual earnings on pension plan investments	737,143	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,601	72,919
Village contributions subsequent to measurement date	<u>319,818</u>	<u>-</u>
TOTAL	<u>\$ 1,712,448</u>	<u>\$ 156,977</u>

\$319,818 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Deferral</u>
2018	\$ 280,046
2019	280,046
2020	486,837
2021	188,724
2022	-
	<u>\$ 1,235,653</u>



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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For PERA Fund Division Municipal Fire, at June 30, 2017, the Village reported a liability of \$4,869,842 for its proportionate share of the net pension liability. At June 30, 2017, the Village's proportion was 0.7300%, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal General's pension expense of \$702,888. At June 30, 2017, the Village reported PERA Fund Division Municipal Fire's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 220,529	\$ -
Change in assumptions	257,596	-
Net difference between projected and actual earnings on pension plan investments	405,633	-
Change in proportion and differences between employer contributions and proportionate share of contributions	99,395	-
Village contributions subsequent to measurement date	905,648	-
<b>TOTAL</b>	<b>\$ 1,888,801</b>	<b>\$ -</b>

\$905,648 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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</u>	<u>Deferral</u>
2018	\$ 288,349
2019	288,349
2020	301,164
2021	105,291
2022	-
	<u>\$ 983,153</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.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan (Continued)**

*Actuarial Assumptions (Continued)*

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Payroll growth rate	2.75%
Remaining amortization period	30 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
• Investment rate of return*	7.25% for 1 <sup>st</sup> 10 years, 7.75% thereafter
• Administrative expenses	0.45% of payroll
• Projected salary increases*	3.25% - 13.50%
• Post-retirement benefit increases	2.00% compounded annually (2.50% for certain retirees and disabled participants with annual benefits less than \$20,000)

\*Includes inflation at 2.25% for the first 10 years and 2.75% thereafter

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:

<b>ALL FUNDS</b>	<b>Target</b>	<b>Long-term</b>
<b><u>Asset Class</u></b>	<b><u>Allocation</u></b>	<b><u>Expected</u></b>
		<b><u>Real Rate of</u></b>
		<b><u>Return</u></b>
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	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25% for the first ten (10) years (selected period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO  
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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**C. PERA Pension Plan (Continued)**

*Sensitivity of the Village'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 Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Village's proportionate share of the net pension liability	\$ 17,197,854	\$ 11,535,131	\$ 6,838,184

PERA Fund Division Municipal Police	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Village's proportionate share of the net pension liability	\$ 6,857,298	\$ 4,660,871	\$ 2,864,451

PERA Fund Division Municipal Fire	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Village's proportionate share of the net pension liability	\$ 6,369,728	\$ 4,869,842	\$ 3,637,842

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2016 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

*Payables to the Pension Plan*

At the June 30, 2017, the Village did not have any outstanding payables to PERA.

**D. Post-Employment Benefits**

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Village has elected not to participate in the post-employment health insurance plan.

**E. Deferred Compensation**

The Village offers its employees two (2) optional deferred compensation plans. These plans were created in accordance with Internal Revenue Code (IRC) Section 457. The plans are administered by International City Manager Association (ICMA) and Nationwide Retirement Solutions, Inc. The assets and liabilities are held in trust by ICMA and Nationwide, respectively.

The plans are available to all Village employees. The plans permit participants to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees elect to contribute a percentage of their gross salary, but the amount of contribution cannot exceed 33.5% of their salary up to a maximum dollar amount of \$13,000 per year.

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**NOTE 5. OTHER INFORMATION (CONTINUED)**

**E. Deferred Compensation (Continued)**

All contributions withheld from the participants' wages by the Village have been paid to the plan administrator. Currently, there are forty-two (42) employees participating in the plans. Employee contributions totaled \$109,215 (\$92,290 ICMA and \$16,925 Nationwide) for the year ended June 30, 2017.

**F. Concentrations**

The Village depends on financial resources flowing from or associated with both the Federal and the State of New Mexico governments. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and appropriations.

**G. Other Significant Commitments**

*Encumbrances*

As discussed in Note 1.D.1., Budgetary Information, budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 486,448
Major governmental funds	667,699
Nonmajor governmental funds	<u>433,749</u>
Total	<u>\$1,587,896</u>

**H. Tax Abatement**

The Village entered into a property tax abatement agreement with Hotel Ruidoso, LLC (lessee). Under this agreement the Village leases the property on which the lessee built a hotel. An industrial revenue bond was issued to build the hotel. The Village holds legal title to the hotel. In accordance with NMSA 1978 Section 7-36-3A, property interests of a lessee in project property held under a lease from a municipality under authority of an industrial revenue bond are exempt from property taxation for as long as there is an outstanding bonded indebtedness under the terms of the revenue bonds issued for the acquisition of the project property, but in no event for a period of more than thirty years from the date of execution of the first lease of the project to lessee by the municipality.

For the fiscal year ended June 30, 2017, the Village abated property taxes totaling \$10,203 under this program. However, the lessee is still subject to a payment in lieu of taxes (PILOT) payment of \$7,500.

**I. Subsequent Events**

The Village issued \$1,500,000 of GO Bonds on November 17, 2017 for the purpose of generating funds for water infrastructure system repairs. The bonds were issued at an interest rate of 1.93%. The term of the bonds is ten (10) years with payments commencing June 1, 2018. Principal and interest are paid annually each June. The bonds are secured by a mill levy that is elected every two (2) years by the citizens of the Village.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 5. OTHER INFORMATION (CONTINUED)**

**J. Recent Accounting Pronouncements**

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The provisions of this Statement are effective for addressing accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers for fiscal years beginning after June 15, 2017. The Village is currently reviewing the applicability and potential impact on the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. The provisions of this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period and is effective for reporting periods beginning after December 15, 2016. The Village is currently reviewing the applicability and potential impact on the financial statements.

In March 2016, GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, was issued. The provisions of this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions and is effective for reporting periods after June 15, 2016. The Village is currently reviewing the applicability and potential impact on the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. The provisions of this Statement establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable and is effective for reporting periods after June 15, 2018. The Village is currently reviewing the applicability and potential impact on the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. The provisions of this Statement establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria general is on (1) whether a government is controlling the assets of the fiduciary and activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefits arrangements that are fiduciary activities and is effective for reporting periods after December 15, 2018. The Village is currently reviewing the applicability and potential impact on the financial statements.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 5. OTHER INFORMATION (CONTINUED)**

**J. Recent Accounting Pronouncements (Continued)**

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. The provisions of this Statement address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)) and is effective for reporting periods after June 15, 2017. The Village is currently reviewing the applicability and potential impact on the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. The provisions of this Statement improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purposes of extinguishing debt and is effective for reporting periods after June 15, 2017. The Village is currently reviewing the applicability and potential impact on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. The provisions of this Statement improve accounting and financial reporting for leases by governments and is effective for reporting periods after December 15, 2019. The Village is currently reviewing the applicability and potential impact on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2017

Public Employees Retirement Association of New Mexico  
Schedule of Ten Year Tracking Data\*  
(Dollars Amounts in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Village's proportion of the net pension liability (asset)	0.31%	0.33%	0.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Village's proportionate share of the net pension liability (asset)	\$ 10,358	\$ 14,013	\$ 21,066	-	-	-	-	-	-	-
Village's covered-employee payroll	\$ 7,924	\$ 8,601	\$ 8,450	-	-	-	-	-	-	-
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	130.72%	162.92%	249.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* The amounts presented for each fiscal year were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.



STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF VILLAGE CONTRIBUTIONS  
JUNE 30, 2017

Public Employees Retirement Association of New Mexico  
Schedule of Ten Year Tracking Data  
All Divisions Combined Summary  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 905	\$ 973	\$ 1,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>1,240</u>	<u>1,319</u>	<u>1,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ (335)	\$ (346)	\$ (418)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 7,924	\$ 8,601	\$ 8,450							
Contributions as a percentage of covered-employee payroll	15.65%	15.34%	16.91%							

**Increase (Decrease) in Pension Expense over Recognition Periods**

Year	Total		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Amount Deferred	Amortization Years										
2014	\$ 3,361	5	\$ -	\$ 840	\$ 840	\$ 840	\$ 839	\$ 2	\$ -	\$ -	\$ -	\$ -
2015	115	5	-	-	(172)	(172)	(172)	631	-	-	-	-
2016	5,733	5	-	-	-	1,379	1,379	2,139	834	2	-	-
2017	-	5	-	-	-	-	-	-	-	-	-	-
2018	-	5	-	-	-	-	-	-	-	-	-	-
2019	-	5	-	-	-	-	-	-	-	-	-	-
2020	-	5	-	-	-	-	-	-	-	-	-	-
2021	-	5	-	-	-	-	-	-	-	-	-	-
2022	-	5	-	-	-	-	-	-	-	-	-	-
2023	-	5	-	-	-	-	-	-	-	-	-	-
	<u>\$ 9,209</u>		<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 840</u>	<u>\$ 840</u>	<u>\$ 839</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Excess contributions represent the employee portion covered by the employer. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF VILLAGE CONTRIBUTIONS  
JUNE 30, 2017

Public Employees Retirement Association of New Mexico  
Schedule of Ten Year Tracking Data  
General Division Combined Summary  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 507	\$ 560	\$ 590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>752</u>	<u>816</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ (245)	\$ (256)	\$ (305)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 5,860	\$ 6,415	\$ 6,210							
Contributions as a percentage of	12.83%	12.72%	14.41%							

**Increase (Decrease) in Pension Expense over Recognition Periods**

Year	Total		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Amount Deferred	Amortization Years										
2014	\$ 2,088	5	\$ -	\$ 522	\$ 522	\$ 522	\$ 522	\$ -	\$ -	\$ -	\$ -	\$ -
2015	(186)	5	-	-	(191)	(191)	(191)	387	-	-	-	-
2016	3,514	5	-	-	-	811	811	1,351	540	1	-	-
2017	-	5	-	-	-	-	-	-	-	-	-	-
2018	-	5	-	-	-	-	-	-	-	-	-	-
2019	-	5	-	-	-	-	-	-	-	-	-	-
2020	-	5	-	-	-	-	-	-	-	-	-	-
2021	-	5	-	-	-	-	-	-	-	-	-	-
2022	-	5	-	-	-	-	-	-	-	-	-	-
2023	-	5	-	-	-	-	-	-	-	-	-	-
	<u>\$ 5,416</u>		<u>\$ -</u>	<u>\$ 522</u>	<u>\$ 331</u>	<u>\$ 1,142</u>	<u>\$ 1,142</u>	<u>\$ 1,738</u>	<u>\$ 540</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

\* Excess contributions represent the employee portion covered by the employer. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF VILLAGE CONTRIBUTIONS  
JUNE 30, 2017

Public Employees Retirement Association of New Mexico  
Schedule of Ten Year Tracking Data  
Police Division Combined Summary  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 235	\$ 234	\$ 237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>292</u>	<u>287</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ (57)	\$ (53)	\$ (67)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 1,234	\$ 1,303	\$ 1,373							
Contributions as a percentage of	23.66%	22.03%	22.14%							

**Increase (Decrease) in Pension Expense over Recognition Periods**

Year	Total		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Amount Deferred	Amortization Years										
2014	\$ 974	5	\$ -	\$ 243	\$ 243	\$ 243	\$ 243	\$ 2	\$ -	\$ -	\$ -	\$ -
2015	78	5	-	-	(26)	(26)	(26)	156	-	-	-	-
2016	1,236	5	-	-	-	280	280	487	189	-	-	-
2017	-	5	-	-	-	-	-	-	-	-	-	-
2018	-	5	-	-	-	-	-	-	-	-	-	-
2019	-	5	-	-	-	-	-	-	-	-	-	-
2020	-	5	-	-	-	-	-	-	-	-	-	-
2021	-	5	-	-	-	-	-	-	-	-	-	-
2022	-	5	-	-	-	-	-	-	-	-	-	-
2023	-	5	-	-	-	-	-	-	-	-	-	-
	<u>\$ 2,288</u>		<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 217</u>	<u>\$ 497</u>	<u>\$ 497</u>	<u>\$ 645</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Excess contributions represent the employee portion covered by the employer. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF VILLAGE CONTRIBUTIONS  
JUNE 30, 2017

Public Employees Retirement Association of New Mexico  
Schedule of Ten Year Tracking Data  
Fire Division Combined Summary  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 163	\$ 179	\$ 184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	196	216	230	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ (33)	\$ (37)	\$ (46)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 829	\$ 883	\$ 867							
Contributions as a percentage of	23.64%	24.46%	26.53%							

**Increase (Decrease) in Pension Expense over Recognition Periods**

Year	Total		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Amount Deferred	Amortization Years										
2014	\$ 299	5	\$ -	\$ 75	\$ 75	\$ 75	\$ 74	\$ -	\$ -	\$ -	\$ -	\$ -
2015	223	5	-	-	45	45	45	88	-	-	-	-
2016	983	5	-	-	-	288	288	301	105	1	-	-
2017	-	5	-	-	-	-	-	-	-	-	-	-
2018	-	5	-	-	-	-	-	-	-	-	-	-
2019	-	5	-	-	-	-	-	-	-	-	-	-
2020	-	5	-	-	-	-	-	-	-	-	-	-
2021	-	5	-	-	-	-	-	-	-	-	-	-
2022	-	5	-	-	-	-	-	-	-	-	-	-
2023	-	5	-	-	-	-	-	-	-	-	-	-
	<u>\$ 1,505</u>		<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 120</u>	<u>\$ 408</u>	<u>\$ 407</u>	<u>\$ 389</u>	<u>\$ 105</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

\* Excess contributions represent the employee portion covered by the employer. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2017

**Notes to the Required Supplementary Information**

**1. Changes of Benefit Terms**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 2016 audit available at <http://saonm.org> using the audit search function for agency 366.

**2. Changes of Assumptions**

The PERA Annual Actuarial Valuation as of June 30, 2016 report is available at <http://wwwsaonm.org> using the audit search function for agency 366.

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**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

*Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a specific purpose.*

Correction Fees Fund accounts for a \$10 fee imposed upon conviction of an individual as stipulated under Section 35-14-11 NMSA 1978. The funds collected are restricted to be used in the operation of the Village's jail facilities.

Emergency Medical Service (EMS) Fund accounts for funds made available to municipalities in proportion to their needs for use in the establishment of emergency medical services in order to reduce injury and loss of life under Section 24-10A and 24-10B NMSA 1978. These funds are to be spent on the training of personnel and nonadministrative expenditures involved in providing this service.

Fire Protection Fund accounts for the accumulation of resources from the State's Fire Protection Fund administered through the State Fire Marshall's Office. These funds are to be used for the operation, maintenance, and betterment of local fire districts under Section 59A-53-1 to 59A-53-17 NMSA 1978.

Law Enforcement Protection (LEPF) Fund accounts for the accumulation of resources from the Village's equitable distribution of funds to municipal police under Section 29-13 NMSA 1978. The funds are for the use in the maintenance and improvement of the police department in order to enhance their effectiveness.

Special Library Fund accounts for resources from grants from the State of New Mexico and private agencies. The funds are to be spent on expenditures associated with the operations of the Village's Library.

Lodgers' Tax Fund accounts for the resources from the lodgers' tax levied by the Village under Sections 3-38-13 to 3-38-24 NMSA 1978. The occupancy tax is imposed and collected on certain revenues of lodging establishments. The funds may be used for tourist related facilities, advertising, promotions, collection and administration of the tax, and various other uses as cited in the state law.

Retired Senior Volunteer Program (RSVP) Fund accounts for the resources from a grant from the New Mexico Area Agency on Aging (AAA). The funds are to be spent on expenditures associated with the operations of the Village's Community Center.

Driving While Intoxicated (DWI) Fund accounts for state and federal grants that are to be used for implementation of improved traffic safety and drug control awareness in Ruidoso village limits. Authority for creation of this fund is budget approval by Village Council.

Forestry Operations Fund accounts for grants received from the State of New Mexico that are to be used for forest management and improvement. Authority for creation of this fund is approved by Village Council.

Traffic Safety Fees Fund accounts for motor vehicle assessments imposed by 66-7-512 NMSA 1978. Expenditures are restricted to be utilized to enhance and improve traffic safety programs within Ruidoso village limits.

## **NONMAJOR GOVERNMENTAL FUNDS**

### ***DEBT SERVICE FUND***

*Debt service funds are used to account for the accumulation of resources and payment of principal and interest on the Village's general bonded debt.*

The Gross Receipts Tax (GRT) Revenue Bond accounts for the accumulation of resources for and the payment of, principal and interest of Gross Receipts Tax Revenue Bonds issued. The resources of this fund are generated by the Village's share of the gross receipts tax. Authority for creation of this fund is approved by Village Council.

The New Mexico Finance Authority (NMFA) Loan accounts for the accumulation of resources for and the payment of, principal and interest of restricted loans used for the purchase of fire trucks, the remodel of the Convention Center, and refunding of the debt associated with the remodel of the Police Administration Building. The repayment sources are generated by the Village's share of fire protection funds, lodgers' tax, and infrastructure gross receipts tax (GRT), respectively. Authority for creation of this fund is approved by Village Council.

### ***CAPITAL PROJECT FUNDS***

*Capital Project Funds are used to account for the acquisition and construction of major capital projects other than those finance by proprietary funds.*

General Obligation (GO) Bonds Fund accounts for the accumulation of anticipated resources of the 2014 general obligation bond issue. The expenditures are restricted for use in the improvement of the water distribution system. Authority for creation of this fund is approved by Village Council.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>					
	<u>Correction</u>	<u>Emergency</u>	<u>Fire Protection</u>	<u>Law</u>	<u>Special</u>	<u>Lodgers'</u>
	<u>Fees</u>	<u>Medical</u>		<u>Enforcement</u>	<u>Library</u>	<u>Tax</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 51,261	\$ 15,070	\$ 280,032	\$ 2	\$ 218	\$ 701,048
Investments	-	-	-	-	-	-
Restricted cash and investmen	-	-	-	-	-	-
Receivables, net of allowance	-	-	-	-	12,589	169,380
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total Assets	<u>\$ 51,261</u>	<u>\$ 15,070</u>	<u>\$ 280,032</u>	<u>\$ 2</u>	<u>\$ 12,807</u>	<u>\$ 870,428</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,946	\$ 75	\$ 18,772	\$ -	\$ -	\$ 329,388
Accrued liabilities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	7,000	-
Total Liabilities	<u>2,946</u>	<u>75</u>	<u>18,772</u>	<u>-</u>	<u>7,000</u>	<u>329,388</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned revenue	-	-	-	-	-	-
Unavailable property taxes	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable:						
Inventory	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted:						
Public safety	48,315	14,995	209,499	-	5,807	-
Capial projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	-	-	328,495
Assigned:						
Purchases on order	-	-	13,080	-	-	208,516
Subsequent year's budget; appropriation of fund	-	-	38,681	2	-	4,029
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>48,315</u>	<u>14,995</u>	<u>261,260</u>	<u>2</u>	<u>5,807</u>	<u>541,040</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 51,261</u>	<u>\$ 15,070</u>	<u>\$ 280,032</u>	<u>\$ 2</u>	<u>\$ 12,807</u>	<u>\$ 870,428</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>				Subtotal	DEBT SERVICE
	<u>RSVP</u>	<u>DWI</u>	<u>Forestry Operations</u>	<u>Traffic Safety Fees</u>	Special Revenue Funds	FUND Revenue Bonds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,596	\$ 558	\$ 147,362	\$ 9,459	\$ 1,208,606	\$ 9,636
Investments	-	-	-	-	-	-
Restricted cash and investmen	-	-	-	-	-	-
Receivables, net of allowance	2,602	-	-	-	184,571	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total Assets	<u>\$ 6,198</u>	<u>\$ 558</u>	<u>\$ 147,362</u>	<u>\$ 9,459</u>	<u>\$ 1,393,177</u>	<u>\$ 9,636</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,450	\$ -	\$ -	\$ -	\$ 352,631	\$ -
Accrued liabilities	497	-	-	-	497	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	7,000	-
Total Liabilities	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,128</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned revenue	-	-	-	-	-	-
Unavailable property taxes	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable:						
Inventory	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted:						
Public safety	-	558	-	4,000	283,174	-
Capial projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	9,636
Other purposes	4,251	-	57,862	-	390,608	-
Assigned:						
Purchases on order	-	-	-	-	221,596	-
Subsequent year's budget; appropriation of fund	-	-	89,500	5,459	137,671	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>4,251</u>	<u>558</u>	<u>147,362</u>	<u>9,459</u>	<u>1,033,049</u>	<u>9,636</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 6,198</u>	<u>\$ 558</u>	<u>\$ 147,362</u>	<u>\$ 9,459</u>	<u>\$ 1,393,177</u>	<u>\$ 9,636</u>

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

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STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>DEBT SERVICE</u> <u>FUND</u>	Subtotal Debt Service <u>Funds</u>	<u>CAPITAL</u> <u>PROJECT FUND</u> <u>GO Bond</u>	Total Non Major Governmental <u>Funds</u>
	<u>NMFA Loans</u>			
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 9,636	\$ -	\$ 1,218,242
Investments	-	-	-	-
Restricted cash and investmen	357,310	357,310	1,499,866	1,857,176
Receivables, net of allowance	-	-	-	184,571
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	<u>\$ 357,310</u>	<u>\$ 366,946</u>	<u>\$ 1,499,866</u>	<u>\$ 3,259,989</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 352,631
Accrued liabilities	-	-	-	497
Deposits payable	-	-	-	-
Due to other funds	-	-	-	7,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,128</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	-	-	-	-
Unavailable property taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Public safety	-	-	-	283,174
Capital projects	-	-	530,566	530,566
Debt service	730,916	740,552	-	740,552
Other purposes	-	-	-	390,608
Assigned:				
Purchases on order	-	-	212,153	433,749
Subsequent year's budget; appropriation of fund	-	-	757,147	894,818
Unassigned	<u>(373,606)</u>	<u>(373,606)</u>	<u>-</u>	<u>(373,606)</u>
Total Fund Balances (Deficits)	<u>357,310</u>	<u>366,946</u>	<u>1,499,866</u>	<u>2,899,861</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 357,310</u>	<u>\$ 366,946</u>	<u>\$ 1,499,866</u>	<u>\$ 3,259,989</u>

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>					
	<u>Correction Fees</u>	<u>Emergency Medical Services</u>	<u>Fire Protection</u>	<u>Law Enforcement Protection</u>	<u>Special Library</u>	<u>Lodgers' Tax</u>
<b>REVENUES</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-	-	-
Other	-	-	-	-	-	1,512,247
Intergovernmental:						
Federal grants	-	-	-	-	-	-
State grants	-	12,150	373,039	33,200	20,322	154,200
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	43,070	-	-	-	-	-
Investment earnings	-	-	213	-	-	1,948
Miscellaneous	-	-	-	-	-	32,326
Total Revenues	<u>43,070</u>	<u>12,150</u>	<u>373,252</u>	<u>33,200</u>	<u>20,322</u>	<u>1,700,721</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	35,093	13,056	85,991	33,205	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	14,515	929,497
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Capital outlay	-	-	78,549	-	-	678,322
Total Expenditures	<u>35,093</u>	<u>13,056</u>	<u>164,540</u>	<u>33,205</u>	<u>14,515</u>	<u>1,607,819</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,977</u>	<u>(906)</u>	<u>208,712</u>	<u>(5)</u>	<u>5,807</u>	<u>92,902</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	3,946
Transfers out	(12,700)	-	(90,069)	-	-	(197,939)
Proceeds from debt issuance	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(12,700)</u>	<u>-</u>	<u>(90,069)</u>	<u>-</u>	<u>-</u>	<u>(193,993)</u>
Net Change in Fund Balances	(4,723)	(906)	118,643	(5)	5,807	(101,091)
Fund Balances, Beginning of Year	<u>53,038</u>	<u>15,901</u>	<u>142,617</u>	<u>7</u>	<u>-</u>	<u>642,131</u>
Fund Balances, End of Year	<u>\$ 48,315</u>	<u>\$ 14,995</u>	<u>\$ 261,260</u>	<u>\$ 2</u>	<u>\$ 5,807</u>	<u>\$ 541,040</u>

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



STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>SPECIAL REVENUE FUNDS</u>				Subtotal	DEBT SERVICE
	<u>RSVP</u>	<u>DWI</u>	<u>Forestry Operations</u>	<u>Traffic Safety Fees</u>	Special Revenue Funds	<u>FUND</u> Revenue Bonds
<b>REVENUES</b>						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-	-	-
Other	-	-	-	-	1,512,247	-
Intergovernmental:						
Federal grants	3,500	-	26,152	-	29,652	-
State grants	34,978	132,191	28,892	-	788,972	-
Licenses and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	3,952	47,022	-
Investment earnings	-	-	-	-	2,161	-
Miscellaneous	-	-	15,520	-	47,846	-
Total Revenues	<u>38,478</u>	<u>132,191</u>	<u>70,564</u>	<u>3,952</u>	<u>2,427,900</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	158,963	-	-	326,308	-
Public works	-	-	81,585	-	81,585	-
Culture and recreation	3,499	-	-	-	947,511	-
Health and welfare	54,271	-	-	-	54,271	-
Debt service:						
Principal	-	-	-	-	-	150,000
Interest	-	-	-	-	-	122,915
Bond issuance costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	756,871	-
Total Expenditures	<u>57,770</u>	<u>158,963</u>	<u>81,585</u>	<u>-</u>	<u>2,166,546</u>	<u>272,915</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(19,292)</u>	<u>(26,772)</u>	<u>(11,021)</u>	<u>3,952</u>	<u>261,354</u>	<u>(272,915)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	16,454	-	28,084	-	48,484	272,915
Transfers out	-	-	-	-	(300,708)	-
Proceeds from debt issuance	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>16,454</u>	<u>-</u>	<u>28,084</u>	<u>-</u>	<u>(252,224)</u>	<u>272,915</u>
Net Change in Fund Balances	(2,838)	(26,772)	17,063	3,952	9,130	-
Fund Balances, Beginning of Year	<u>7,089</u>	<u>27,330</u>	<u>130,299</u>	<u>5,507</u>	<u>1,023,919</u>	<u>9,636</u>
Fund Balances, End of Year	<u>\$ 4,251</u>	<u>\$ 558</u>	<u>\$ 147,362</u>	<u>\$ 9,459</u>	<u>\$ 1,033,049</u>	<u>\$ 9,636</u>

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

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STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>DEBT SERVICE</u> <u>FUND</u>	Subtotal Debt Service <u>Funds</u>	<u>CAPITAL</u> <u>PROJECT FUND</u> <u>GO Bond</u>	Total Non Major Governmental <u>Funds</u>
	<u>NMFA Loans</u>			
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	1,512,247
Intergovernmental:				
Federal grants	-	-	-	29,652
State grants	-	-	-	788,972
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	47,022
Investment earnings	4,010	4,010	3,538	9,709
Miscellaneous	-	-	-	47,846
Total Revenues	<u>4,010</u>	<u>4,010</u>	<u>3,538</u>	<u>2,435,448</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	326,308
Public works	-	-	-	81,585
Culture and recreation	-	-	-	947,511
Health and welfare	-	-	-	54,271
Debt service:				
Principal	411,306	561,306	-	561,306
Interest	81,012	203,927	-	203,927
Bond issuance costs	-	-	-	-
Capital outlay	-	-	-	756,871
Total Expenditures	<u>492,318</u>	<u>765,233</u>	<u>-</u>	<u>2,931,779</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(488,308)</u>	<u>(761,223)</u>	<u>3,538</u>	<u>(496,331)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	330,839	603,754	1,450,000	2,102,238
Transfers out	(216,137)	(216,137)	(1,460,069)	(1,976,914)
Proceeds from debt issuance	-	-	-	-
Net Other Financing Sources (Uses)	<u>114,702</u>	<u>387,617</u>	<u>(10,069)</u>	<u>125,324</u>
Net Change in Fund Balances	(373,606)	(373,606)	(6,531)	(371,007)
Fund Balances, Beginning of Year	<u>730,916</u>	<u>740,552</u>	<u>1,506,397</u>	<u>3,270,868</u>
Fund Balances, End of Year	<u>\$ 357,310</u>	<u>\$ 366,946</u>	<u>\$ 1,499,866</u>	<u>\$ 2,899,861</u>

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

## **FIDUCIARY (AGENCY) FUNDS**

*Fiduciary funds account for assets held by the Village in a trustee or agency capacity for individual, private organization, other governmental units, and/or other funds. Agency Funds are purely custodial and do not involve measurement of results of operations.*

Special Gifts Fund accounts for the receipt of various donations for a specific project from individual and private businesses. Authority for creation of this fund is approved by Village Council.

Bail Bond Fund accounts for the receipt and disbursement of appearance bonds for those appearing the municipal court.

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2017

<u>APPEARANCE BONDS</u>	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 631	\$ 10,005	\$ 9,802	\$ 834
Total Assets	<u>\$ 631</u>	<u>\$ 10,005</u>	<u>\$ 9,802</u>	<u>\$ 834</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Special projects payable	631	10,005	9,802	834
Total Liabilities	<u>\$ 631</u>	<u>\$ 10,005</u>	<u>\$ 9,802</u>	<u>\$ 834</u>
<b>SPECIAL GIFTS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,228	\$ 328,039	\$ 293,385	\$ 90,882
Accounts receivable	19,574	458,758	235,862	242,470
Total Assets	<u>\$ 75,802</u>	<u>\$ 786,797</u>	<u>\$ 529,247</u>	<u>\$ 333,352</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 733	\$ 67,045	\$ 67,604	\$ 174
Due to other funds	-	242,069	-	242,069
Special projects payable	75,069	329,357	313,317	91,109
Total Liabilities	<u>\$ 75,802</u>	<u>\$ 638,471</u>	<u>\$ 380,921</u>	<u>\$ 333,352</u>
<b>TOTAL</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 56,859	\$ 338,044	\$ 303,187	\$ 91,716
Accounts receivable	19,574	458,758	235,862	242,470
Total Assets	<u>\$ 76,433</u>	<u>\$ 796,802</u>	<u>\$ 539,049</u>	<u>\$ 334,186</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 733	\$ 67,045	\$ 67,604	\$ 174
Due to other funds	-	242,069	-	242,069
Special projects payable	75,700	339,362	323,119	91,943
Total Liabilities	<u>\$ 76,433</u>	<u>\$ 648,476</u>	<u>\$ 390,723</u>	<u>\$ 334,186</u>

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

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**NEW MEXICO STATE AUDITOR DISCLOSURES**

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2017

Financial Institution/Account Name	Deposit Type	Bank Balance	Reconciling Items	Reconciled Balance
<b>WELLS FARGO, NEW MEXICO</b>				
New General Operations	Checking	\$ 3,747,284	\$ (326,006)	3,421,278
FEMA Fund	Checking	26,673,017	-	26,673,017
Bail Bond Trust Fund	Checking	834	-	834
Village of Ruidoso	Savings	3,716,687	-	3,716,687
Village of Ruidoso - RWWTP	Savings	1,002,903	-	1,002,903
Municipality of Ruidoso		35,140,725	\$ (326,006)	\$ 34,814,719
Less: FDIC coverage		250,000		
Uninsured Public Funds		34,890,725		
Less: Pledged collateral held by the pledging financial institution		(38,040,922)		
Over insured and over collateralized		<u>\$ (3,150,197)</u>		
Collateral requirement - 50% of uninsured funds		\$ 17,445,363		
Less: Pledged security		<u>38,040,922</u>		
Over Collateral Requirement		<u>\$ (20,595,559)</u>		

Pledge Description	Maturity	CUSIP	Fair Market Value	Location of Safekeeper
FMAC FGPC 2.500%	10/01/2030	3128MMT52	\$ 12,783,116	Bank of New York Mellon, New York, NY
FNMA FNMS 3.000%	02/01/2043	31417EUE9	25,257,806	
			<u>\$ 38,040,922</u>	

<b>WELLS FARGO BROKERAGE*</b>				
General Operations	Money Market	\$ 1,257,127	\$ -	\$ 1,257,127
General Operations**	CDs	10,716,418	-	10,716,418
General Operations	Treasury Notes	7,348,770	-	7,348,770
Municipality of Ruidoso		<u>\$ 19,322,315</u>	<u>\$ -</u>	<u>\$ 19,322,315</u>

<b>BANK OF ALBUQUERQUE - NMFA*</b>				
Village of Ruidoso - Fire Truck Loan	Cash Deposit	\$ 50,887	\$ -	\$ 50,887
Village of Ruidoso - Convention Center Loan	Cash Deposit	127,013	-	127,013
Village of Ruidoso - Police Building Loan	Cash Deposit	179,409	-	179,409
Municipality of Ruidoso		<u>\$ 357,309</u>	<u>\$ -</u>	<u>\$ 357,309</u>

\* Amounts represent accounts that do not need pledging per State statutes. See Note 4.A.

\*\*The Village holds forty-three (43) CDs with corresponding FDIC insurance of \$250,000 per CD. Therefore, these balances are insured for \$10,750,000.

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



STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2017

Financial Institution/Account Name	Deposit Type	Bank Balance	Reconciling Items	Reconciled Balance
<b>TOTAL FINANCIAL INSTITUTIONS</b>				
Village of Ruidoso	Checking	\$ 30,421,135	\$ (326,006)	\$ 30,095,129
Village of Ruidoso	Savings	4,719,590	-	4,719,590
Village of Ruidoso	Cash Deposit	357,309	-	357,309
Village of Ruidoso	Money Market	1,257,127	-	1,257,127
Village of Ruidoso	CDs	10,716,418	-	10,716,418
Village of Ruidoso	Treasury Notes	7,348,770	-	7,348,770
Municipality of Ruidoso		54,820,349	\$ (326,006)	\$ 54,494,343
Less: Wells Fargo Brokerage		19,322,315		
Less: NMFA		357,309		
		35,140,725		
Less: FDIC coverage		250,000		
Uninsured Public Funds		34,890,725		
Less: Pledged collateral held by the pledging financial institution		(38,040,922)		
Over insured and over collateralized		\$ (3,150,197)		
Collateral requirement - 50% of uninsured funds		\$ 17,445,363		
Less: Pledged security		(38,040,922)		
Over Collateral Requirement		\$ (20,595,559)		

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

STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING  
JUNE 30, 2017

Participants	Responsible Party	Description
Village of Ruidoso and Lincoln County	Both	Provide mutual aid for fire response
Village of Ruidoso's Police Department and New Mexico Law Enforcement Professional Standards Council	Both	Assist the agency toward the goal of accredited status through compliance with the standards adopted by said council
Village of Ruidoso and new Mexico Department of Public Safety	Both	Provide police services for Village residents and insure that Police Officers have powers to enforce state laws and act with the same authority as sheriffs and constables
Village of Ruidoso's Sierra Blanca Regional Airport and the Bureau of Land Management	Both	Allow public land users to ingress and egress the Airport's East and South approach corridors
Village of Ruidoso and the New Mexico Department of Tourism	Both	Creates a partnership for the use of space at the Billy the Kid Byway Vistors' Center
Village of Ruidoso and the United States Department of Agriculture Forestry Service	Both	Provide a framework for cooperation upon which the VOR and the forest service may jointly plan and accomplish mutually beneficial projects and activities
Village of Ruidoso and the New Mexico Law Enforcement Professional Standards Council	Both	Provide the Village with manuals, forms, and technical assistance necessary to assist the Village in the accreditation effort
Village of Ruidoso and the New Mexico Office of the State Engineer	Both	Identify and track water discovered through a leak detection program
Village of Ruidoso and City of Ruidoso Downs	Village of Ruidoso	Operate the Regional Wastewater Treatment Plant
Village of Ruidoso and City of Ruidoso Downs	City of Ruidoso Downs	Operate the Lincoln County Transit System
Village of Ruidoso and City of Ruidoso Downs	Both	Provide mutual aid for fire response

<u>Begin Date</u>	<u>End Date</u>	<u>Estimated Amount of Project</u>	<u>Amount Contributed in Fiscal year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Name of Governmental Agency Reporting Revenue &amp; Expense</u>
02/23/2010	Indefinitely	N/A	N/A	None	None	Both
10/01/2009	Until Complete	N/A	N/A	None	None	Both
07/01/2010	Indefinitely	N/A	N/A	Both	None	Both
12/01/2011	12/01/16	N/A	N/A	None	None	Both
02/28/2012	02/28/16	N/A	N/A	Both	None	Both
06/04/2008	08/04/13	N/A	N/A	None	None	Both
09/01/2009	Indefinitely	N/A	N/A	None	None	Both
04/28/2009	Indefinitely	N/A	N/A	None	None	Both
07/03/1974	Indefinitely	N/A	\$11,651,913	Village of Ruidoso	Village of Ruidoso	Village of Ruidoso
07/01/2009	Indefinitely	N/A	\$28,000	City of Ruidoso Downs	City of Ruidoso Downs	City of Ruidoso Downs
06/14/2011	Indefinitely	N/A	N/A	None	None	Both

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

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## COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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**

To Wayne Johnson New  
Mexico State Auditor and  
The Village Council  
Village of Ruidoso, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and special revenue fund of the Village of Ruidoso (Village) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 15, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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. 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 or significant deficiencies may exist that may have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2017 - 001, 2017-002 and 2017-003.

### **The Village's Response to Findings**

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico  
December 15, 2017

**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017**

**CURRENT YEAR FINDINGS**

**2017-001 Waste of Public Money (Non-Compliance)**

*Condition:* Based upon our inquiries, we noted that a NeoGov license is being billed annually but the Village is not using the software. NeoGov is a hiring tool that will allow the HR Staff to post jobs online. The software was installed on the Village's computers in fiscal year 2012 and is still not in use.

The software has not be implemented for use in the current year because of a lawsuit with ADA on the language the Village was using in its employment applications. Once the lawsuit is settled with ADA the Village will fully implement the NeoGov software. The lawsuit is expected to settle in fiscal year 2018. However the Village is paying for a software license that is not in use which is not the best use of public funds, resulting in an annual maintenance expenditure of \$5,200 that has been spent annually since 2012 for a total of \$26,000.

*Criteria:* NMSA 1978 Section 30-23-2: Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered.

*Effect:* The Village is not in compliance with NMSA 1978 Section 30-23-2.

*Cause:* Management has not performed a proper evaluation and risk assessment in order to ensure proper internal controls are in place.

*Auditor Recommendation:* The Village should establish a process to ensure all items purchased will be for use in the current year and benefit the citizens of the Village.

*Management Response:* The software is scheduled and will be implemented by the end of fiscal year 2018.

*Responsible Position:* Finance Director



**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017**

**2017-002 Lodgers Tax Audit Compliance (Non-Compliance)**

*Condition:* During our compliance procedures, we noted that the Village has not performed an audit or other procedures to verify its Lodger's tax in accordance with NMSA 1978 Section 3-38-17.1 for the past five years.

*Criteria:* NMSA 1978 Section 3-38-17.1: The governing body of any municipality or county collecting over two hundred fifty thousand dollars (\$250,000) in occupancy tax proceeds shall select for annual random audits one or more vendors to verify the amount of gross rent subject to the occupancy tax and to ensure that the full amount of occupancy tax on that rent is collected. The governing body of any municipality or county collecting less than two hundred fifty thousand dollars (\$250,000) in receipts, per annum, of occupancy tax proceeds shall conduct random audits to verify full payment of occupancy tax receipts. Copies of audits completed shall be filed annually with the local government division of the department of finance and administration.

*Effect:* The Village may not be receiving the correct amount of Lodger's tax if they do not verify the amounts they are receiving from entities and it's not in compliance with the State Statues.

*Cause:* The Village did not have resources to perform the audit under the State Statues.

*Auditor Recommendation:* The Village should establish a process to audit the entities in which they receive lodger's tax. The result of audit needs to be filed annual basis with the Local Government Division of the New Mexico Department of Finance and Administration.

*Management Response:* We have been trying to contract with Axiom, our current auditors, for the last three (3) years and have discussed many times the completion of the lodger's tax audit to coincide with the timeframe of our regular audit. We have yet to receive any assistance from them on this matter. We have repeatedly asked for proposals and have received no response. In addition, as this finding was brought to our attention during the audit visit in November 2017, we were promised a proposal to bring our compliance up to date, by the end of the current fiscal year, and as of report date we have yet to receive a cost proposal. Audits will be completed by December 2018.

*Auditor's responses:* We are currently in the process of providing the Village of Ruidoso with a quote for Lodger tax audit.

*Responsible Position:* Finance Director

**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017**

**2017-003 Penalty of Delinquent Accounts (Other Matters)**

*Condition:* Per ordinance in the water rates structure there is a 1% penalty for delinquent accounts that is currently not being implemented at the Village.

*Criteria:* The Village Ordinance provides for the assessment of 1% penalty for delinquent account. The Codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

*Effect:* Without adequate internal controls in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

*Cause:* Management has not performed a proper evaluation and risk assessment in order to ensure proper internal controls are in place.

*Auditor Recommendation:* We recommend that the Village amend its Ordinance if the intention is not to charge any penalty on delinquent accounts.

*Management Response:* During the implementation of the Village's new software package, Incode Version X, during 2011, there were many problems with the set up and training of personnel on the software and this aspect was simply over-looked. In addition, during this timeframe, the Village was establishing conversation water rates which were a dramatic increase to citizens and this change caused a very heated environment in the Village, which is why the additional penalty for late payments was not implemented. Village staff will be taking the following ordinance amendment to the Council in February 2018:

**Section 86-4 – Penalty for late payment of charges.**

A penalty as set forth in Appendix U of this code may be imposed on all delinquent water and sewer accounts after approval by the Village Council in an open meeting.

*Responsible Position:* Finance Director

**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017**

**STATUS OF PRIOR YEAR FINDINGS**

2016-001	Overtime Pay (Non-Compliance)	Resolved
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**STATE OF NEW MEXICO  
VILLAGE OF RUIDOSO  
REQUIRED DISCLOSURE  
FOR THE YEAR ENDED JUNE 30, 2017**

**Prepared Financial Statements**

The financial statements presented in this report were prepared by the Village of Ruidoso.

**Exit Conference**

The contents of this report were discussed on December 14, 2017. The following individuals were in attendance.

**VILLAGE OF RUIDOSO**

Lynn Crawford, Mayor Pro Tem  
Joe Eby, Councilor  
Debi Lee, Village Manager  
Ron Sena, Deputy Village Manager  
Judi Starkovich, CPA, Finance Director  
Karen Gutierrez, Assistant Finance Director

**AXIOM, CPAS**

Jaime Rumbaa, CPA, Partner