

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

INTRODUCTORY SECTION

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CITY OF RUIDOSO DOWNS
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CITY OF RUIDOSO DOWNS
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**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
OFFICIAL ROSTER
JUNE 30, 2017**

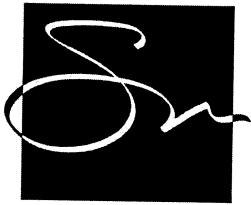
CITY COUNCIL

Name	Title
Gary L. Williams	Mayor
Judy Miller	Councilor
Margie Morales	Councilor
James Romero	Councilor
Shane Walker	Councilor

CITY OFFICIALS

Name	Title
Mary Castaneda	Finance Director
Carol Virden	City Clerk/Treasurer

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor, and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico

Report on the 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 the major special revenue fund of the City of Ruidoso Downs, New Mexico as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 misstatement, 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, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund and the major special revenue fund of the City of Ruidoso Downs, New Mexico as of June 30, 2017, and, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Contributions as noted in the table of contents 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.

Management has elected to omit the MD&A for the year ended June 30, 2017, which is required to be presented to supplement the basic financial statements by accounting principles generally accepted in the United States of America. Our opinions on the basic financial statements are not affected by this omitted information.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ruidoso Downs's basic financial statements and the budgetary comparisons for the General Fund and the major special revenue fund. The combining and individual fund financial statements and the related budgetary comparison schedules and 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 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules required by 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 January 18, 2018 on our consideration of the City'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 City's internal control over financial reporting and compliance.



Scott Northam, CPA, PC
Ruidoso, New Mexico
January 18, 2018

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,270,909	\$ 2,606,254	\$ 5,877,163
Accounts Receivable, Net	-	85,096	85,096
Taxes Receivable			
Gross Receipts	488,719	106,564	595,283
Franchise	14,586	-	14,586
Property	12,746	-	12,746
Lodgers	19,232	-	19,232
Gasoline	1,994	-	1,994
Inventory	<u>31,689</u>	<u>108,104</u>	<u>139,793</u>
Total Current Assets	3,839,875	2,906,018	6,745,893
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	91,087	83,753	174,840
Capital Assets, Net	<u>11,688,621</u>	<u>11,356,563</u>	<u>23,045,184</u>
Total Noncurrent Assets	11,779,708	11,440,316	23,220,024
DEFERRED OUTFLOWS OF RESOURCES			
Net Pension Liability Deferred Outflows	1,242,397	-	1,242,397
NMFA Loan/Grant Funds Available	-	271,625	271,625
Contributions Subsequent to Measurement Date	<u>186,118</u>	<u>-</u>	<u>186,118</u>
Total Deferred Outflows	<u>1,428,515</u>	<u>271,625</u>	<u>1,700,140</u>
Total Assets and Deferred Outflows	<u>\$ 17,048,098</u>	<u>\$ 14,617,959</u>	<u>\$ 31,666,057</u>

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

	Governmental Activities	Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 10,939	\$ 77,252	\$ 88,191
Accrued Payroll	59,103	6,942	66,045
Accrued Interest	19,534	-	19,534
Current Portion of Long-Term Debt	64,000	32,678	96,678
Total Current Liabilities	<u>153,576</u>	<u>116,872</u>	<u>270,448</u>
NONCURRENT LIABILITIES			
Customer Deposits	-	70,978	70,978
Accrued Compensated Absences	82,303	7,646	89,949
Long-Term Debt, Net of Current Portion	934,000	671,157	1,605,157
Net Pension Liability	3,829,840	-	3,829,840
Total Noncurrent Liabilities	<u>4,846,143</u>	<u>749,781</u>	<u>5,595,924</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Liability Deferred Inflows	135,052	-	135,052
NMFA Grant Funds Available	-	183,174	183,174
Total Deferred Inflows of Resources	<u>135,052</u>	<u>183,174</u>	<u>318,226</u>
Total Liabilities and Deferred Inflows	<u>5,134,771</u>	<u>1,049,827</u>	<u>6,184,598</u>
NET POSITION			
Net Investment in Capital Assets	10,690,621	10,652,728	21,343,349
Restricted for:			
Special Revenue Funds	1,498,280	-	1,498,280
Debt Service	91,087	-	91,087
Unrestricted (Deficit)	(366,661)	2,915,404	2,548,743
Total Net Position	<u>11,913,327</u>	<u>13,568,132</u>	<u>25,481,459</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 17,048,098</u>	<u>\$ 14,617,959</u>	<u>\$ 31,666,057</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<i>Primary Government</i>				
Governmental Activities:				
General Administration	\$ 1,239,740	\$ 33,168	\$ 90,000	\$ 666,304
Streets and Transportation	484,055	-	83,197	-
Public Safety	1,421,657	-	40,437	-
Culture, Recreation and Promotion	548,508	124,248	110,000	-
Judicial	131,579	115,212	-	-
Interest and Fiscal Charges	46,157	-	-	-
Depreciation	358,053	-	-	-
<i>Total Governmental Activities</i>	<u>4,229,749</u>	<u>272,628</u>	<u>323,634</u>	<u>666,304</u>
Business-Type Activities:				
Sewer Fund	726,673	372,476	-	910,296
Sanitation Fund	273,527	213,999	-	-
Water Fund	602,842	422,772	-	-
Improvements Fund	2,099	-	-	-
<i>Total Business-Type Activities</i>	<u>1,605,141</u>	<u>1,009,247</u>	<u>-</u>	<u>910,296</u>
Total - Primary Government	<u>\$ 5,834,890</u>	<u>\$ 1,281,875</u>	<u>\$ 323,634</u>	<u>\$ 1,576,600</u>

General Revenues

Taxes:

- Gross Receipts Tax
- Environmental Gross Receipts Tax
- Franchise Tax
- Property Tax
- Gas Tax
- Lodgers Tax
- Other Taxes

Miscellaneous

Total General Revenues

Net Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (450,268)	\$ -	\$ (450,268)
(400,858)	-	(400,858)
(1,381,220)	-	(1,381,220)
(314,260)	-	(314,260)
(16,367)	-	(16,367)
(46,157)	-	(46,157)
(358,053)	-	(358,053)
<u>(2,967,183)</u>	<u>-</u>	<u>(2,967,183)</u>
-	556,099	556,099
-	(59,528)	(59,528)
-	(180,070)	(180,070)
-	(2,099)	(2,099)
<u>-</u>	<u>314,402</u>	<u>314,402</u>
<u>(2,967,183)</u>	<u>314,402</u>	<u>(2,652,781)</u>
2,744,312	-	2,744,312
-	594,747	594,747
67,619	-	67,619
385,211	-	385,211
11,376	-	11,376
184,251	-	184,251
25,312	-	25,312
55,638	-	55,638
<u>3,473,719</u>	<u>594,747</u>	<u>4,068,466</u>
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<u>3,448,719</u>	<u>619,747</u>	<u>4,068,466</u>
481,536	934,149	1,415,685
<u>11,431,791</u>	<u>12,633,983</u>	<u>24,065,774</u>
<u>\$ 11,913,327</u>	<u>\$ 13,568,132</u>	<u>\$ 25,481,459</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Museum Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 1,931,240	\$ 37,243	\$ 1,302,426	\$ 3,270,909
Restricted - Debt Service	-	-	91,087	91,087
Taxes Receivable				
Gross Receipts	465,688	-	23,031	488,719
Franchise	14,586	-	-	14,586
Property	47,715	-	18,565	66,280
Lodgers	-	-	19,232	19,232
Gasoline	-	-	1,994	1,994
Inventory	-	31,689	-	31,689
Total Assets	<u>\$ 2,459,229</u>	<u>\$ 68,932</u>	<u>\$ 1,456,335</u>	<u>\$ 3,984,496</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 10,032	\$ 409	\$ 498	\$ 10,939
Accrued Payroll	51,588	5,732	1,783	59,103
Total Liabilities	61,620	6,141	2,281	70,042
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	47,535	-	18,565	66,100
Total Liabilities and Deferred Inflows	109,155	6,141	20,846	136,142
FUND BALANCES				
Nonspendable	-	31,689	-	31,689
Restricted				
Debt Service	-	-	91,087	91,087
Assigned	-	31,102	1,344,402	1,375,504
Unassigned	2,350,074	-	-	2,350,074
Total Fund Balances	<u>2,350,074</u>	<u>62,791</u>	<u>1,435,489</u>	<u>3,848,354</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,459,229</u>	<u>\$ 68,932</u>	<u>\$ 1,456,335</u>	<u>\$ 3,984,496</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
RECONCILIATION OF GOVERNMENTAL FUNDS
FUND BALANCE TO GOVERNMENT ACTIVITIES
NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds	\$	3,848,354
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		11,688,621
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Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements but are considered revenue in the Statement of Activities.		12,566
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Certain liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds. Those long-term liabilities include:

Accrued Compensated Absences	(82,303)	
Notes and Bonds Payable	(998,000)	
Accrued Interest	<u>(19,534)</u>	(1,099,837)

Net pension liability and deferred outflows and inflows of resources related to the pension are applicable to future periods, and therefore are not included in the governmental funds.

Contributions Subsequent to Measurement Date	186,118	
NPL Deferred Outflows	1,242,397	
NPL Deferred Inflows	(135,052)	
Net Pension Liability	<u>(3,829,840)</u>	(2,536,377)

Net Position of Governmental Activities	\$	<u><u>11,913,327</u></u>
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**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General Fund	Museum Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 2,615,045	\$ -	\$ 129,267	\$ 2,744,312
Franchise	67,619	-	-	67,619
Property	302,922	-	109,053	411,975
Gas	-	-	11,376	11,376
Lodgers	-	-	184,251	184,251
Other	25,312	-	-	25,312
Charges for Service	939	-	21,748	22,687
Intergovernmental				
Federal	-	-	83,197	83,197
State	90,000	-	401,202	491,202
Local	-	-	40,437	40,437
Admissions	-	65,221	-	65,221
Memberships	-	6,555	-	6,555
Gift Shop Sales	-	52,472	-	52,472
Licenses, Fees and Permits	10,481	-	-	10,481
Fines and Forfeitures	79,135	-	36,077	115,212
Grants and Contributions	-	110,000	265,102	375,102
Miscellaneous	47,349	8,081	208	55,638
Total Revenues	3,238,802	242,329	1,281,918	4,763,049
EXPENDITURES				
Current				
General Administration				
Executive	51,934	-	-	51,934
Finance and Administration	635,742	-	-	635,742
Legal	210,697	-	-	210,697
Planning and Zoning	203,918	-	-	203,918
Streets and Transportation	314,650	-	164,037	478,687
Public Safety				
Police	977,192	-	12,434	989,626
Fire	89,490	-	46,104	135,594
Animal Control	63,142	-	-	63,142
Code Enforcement	56,449	-	-	56,449
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	39,424	39,424
Parks and Recreation	113,394	-	10,209	123,603
Museum	-	379,548	-	379,548
Senior Center	5,933	-	-	5,933
Judicial	111,520	-	20,566	132,086
Debt Service				
Principal	-	-	59,000	59,000
Interest and Administrative Fees	-	-	43,786	43,786
Capital Outlay	231,631	-	553,757	785,388
Total Expenditures	3,065,692	379,548	949,317	4,394,557
Excess (Deficiency) of Revenues over Expenditures				
Before Transfers	173,110	(137,219)	332,601	368,492

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

	General Fund	Museum Fund	Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers In	23,569	160,000	467,809	651,378
Transfers Out	<u>(25,000)</u>	<u>-</u>	<u>(651,378)</u>	<u>(676,378)</u>
Total Other Financing Sources (Uses)	<u>(1,431)</u>	<u>160,000</u>	<u>(183,569)</u>	<u>(25,000)</u>
Excess (Deficiency) of Revenues over Expenditures After Transfers	171,679	22,781	149,032	343,492
Fund Balance, Beginning of Year	<u>2,178,395</u>	<u>40,010</u>	<u>1,286,457</u>	<u>3,504,862</u>
Fund Balance, End of Year	<u><u>\$ 2,350,074</u></u>	<u><u>\$ 62,791</u></u>	<u><u>\$ 1,435,489</u></u>	<u><u>\$ 3,848,354</u></u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balance - Governmental Funds **\$ 343,492**

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

Governmental funds report capital outlays over \$5,000 as expenditures in the Governmental Funds, but the cost of those assets is reported as capital assets in the Statement of Net Position. 785,388

Depreciation expense allocates the cost of capital assets over their useful lives in the Statement of Activities, but the cost of the capital assets has already been expended in prior periods in the Governmental Funds. (358,053)

Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements but are considered revenue in the Statement of Activities. (26,763)

Changes in long-term liabilities are reported as expenditures in the Governmental Funds but as changes in liabilities in the Statement of Activities. Those changes in long-term liabilities include:

Change in Accrued Compensated Absences	\$	(5,863)	
Change in Accrued Interest		(2,371)	
Long-Term Obligations Principal Payments		59,000	
			50,766

Changes in the Net Pension liability and deferred outflows and inflows of resources related to the pension are expended in the Statement of Activities but applicable to future periods in the Governmental Funds, and therefore are not included in the Governmental Funds.

Change in Contributions Subsequent to Measurement Date	\$	(7,024)	
Change in NPL Deferred Outflows		1,187,498	
Change in NPL Deferred Inflows		(12,943)	
Change in Net Pension Liability		(1,480,825)	
			(313,294)

Change in Net Position of Governmental Activities **\$ 481,536**

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	\$ 2,715,660	\$ 2,706,660	\$ 2,620,901	\$ (85,759)
Franchise	78,156	78,156	68,727	(9,429)
Property	320,486	320,486	303,705	(16,781)
Other	16,428	25,428	25,312	(116)
Charges for Service	4,656	4,656	939	(3,717)
Intergovernmental				
State	90,000	90,000	90,000	-
Licenses, Fees and Permits	12,025	12,025	10,481	(1,544)
Fines and Forfeitures	87,396	87,396	79,135	(8,261)
Miscellaneous	18,844	77,684	47,350	(30,334)
Total Revenues	<u>3,343,651</u>	<u>3,402,491</u>	<u>3,246,550</u>	<u>(155,941)</u>
EXPENDITURES				
Current				
General Administration				
Executive	62,868	62,868	51,934	10,934
Finance and Administration	676,931	676,931	624,458	52,473
Legal	249,090	249,090	210,697	38,393
Planning and Zoning	209,931	211,681	203,918	7,763
Streets and Transportation	520,744	517,870	314,650	203,220
Public Safety				
Police	1,124,212	1,128,976	977,192	151,784
Fire	87,805	89,852	89,490	362
Animal Control	66,640	67,645	63,142	4,503
Code Enforcement	61,587	61,087	56,449	4,638
Culture, Recreation and Promotion				
Parks and Recreation	131,586	131,586	113,394	18,192
Senior Center	12,200	12,200	5,933	6,267
Judicial	124,885	124,885	111,520	13,365
Capital Outlay	61,000	88,436	231,631	(143,195)
Total Expenditures	<u>3,389,479</u>	<u>3,423,107</u>	<u>3,054,408</u>	<u>368,699</u>
Excess (Deficit) of Revenues over Expenditures Before Transfers	(45,828)	(20,616)	192,142	212,758
OTHER FINANCING SOURCES (USES)				
Transfers In	28,125	28,125	23,569	(4,556)
Transfers Out	(25,000)	(25,000)	(25,000)	-
Total Other Financing sources (Uses)	<u>3,125</u>	<u>3,125</u>	<u>(1,431)</u>	<u>(4,556)</u>
Excess (Deficit) of Revenues over Expenditures After Transfers	(42,703)	(17,491)	190,711	208,202
Cash Balance, Beginning of Year	<u>1,740,529</u>	<u>1,740,529</u>	<u>1,740,529</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 1,697,826</u>	<u>\$ 1,723,038</u>	<u>\$ 1,931,240</u>	<u>\$ 208,202</u>
Reconciliation to GAAP Basis				
Excess (Deficit) of Revenues over Expenditures After Transfers - Budget Basis			\$ 190,711	
Change in:				
Taxes Receivable				
Gross Receipts			(5,857)	
Franchise			(1,108)	
Property			(3,819)	
Prepaid Expenses			(10,758)	
Accounts Payable			(1,036)	
Deferred Property Taxes			3,546	
Excess (Deficit) of Revenues over Expenditures After Transfers - GAAP Basis			<u>\$ 171,679</u>	

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUSEUM FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Admissions	\$ 76,000	\$ 76,000	\$ 65,221	\$ (10,779)
Memberships	15,000	15,000	6,555	(8,445)
Gift Shop Sales	59,000	53,517	52,472	(1,045)
Rentals	1,600	4,013	-	(4,013)
Grants and Contributions	101,500	114,570	110,000	(4,570)
Miscellaneous	2,400	2,400	8,081	5,681
Total Revenues	255,500	265,500	242,329	(23,171)
EXPENSES				
Current				
Culture, Recreation and Promotion				
Museum	415,163	425,255	378,939	46,316
Total Expenditures	415,163	425,255	378,939	46,316
Excess (Deficit) of Revenues over Expenditures Before Transfers	(159,663)	(159,755)	(136,610)	23,145
OTHER FINANCING SOURCES (USES)				
Transfers In	160,000	160,000	160,000	-
Total Other Financing Sources (Uses)	160,000	160,000	160,000	-
Excess (Deficit) of Revenues over Expenditures After Transfers	337	245	23,390	23,145
Cash Balance, Beginning of Year	13,853	13,853	13,853	-
Cash Balance, End of Year	\$ 14,190	\$ 14,098	\$ 37,243	\$ 23,145
Reconciliation to GAAP Basis				
Excess (Deficit) of Revenues over Expenditures After Transfers - Budget Basis			\$ 23,390	
Change in:				
Inventory			(291)	
Accounts Payable			(318)	
Excess (Deficit) of Revenues over Expenditures After Transfers - GAAP Basis			\$ 22,781	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2017**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and Cash Equivalents	\$ 1,214,957	\$ 38,991	\$ 363,868	\$ 988,438	\$ 2,606,254
Accounts Receivable, Net	18,957	31,791	34,348	-	85,096
Infrastructure Gross Receipts Tax Receivable	74,252	9,281	-	23,031	106,564
Inventory	-	-	108,104	-	108,104
Total Current Assets	<u>1,308,166</u>	<u>80,063</u>	<u>506,320</u>	<u>1,011,469</u>	<u>2,906,018</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents	-	-	83,753	-	83,753
Capital Assets, Net	<u>1,055,970</u>	<u>-</u>	<u>5,415,079</u>	<u>4,885,514</u>	<u>11,356,563</u>
Total Noncurrent Assets	<u>1,055,970</u>	<u>-</u>	<u>5,498,832</u>	<u>4,885,514</u>	<u>11,440,316</u>
Total Assets	<u>2,364,136</u>	<u>80,063</u>	<u>6,005,152</u>	<u>5,896,983</u>	<u>14,346,334</u>
DEFERRED OUTFLOWS OF RESOURCES					
NMFA CIF-3358 Grant Funds Available	183,174	-	-	-	183,174
NMFA WTB-0347 Loan Funds Available	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,451</u>	<u>88,451</u>
Total Deferred Outflows of Resources	<u>183,174</u>	<u>-</u>	<u>-</u>	<u>88,451</u>	<u>271,625</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,547,310</u>	<u>\$ 80,063</u>	<u>\$ 6,005,152</u>	<u>\$ 5,985,434</u>	<u>\$ 14,617,959</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 48,463	\$ 17,115	\$ 11,674	\$ -	\$ 77,252
Accrued Payroll	-	-	6,942	-	6,942
Current Portion of Long-Term Debt	<u>10,593</u>	<u>-</u>	<u>9,000</u>	<u>13,085</u>	<u>32,678</u>
Total Current Liabilities	59,056	17,115	27,616	13,085	116,872
Noncurrent Liabilities					
Customer Deposits	-	-	70,978	-	70,978
Accrued Compensated Absences	-	-	7,646	-	7,646
Long-Term Debt, Net of Current Portion	<u>174,826</u>	<u>-</u>	<u>280,000</u>	<u>216,331</u>	<u>671,157</u>
Total Noncurrent Liabilities	<u>174,826</u>	<u>-</u>	<u>358,624</u>	<u>216,331</u>	<u>749,781</u>
Total Liabilities	<u>233,882</u>	<u>17,115</u>	<u>386,240</u>	<u>229,416</u>	<u>866,653</u>
DEFERRED INFLOWS OF RESOURCES					
NMFA CIF-3358 Grant Funds Available	<u>183,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,174</u>
Total Deferred Inflows of Resources	<u>183,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,174</u>
NET POSITION					
Net Investment in Capital Assets	870,551	-	5,126,079	4,656,098	10,652,728
Unrestricted	<u>1,259,703</u>	<u>62,948</u>	<u>492,833</u>	<u>1,099,920</u>	<u>2,915,404</u>
Total Fund Net Position	<u>2,130,254</u>	<u>62,948</u>	<u>5,618,912</u>	<u>5,756,018</u>	<u>13,568,132</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 2,547,310</u>	<u>\$ 80,063</u>	<u>\$ 6,005,152</u>	<u>\$ 5,985,434</u>	<u>\$ 14,617,959</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2017**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Enterprise Funds
OPERATING REVENUES					
Charges for Services	\$ 360,602	\$ 213,999	\$ 390,392	\$ -	\$ 964,993
Tap and Reconnect Fees	11,000	-	9,972	-	20,972
Late Fees	-	-	18,299	-	18,299
Other Income	874	-	4,109	-	4,983
Total Operating Revenues	<u>372,476</u>	<u>213,999</u>	<u>422,772</u>	<u>-</u>	<u>1,009,247</u>
OPERATING EXPENSES					
Personnel Services	148,963	-	166,428	-	315,391
Contracted Services	391,237	273,527	122,436	-	787,200
Maintenance, Materials and Supplies	65,191	-	102,929	-	168,120
Other Expenditures	59,721	-	29,089	-	88,810
Depreciation	61,561	-	167,805	-	229,366
Total Operating Expenses	<u>726,673</u>	<u>273,527</u>	<u>588,687</u>	<u>-</u>	<u>1,588,887</u>
Operating Loss	(354,197)	(59,528)	(165,915)	-	(579,640)
NONOPERATING REVENUES (EXPENSES)					
Infrastructure Gross Receipts Tax	417,717	48,821	-	128,209	594,747
Grant Proceeds	910,296	-	-	-	910,296
Interest Expense	-	-	(14,155)	(2,099)	(16,254)
Total Nonoperating Revenues (Expenses)	<u>1,328,013</u>	<u>48,821</u>	<u>(14,155)</u>	<u>126,110</u>	<u>1,488,789</u>
Change in Net Position Before Transfers	<u>973,816</u>	<u>(10,707)</u>	<u>(180,070)</u>	<u>126,110</u>	<u>909,149</u>
TRANSFERS					
Transfers In	95,138	25,000	-	12,605	132,743
Transfers Out	(12,605)	-	(10,074)	(85,064)	(107,743)
Net Transfers	<u>82,533</u>	<u>25,000</u>	<u>(10,074)</u>	<u>(72,459)</u>	<u>25,000</u>
Net Change in Net Position After Net Transfers	1,056,349	14,293	(190,144)	53,651	934,149
Net Position, Beginning of Year	<u>1,073,905</u>	<u>48,655</u>	<u>5,809,056</u>	<u>5,702,367</u>	<u>12,633,983</u>
Net Position, End of Year	<u>\$ 2,130,254</u>	<u>\$ 62,948</u>	<u>\$ 5,618,912</u>	<u>\$ 5,756,018</u>	<u>\$ 13,568,132</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2017**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 368,290	\$ 209,517	\$ 428,557	\$ -	\$ 1,006,364
Payments to and on Behalf of Employees	(148,963)	-	(166,428)	-	(315,391)
Payments to Suppliers and Contractors	(449,079)	(286,191)	(181,889)	-	(917,159)
Other Receipts and Payments, Net	(58,847)	-	(24,980)	-	(83,827)
Net Cash Provided (Used) by Operating Activities	<u>(288,599)</u>	<u>(76,674)</u>	<u>55,260</u>	<u>-</u>	<u>(310,013)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital Asset Purchases	(1,052,500)	-	(17,950)	(79,992)	(1,150,442)
Net Cash Used by Investing Activities	<u>(1,052,500)</u>	<u>-</u>	<u>(17,950)</u>	<u>(79,992)</u>	<u>(1,150,442)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING					
Infrastructure Gross Receipts Tax	366,855	48,954	-	180,488	596,297
Transfers In	95,138	25,000	-	12,605	132,743
Transfers Out	(12,605)	-	(10,074)	(85,064)	(107,743)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>449,388</u>	<u>73,954</u>	<u>(10,074)</u>	<u>108,029</u>	<u>621,297</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Loan Proceeds	118,584	-	-	77,744	196,328
Grant Proceeds	910,296	-	-	-	910,296
Interest Paid on Debt	-	-	(14,155)	(2,099)	(16,254)
Principal Paid on Debt	(12,335)	-	(9,000)	(15,360)	(36,695)
Net Cash Provided (Used) by Capital Financing Activities	<u>1,016,545</u>	<u>-</u>	<u>(23,155)</u>	<u>60,285</u>	<u>1,053,675</u>
NET CHANGE IN CASH	124,834	(2,720)	4,081	88,322	214,517
CASH AT BEGINNING OF YEAR	1,090,123	41,711	443,540	900,116	2,475,490
CASH AT END OF YEAR	<u>\$ 1,214,957</u>	<u>\$ 38,991</u>	<u>\$ 447,621</u>	<u>\$ 988,438</u>	<u>\$ 2,690,007</u>
Reconciliation of Operating Loss to Net Cash Provided					
(Used) by Operating Activities					
Operating Loss	\$ (354,197)	\$ (59,528)	\$ (165,915)	\$ -	\$ (579,640)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:					
Depreciation	61,561	-	167,805	-	229,366
Changes in:					
Accounts Receivable	(3,312)	(4,482)	5,835	-	(1,959)
Inventory	-	-	37,614	-	37,614
Accounts Payable	7,349	(12,664)	5,862	-	547
Customer Deposits	-	-	4,059	-	4,059
Net Cash Provided (Used) by Operating Activities	<u>\$ (288,599)</u>	<u>\$ (76,674)</u>	<u>\$ 55,260</u>	<u>\$ -</u>	<u>\$ (310,013)</u>
Reconciliation to the Balance Sheet					
Unrestricted	\$ 1,214,957	\$ 38,991	\$ 363,868	\$ 988,438	\$ 2,606,254
Restricted	-	-	83,753	-	83,753
	<u>\$ 1,214,957</u>	<u>\$ 38,991</u>	<u>\$ 447,621</u>	<u>\$ 988,438</u>	<u>\$ 2,690,007</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This following summary presentation of significant accounting policies of the City of Ruidoso Downs (the City) is to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

Organization - The City is a political subdivision of the State of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The City operates under the mayor-council form of government. The City provides the following authorized services: public safety (police and fire), highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, and general administrative services. The City's basic financial statements include all activities and accounts of the City's financial reporting entity.

The financial reporting entity consists of the primary government, and any another organization 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.

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the GASB 14 criteria above, there are no component units of the City, nor is the City considered a component unit of another governmental agency during the fiscal year ended June 30, 2017.

Measurement Focus, Basis of Accounting, Financial Statement Presentation

Government-wide Financial Statements - The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements report information on all of the non-fiduciary 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 and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In accordance with GASB Statement No. 33, the City follows the following revenue recognition principles applied to non-exchange transactions:

- Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction occurs, and the resources are available. Derived tax revenues include gross receipts, gasoline, and cigarette taxes.
- Imposed non-exchange revenue other than property taxes are recognized in the period when an enforceable legal claim arises, and the resources are available.
- Property tax revenue is recorded, and the revenue is recognized in the fiscal year for which the taxes are levied, subject to the sixty-day availability criteria.
- Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

The City considers expenditures generally to be 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, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, governmental charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Proprietary funds charges for services are recognized when the service is billed to the customer. Taxes and other items not properly included among program revenues are reported as general revenues. Grants and similar items are recognized as revenue as soon as all the eligibility requirements of time, reimbursement, and contingencies imposed by the provider are met.

The Lincoln County Treasurer levies and collects property taxes on behalf of the City. Property taxes are levied in November and may be payable in two installments, half on November 10, which becomes delinquent on December 10, and half on April 10, which becomes delinquent on May 10, which is also the lien date.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Investment earnings are recorded as earned since they are measurable and available.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is a specifically identified function and is included as a separate line item on the Statement of Activities rather than a direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Transfers between funds of similar type and other internal activity are eliminated at the government-wide financial statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the governmental fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

Governmental Fund Financial Statements - Governmental fund level financial statements report activity using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenue recognition is as soon as the transaction is both measurable and available.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. Management also has the option to report a fund as major even though it does not fit the criteria. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the supplementary information section of the report.

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

The City 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 City except for items included in other funds.

The ***Museum Fund*** is a special revenue fund which accounts for the financial operations of the Hubbard Museum of the American West, which was donated to the City on September 1, 2005.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Business-type Activities - Business-type Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and on an accrual basis. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet, and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total position.

- The ***Water Fund*** is used to account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- The ***Sanitation Fund*** accounts for refuse collection and disposal services, including yard waste, provided to City residents including administration, operations, maintenance, debt service, and billing and collection.
- The ***Sewer Fund*** was established from a joint-powers agreement (JPA) between the City and the Village of Ruidoso. The JPA created a Joint Use Board for the implementation of planning, construction, and maintenance control of the regional wastewater treatment facilities. This fund accounts for the wastewater services provided to residents of the City, including the City's allocation of administration, operations, maintenance, debt service, and billing and collection.
- The ***Improvements Fund*** is used to record the receipts of state grants and designated infrastructure environmental gross receipts tax for the debt service and capital outlay of the water and sewer infrastructure system.

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. Any agency funds in the City's custody 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 the City 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 Mayor and the City 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.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Excess of Expenditures over Appropriations - For the year ended June 30, 2017, expenditures did not exceed appropriations in any of the City's individual funds.

Assets, Liabilities, Net Position or Fund Equity, Other Matters

Cash and Investments - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value. All investments are stated at fair value, which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

Cash Flow Liquidity - For purposes of the statement of cash flows, the City'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.

Restricted Cash - The City restricts a compensating amount of cash equal to the amount of the customer deposits held on hand. These reserves are not required but are separated by management. The City also restricts certain funds as debt service reserves as required by federal and/or state loan covenants.

Use of Restricted Cash - When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Grants and Contributions - The City receives grants and contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Utility Receivables - Substantially all of the City's outstanding utility receivables are due from its customers for water and sewer service and solid waste collection. Collateral is generally not required on receivables, but a deposit is required to activate new service.

Allowance for Doubtful Accounts - Management reviews the accounts receivable periodically to determine which accounts may not be collectible and adjusts the reserve account accordingly.

Customer Deposits - The City requires a deposit to establish service for the customer. Deposits are not considered revenue for the City unless or until the customer closes their account, at which time any remaining balance due on the account is deducted from the deposit and the customer is refunded the excess.

Concentration of Credit Risk - The City grants credit without collateral to its customers for its services, but the customers are subject to security deposits at the start of service and service termination if the receivables are not settled within a specified time frame. The customer deposits held by the City helps mitigate the credit risk.

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 City'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 used

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 used rather than purchased.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Capital Assets - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land owned by the City is always capitalized. Water rights are considered to have an indefinite life and are not subject to amortization under GASB 51.

GASB 34 allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The City has elected not to retroactively record infrastructure assets since it is considered a Phase III municipality. However, it must report all infrastructure assets purchased or built after July 1, 2003.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	25
Infrastructure	25
Office and Maintenance Equipment	7
Vehicles	5

Analysis of Impairments - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2017.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or proprietary activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Compensated Absences - The City permits employees to accumulate a limited amount of earned, but unused vacation leave based on employment classification and length of employment. The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. Proprietary funds report the liability as incurred.

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule depending on the length of service. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the General Fund, Museum Fund, or the proprietary funds. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide Statement of Net Position.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time, such as PERA pension deferred outflows.

Deferred Inflows of Resources - Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period.

- ***Government-Wide Statements*** - Unearned revenues represent the prepaid revenues advanced to the City. Such advances are reported as unearned revenue until the earnings process is complete, and PERA pension deferred inflows.
- ***Fund Financial Statements*** - Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as unearned revenues if they are not available in the current period, which the City has established as sixty days after year end.

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 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.

Fund Equity - Governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of resources: Non-spendable, Restricted, Committed, Assigned and Unassigned. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, e.g., prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Restricted fund balances have limitations placed on the funds by external means or legislation. Committed fund balances have self-imposed limitations. Assigned fund balances have an intended use factor for a specific fund., Unassigned fund balances are excess funds not categorized in the other classifications, or should a special revenue fund has a negative fund balance.

Net Position - The government-wide financial statements and proprietary funds utilize a net position presentation. Net position is reported represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- ***Net investment in capital assets*** - This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- ***Restricted net position*** - This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Unrestricted net position*** - This category reflects net position of the City, not restricted for any project or other purpose.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deficit Fund Balance/Net Position - The City did not have an individual fund with a deficit fund balance at the end of the fiscal year.

Revenues - Revenues are classified as operating or non-operating according to the following criteria:

Operating revenue - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

Non-operating revenues - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balances as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Expenditures - Expenditures are classified as operating or non-operating according to the following criteria:

Operating expenditures - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to City capital assets.

Non-operating expenditures - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary integration in the governmental and proprietary funds.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management - The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the City.

Subsequent Events - GASB 56 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE B - CASH AND CASH EQUIVALENTS

The City pools its operating cash of the various funds to facilitate effective cash management. Cash applicable to any particular fund is readily identifiable. The pooled cash accounts balance is available to meet current operating requirements.

At June 30, 2017, the City had cash and cash equivalents on deposit with local financial institutions, consisting of checking and money market accounts. Checking accounts required for debt service or for grant purposes are prohibited from accruing interest. Following is a schedule as of June 30, 2017, of the cash and cash equivalents.

	Bank Balance June 30, 2017	Net Items Outstanding	Book Balance June 30, 2017
BBVA Compass Bank			
General Operating Account	\$ 5,673,237	\$ (202,070)	\$ 5,471,167
Hubbard Museum Account	415,224	-	415,224
Construction Account	80,349	-	80,349
Water Security Deposit (Restricted)	87,797	(4,044)	83,753
Obligation Funds	<u>10</u>	<u>-</u>	<u>10</u>
Total - BBVA Compass Bank	<u>\$ 6,256,617</u>	<u>\$ (206,114)</u>	6,050,503
Petty Cash Funds			<u>1,500</u>
Total Cash			<u>\$ 6,052,003</u>

Reconciliation to the Statement of Net Position	Governmental Activities	Business-type Activities	Totals
Unrestricted	\$ 3,270,909	\$ 2,606,254	\$ 5,877,163
Restricted	<u>91,087</u>	<u>83,753</u>	<u>174,840</u>
Total Cash	<u>\$ 3,361,996</u>	<u>\$ 2,690,007</u>	<u>\$ 6,052,003</u>

State statutes 2-60-2 NMSA, 1978 authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or credit union associations within the geographical boundaries of the City, or the County if no institutions are available within the city limits. All invested fund of the City properly followed State investment and depository requirements as of June 30, 2017.

Collateralization - In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. 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. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

	BBVA Compass Bank
Deposits	\$ 6,256,617
Less FDIC Coverage	<u>(250,000)</u>
Uninsured Funds	6,006,617
Pledged Letters of Credit	<u>6,350,000</u>
Uninsured and Uncollateralized	<u>\$ (343,383)</u>
50% Pledged Collateral Requirement per Statute	\$ 3,003,308
Pledged Collateral	<u>6,350,000</u>
(Over) Under Collateralized	<u>\$ (3,346,692)</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to them. The City does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$6,006,617 of the City's bank balance of \$6,256,617 was exposed to custodial credit risk before applying the pledged collateral. The Federal Home Loan Bank, Atlanta, Georgia, holds the lines of credit pledged toward the City.

BBVA Compass Bank Pledged Collateral:	Maturity	Market Value	Par Value
Line of Credit	10/17/2017	\$ 150,000	\$ 150,000
Line of Credit	10/19/2017	1,500,000	1,500,000
Line of Credit	12/18/2017	350,000	350,000
Line of Credit	01/10/2018	4,000,000	4,000,000
Line of Credit	04/18/2018	<u>350,000</u>	<u>30,000</u>
Total Collateral Pledged		<u>\$ 6,350,000</u>	<u>\$ 6,350,000</u>

NOTE C - RECEIVABLES

Government Activities - The City fully reserves delinquent property taxes that are outstanding as of fiscal year-end. Total property taxes receivable as of June 30, 2017 is approximately \$66,280, of which approximately \$66,100 of the delinquent taxes have been fully reserved.

Receivable amounts for gross receipts, franchise, lodgers and gasoline taxes in the Governmental Activities are considered to be fully collectible.

Business-type Activities – The City reserves a portion of the utility accounts receivable due to the accounts not being susceptible to collection. The amount of the allowances for the Proprietary funds are below as of the fiscal year end:

	Sewer	Sanitation	Water	Total
Gross Accounts Receivable	\$ 33,680	\$ 56,639	\$ 83,567	\$ 173,886
Less Allowance for Doubtful Accounts	<u>(14,723)</u>	<u>(24,848)</u>	<u>(49,219)</u>	<u>(88,790)</u>
Net Accounts Receivable	<u>\$ 18,957</u>	<u>\$ 31,791</u>	<u>\$ 34,348</u>	<u>\$ 85,096</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE C – RECEIVABLES (Cont.)

Receivable amounts for gross receipts taxes in the Business-type activities are considered to be fully collectible.

Concentrations of Risk - The City depends on financial resources flowing from, or associated with, property taxes, gross receipts taxes, the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations; changes in gross receipts tax rates, collections, tourism, and property values

NOTE D - FUND TRANSFERS

The City transfers between funds to subsidize or reimburse other funds for expenditures, either by statute or by Council authorization. The schedule below details the transfers between funds for the fiscal year.

From Fund	To Fund	Reason	Amount	Totals
General Fund	Sanitation	Subsidize Fund Operations	\$ 25,000	\$ 25,000
Gas Tax Road	Street Improvements	Reimburse Expenditures	5,004	
	General Fund	Reimburse Expenditures	<u>5,124</u>	10,128
Lodgers Tax	General Fund	10% Admin Fees	18,445	
	Lincoln Co. Transit	Subsidize Fund Operations	25,000	
	Museum Fund	Promotional and Nonpromotional Assistance	<u>160,000</u>	203,445
Infrastructure	Capital Appropriations	Return Unused Funds	182,000	182,000
Capital Appropriations	Infrastructure	Reimburse Expenditures	255,805	255,805
Sewer	Improvements	Reimburse Expenditures	12,605	12,605
Water	Sewer	Reimburse Expenditures	10,074	10,074
Improvements	Sewer	Reimburse Expenditures	85,064	<u>85,064</u>
Total Transfers				<u>\$ 784,121</u>

The transfer amounts between types of funds are summarized below:

From Fund Type	To Fund Type	Amount	Totals
Governmental	Governmental	\$ 651,378	
	Proprietary	<u>25,000</u>	\$ 676,378
Proprietary	Proprietary	107,743	
	Governmental	<u>-</u>	<u>107,743</u>
Total Transfers			<u>\$ 784,121</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2017 is as follows:

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Governmental Activities:				
Non-depreciable Capital Assets				
Museum Artifacts and Collections	\$ 5,501,634	\$ -	\$ -	\$ 5,501,634
Land	<u>226,634</u>	<u>-</u>	<u>-</u>	<u>226,634</u>
Total Non-depreciable Capital Assets	<u>5,728,268</u>	<u>-</u>	<u>-</u>	<u>5,728,268</u>
Depreciable Capital Assets				
Buildings and Improvements	3,878,717	272,979	-	4,151,696
Streets and Other Infrastructure	3,116,503	396,930	-	3,513,433
Vehicles, Machinery and Equipment	<u>2,726,990</u>	<u>115,479</u>	<u>(171,292)</u>	<u>2,671,177</u>
Total Depreciable Capital Assets	<u>9,722,210</u>	<u>785,388</u>	<u>(171,292)</u>	<u>10,336,306</u>
Accumulated Depreciation				
Buildings and Improvements	(981,679)	(89,116)	-	(1,070,795)
Streets and Other Infrastructure	(2,306,694)	(134,704)	-	(2,441,398)
Vehicles, Machinery and Equipment	<u>(900,819)</u>	<u>(134,233)</u>	<u>171,292</u>	<u>(863,760)</u>
Accumulated Depreciation	<u>(4,189,192)</u>	<u>(358,053)</u>	<u>171,292</u>	<u>(4,375,953)</u>
Total Depreciable Capital Assets, Net	<u>5,533,018</u>	<u>427,335</u>	<u>-</u>	<u>5,960,353</u>
Capital Assets, Net	<u>\$ 11,261,286</u>	<u>\$ 427,335</u>	<u>\$ -</u>	<u>\$ 11,688,621</u>

Management has elected to present the Governmental Activities depreciation expense of \$358,053 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Business-type Activities:				
Non-depreciable Capital Assets				
Land and Water Rights	\$ 1,194,277	\$ -	\$ -	\$ 1,194,277
Investment in Wastewater Treatment Plant	<u>4,757,128</u>	<u>-</u>	<u>-</u>	<u>4,757,128</u>
Total Non-depreciable Capital Assets	<u>5,951,405</u>	<u>-</u>	<u>-</u>	<u>5,951,405</u>
Depreciable Capital Assets				
Buildings and Improvements	1,127,383	-	-	1,127,383
Distribution Systems	5,516,864	1,132,492	-	6,649,356
Vehicles, Machinery and Equipment	<u>835,563</u>	<u>17,950</u>	<u>-</u>	<u>853,513</u>
Total Depreciable Capital Assets	<u>7,479,810</u>	<u>1,150,442</u>	<u>-</u>	<u>8,630,252</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E - CAPITAL ASSETS (Cont.)

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Accumulated Depreciation				
Buildings and Improvements	(244,720)	(69,614)	-	(314,334)
Distribution Systems	(2,085,192)	(97,238)	-	(2,182,430)
Vehicles, Machinery and Equipment	<u>(665,816)</u>	<u>(62,514)</u>	<u>-</u>	<u>(728,330)</u>
Accumulated Depreciation	<u>(2,995,728)</u>	<u>(229,366)</u>	<u>-</u>	<u>(3,225,094)</u>
Total Depreciable Capital Assets, Net	<u>4,484,082</u>	<u>921,076</u>	<u>-</u>	<u>5,405,158</u>
Capital Assets, Net	<u>\$ 10,435,487</u>	<u>\$ 921,076</u>	<u>\$ -</u>	<u>\$ 11,356,563</u>

NOTE F - COMPENSATED ABSENCES

Vacation and sick leave is earned by employees during the year based on position and seniority with the City, is non-cumulative and considered to be a long-term liability for both Governmental Activities and Proprietary Funds. Vacation leave due, if any, is paid upon an employee's termination. Compensation for sick leave is limited to time off and is not monetarily compensated. The activity of the vacation time due to employees as of June 30, 2017 is detailed below. Vacation for the governmental activities are paid by the General Fund or special revenue funds, respectively. Proprietary funds incur the expenditures for the Business-type activities for the employees assigned to the respective funds.

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Governmental Activities	\$ 76,441	\$ 75,200	\$ (69,338)	\$ 82,303
Business-type Activities	<u>8,277</u>	<u>7,610</u>	<u>(8,241)</u>	<u>7,646</u>
Total	<u>\$ 84,718</u>	<u>\$ 82,810</u>	<u>\$ (77,579)</u>	<u>\$ 89,949</u>

NOTE G - LONG-TERM DEBT

The City had the following long-term debt obligations as of June 30, 2017:

Governmental Activities:

NMFA 2090-PP - Regional Wastewater Treatment Plant - The City entered into an agreement with NMFA in July 2007 to administer a project to fund the City's portion of the construction of the regional wastewater treatment plant. Initial principal was \$1,400,00 with repayment terms of 20 annual payments ranging from \$81,233 to \$127,260, bearing interest of 3.6% to 4.3% with interest paid semi-annually and maturing in August 2027.

The City paid approximately \$43,786 in interest expense during the fiscal year from the governmental funds. Long-term debt activity for the year ended June 30, 2017 was as follows:

	Balance			Balance	Due Within
Governmental	June 30, 2016	Increases	Decreases	June 30, 2017	One Year
NMFA - 2090-PP	<u>\$ 1,057,000</u>	<u>\$ -</u>	<u>\$ (59,000)</u>	<u>\$ 998,000</u>	<u>\$ 64,000</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE G - LONG-TERM DEBT (Cont.)

Business-type Activities:

USDA-RUS - The City entered into an agreement with the USDA-Rural Utilities Service in June 1998 to fund construction and improvements to the City's utility infrastructure. Initial principal was \$425,000 with repayment terms of 40 annual payments ranging from \$24,190 to \$27,240, bearing interest of 4.75% with interest paid annually and maturing in June 2037.

NMED ARRA CWSRF 02 - The City entered into an agreement with the New Mexico Environment Department in July 2010 to fund construction and improvements to the City's utility infrastructure. Initial principal was \$100,000 with repayment terms of 20 annual payments of approximately \$6,116, bearing interest at 2%, and maturing in July 2030.

NMFA 0347-WTB - Storage, Conveyance and Delivery of Water - The City entered into an agreement with NMFA in February 2016 to administer a \$1,661,952 Grant/Loan project to improve the water storage and delivery system of the City. Initial principal was \$166,195 with repayment terms of 20 annual payments of approximately \$8,838 at 0.25% interest, and maturing in June 2035.

NMFA 3358-CIF - Wastewater System Improvements Colonias Grant - The City entered into an agreement with NMFA in February 2016 to administer approximately a \$1,185,840 Grant/Loan project to the wastewater infrastructure of the City. Initial principal was \$118,584 with repayment terms of 20 annual, non-interest-bearing payments of approximately \$6,150, and maturing in June 2035.

NMFA 2718-CIF - Colonias Infrastructure Project Grant - The City entered into an agreement with NMFA in June 2013 to administer a Grant/Loan project to improve the wastewater infrastructure of the City to remain in compliance with NMED and the EPA. Initial principal was \$15,940 with repayment terms of 20 annual, non-interest-bearing payments of approximately \$797, and maturing in June 2033.

NMFA 2975-CIF - Colonias Infrastructure Wastewater System Improvements Project Grant - The City entered into an agreement with NMFA in June 2014 to administer a Grant/Loan project to improve the wastewater infrastructure of the City to remain in compliance with NMED and the EPA. Initial principal was \$72,913 with repayment terms of 20 annual, non-interest-bearing payments of approximately \$3,646, and maturing in June 2034.

The City paid approximately \$16,254 in interest expense during the fiscal year from the proprietary funds. Long-term debt activity for the year ended June 30, 2017 was as follows:

Proprietary	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
USDA-RUS	\$ 298,000	\$ -	\$ (9,000)	\$ 289,000	\$ 9,000
NMED ARRA SWSRF 02	78,581	-	(4,544)	74,037	4,635
NMFA 0347-WTB	-	166,195	(10,816)	155,379	8,450
NMFA 3358-CIF	-	118,584	(7,892)	110,692	6,150
NMFA 2718-CIF	13,549	-	(797)	12,752	797
NMFA 2975-CIF	65,621	-	(3,646)	61,975	3,646
Total Long-Term Debt	<u>\$ 455,751</u>	<u>\$ 284,779</u>	<u>\$ (36,695)</u>	<u>\$ 703,835</u>	<u>\$ 32,678</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE G - LONG-TERM DEBT (Cont.)

Long-term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 64,000	\$ 40,318	\$ 104,318	\$ 32,678	\$ 16,839	\$ 49,517
2019	68,000	37,738	105,738	32,792	16,295	49,087
2020	74,000	34,919	108,919	33,907	15,750	49,657
2021	78,000	31,847	109,847	34,026	15,162	49,188
2022	85,000	28,503	113,503	35,145	14,562	49,707
2023-2027	507,000	82,920	589,920	184,590	62,795	247,385
2028-2032	122,000	2,630	124,630	197,782	43,234	241,016
2033-2037	-	-	-	<u>152,915</u>	<u>21,042</u>	<u>173,957</u>
	<u>\$ 998,000</u>	<u>\$ 258,875</u>	<u>\$ 1,256,875</u>	<u>\$ 703,835</u>	<u>\$ 205,679</u>	<u>\$ 909,514</u>

Pending Commitments

NMFA 0347-WTB - Storage, Conveyance and Delivery of Water – The City has approximately \$88,451 of loan funds available with NMFA to be drawn down for the project. The City has yet to draw on the approximately \$1,495,757 in grant funds associated with the agreement and has until June 30, 2019 to draw down the grant funds or any remaining amount would revert back at that time.

NMFA 3358-CIF - Wastewater System Improvements Colonias Grant - The City has approximately \$183,174 of grant funds available with NMFA to be drawn down for the project. The grant funds have until June 30, 2019 to be drawn down or any remaining funds will revert back at that time.

Contingent Liabilities

The City participates in a Joint Use Board (JUB) which operates the regional wastewater treatment plant in conjunction with the Village of Ruidoso. The JUB has acquired a loan from the state of New Mexico to finance a portion of facility improvements. The City is a guarantor of that debt and is billed by the Joint Use Board for its respective share of the debt service expenditures. The debt service expenditures billed by the JUB are considered operating expenses in the City's financial statements.

NOTE H - RETIRE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the City has elected not to participate in the program by adoption of Ordinance 1990-02.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN

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.

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

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

Benefits Provided - For a description of the benefits provided and recent changes to the benefits, refer to the PERA audited financial statements for the fiscal year ended June 30, 2016 available at: <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>

Contributions - The contribution requirements of defined benefit plan members and the City 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 FY 15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY 16 annual audit report, which may be obtained at <http://saonm.org> using the Audit Report Search function for agency 366-B.

The PERA coverage options that apply to City are: General Division, Fire Division and Police Division. Statutorily required contributions to the pension plan from the City were \$186,118 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

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

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 City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Division – General - At June 30, 2017, the City reported a liability of \$2,346,968 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.1469%, which was lower than its 0.1515% proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the City recognized PERA Fund - General, pension expense of \$255,349. At June 30, 2016, the City reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 137,622	\$ 390
Changes in Proportion	-	43,786
Differences Between Expected and Actual Experience	117,264	22,905
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	431,838	-
City Contributions Subsequent to Measurement Date	<u>123,132</u>	<u>-</u>
Totals	<u>\$ 809,856</u>	<u>\$ 67,081</u>

For the General Division, \$123,132 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 129,561
2019	129,561
2020	252,313
2021	<u>108,208</u>
Totals	<u>\$ 619,643</u>

PERA Fund Division – Police - At June 30, 2017, the City reported a liability of \$1,293,415 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.1753%, which was higher than its 0.1384% proportion measured as of June 30, 2016.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

For the year ended June 30, 2017, the City recognized PERA Fund - Police, pension expense of \$218,596. At June 30, 2016, the City reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 85,669	\$ 23,326
Changes in Proportion	130,604	42,702
Differences Between Expected and Actual Experience	94,955	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	204,561	-
City Contributions Subsequent to Measurement Date	<u>55,722</u>	<u>-</u>
Totals	<u>\$ 571,511</u>	<u>\$ 66,028</u>

For the Police Division, \$55,722 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 109,493
2019	109,493
2020	174,637
2021	<u>56,138</u>
Totals	<u>\$ 449,761</u>

PERA Fund Division – Fire - At June 30, 2017, the City reported a liability of \$189,457 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.0284%, which was higher than its 0.0269% proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund - Fire, pension expense of \$25,529. At June 30, 2016, the City reported PERA Fund Division - Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 10,022	\$ -
Changes in Proportion	5,502	1,943
Differences Between Expected and Actual Experience	8,579	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,781	-
City Contributions Subsequent to Measurement Date	<u>7,265</u>	<u>-</u>
Totals	<u>\$ 47,149</u>	<u>\$ 1,943</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

For the Fire Division, \$7,265 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 10,433
2019	10,433
2020	12,828
2021	<u>4,247</u>
Totals	\$ <u>37,941</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, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Amortization Period	Solved for Based on Statutory Rates
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	7.48% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% Annual Rate for first 10 years, then 3.25% annual rate
Projected Salary Increases	2.75% to 14.25% Annual Rate
Included Inflation at	2.25% Annual Rate first 10 years, then 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 – June 30, 2013 (demographic) July 1, 2010 – June 30, 2015 (economic)

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39 %
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets to Include Real Estate Equity	<u>20.00</u>	7.35
Totals	<u>100.00%</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE I - PERA PENSION PLAN (Cont.)

Discount Rate - The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.48% 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 67. 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.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, 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.

Proportionate Share of Net Pension Liability	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
General	\$ 3,499,121	\$ 2,346,968	\$ 1,391,315
Police	1,902,935	1,293,415	794,899
Fire	248,809	189,457	141,527
	<u>\$ 5,650,865</u>	<u>\$ 3,829,840</u>	<u>\$ 2,327,731</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at: www.pera.state.nm.us/publications.html.

Payables To The Pension Plan - At June 30,2017, the City had no outstanding amount of contributions payable to the pension plan.

NOTE J - JOINT POWERS AGREEMENTS

The City is party to the following joint powers agreements which are material in nature.

The Ruidoso/Ruidoso Downs Joint Use Board (JUB) is an agreement between the Village of Ruidoso, the City of Ruidoso Downs and the County of Lincoln whereby the entities secured a grant for the construction of a wastewater treatment plant for the benefit of both municipalities. The budgetary and financial accountability for the operation of the plant lies within the Village of Ruidoso and is included in their annual audit as an enterprise fund. The City received a federal capital grant in the amount of \$2,900,000 passed through the New Mexico Environment Department in addition to \$1,085,731 in legislative appropriations to fund improvements to the regional waste water treatment plant. The City has capitalized the investment in the facility in the Water Improvement Fund. The total investment to date is \$4,757,128.

An updated JPA was approved by the New Mexico Department of Finance and Administration in December 2016. The new agreement changes the number and method of board of director appointments by the respective members and clarifies financial and maintenance accountability of the plant expenses and interceptor lines.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE J - JOINT POWERS AGREEMENTS (Cont.)

The Greentree Solid Waste Authority (GSWA) provides solid waste disposal service to various communities in Lincoln County and the City is a member of the authority. GSWA acts as its own fiscal agent as do other such cooperative organizations and provides an independent audit. All powers rest with the Authority including budgetary, finance, and bonded debt. The City of Ruidoso Downs has committed the Environmental Gross Receipts Tax collected to service debt of the Authority.

The participants in GSWA have entered into a joint powers agreement with Otero County, Alamogordo, Tularosa and Cloudcroft for the purpose of forming the Otero-Greentree Regional landfill. The Otero-Greentree Regional Landfill is owned by Otero County and Lincoln County and includes those municipalities within those jurisdictions. The City of Alamogordo is the Managing Agency for this operation and operations are included in the City of Alamogordo's audited financial statements. The Otero-Greentree Regional Landfill is a New Mexico permitted solid waste facility designed to dispose of residential, commercial and construction waste. Additionally, it is permitted to accept certain special waste such as asbestos and sludge waste. The Otero-Greentree Regional Landfill was designed with a life span of 99 years. It was incorporated in January 1994. The City of Ruidoso Downs has committed the Environmental Gross Receipts Tax collected to service bonds issued by Alamogordo to construct the facility.

There are no required capital contributions to the joint power entities and the only financial transactions are for charges for services in the normal course of business.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND REQUIRED CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Municipal General Division

Proportionate Share of Net Pension Liability

Actuarial Valuation Date	6/30/15	6/30/16	6/30/17
Portion of Net Pension Liability	0.1528%	0.1515%	0.1469%
Net Pension Liability	1,192,004	1,544,674	2,346,968
Annual Covered Payroll	1,256,930	1,259,339	1,289,331
NPL as Percentage of Covered Payroll	95%	82%	182%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%

Schedule of Required Contributions

Contractually Required Contributions	118,832	120,081	123,132
Contributions Made	118,832	120,081	123,132
Contributions as Percentage of Covered Payroll	9.45%	9.54%	9.55%

*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND REQUIRED CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Municipal Police Division

Proportionate Share of Net Pension Liability

Actuarial Valuation Date	6/30/15	6/30/16	6/30/17
Portion of Net Pension Liability	0.1555%	0.1384%	01753%
Net Pension Liability	506,913	665,505	1,293,415
Annual Covered Payroll	278,931	348,619	294,823
NPL as Percentage of Covered Payroll	182%	191%	439%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%

Schedule of Required Contributions

Contractually Required Contributions	51,283	65,889	55,722
Contributions Made	51,283	65,889	55,722
Contributions as Percentage of Covered Payroll	18.39%	18.90%	18.90%

*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND REQUIRED CONTRIBUTIONS
LAST 10 FISCAL YEARS***

Municipal Fire Division

Proportionate Share of Net Pension Liability

Actuarial Valuation Date	6/30/15	6/30/16	6/30/17
Portion of Net Pension Liability	0.0277%	0.0269%	0.0284%
Net Pension Liability	115,620	138,836	189,457
Annual Covered Payroll	30,683	33,117	33,556
NPL as Percentage of Covered Payroll	377%	419%	565%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18

Schedule of Required Contributions

Contractually Required Contributions	6,638	7,170	7,265
Contributions Made	6,638	7,170	7,265
Contributions as Percentage of Covered Payroll	21.63%	21.65%	21.65%

*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms - The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in the PERA FY16 audit available at: <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>

Changes of Assumptions - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at: <http://www.nmpera.org/financial-overview/retirement-fund-valuation-reports>

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio.”

For details about changes in the actuarial assumptions, see Appendix B of the report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NONMAJOR FUND DESCRIPTIONS
JUNE 30, 2017**

Special Revenue Funds:

Police Grant Fund - Accounts for special funds from state and local agencies and private donations for expenditures incurred for additional DWI or special event patrols. Authority for this fund is City management.

Local Government Correction Fund - To account for revenues collected from the assessment of correction fees and court costs, pursuant to NMSA 35-14-11. Expenditures from this fund may be used for training municipal jailers and juvenile detention officers; for planning, construction, operating and maintaining a municipal jail for juveniles in a detention facility; or for complying with match or contribution requirements for the receipt of federal funds relating to jailing or juvenile detention facilities.

Judicial Education Fund - Accounts for a designated portion of traffic fines to be remitted to the state judicial education center under Sections 34-9-12 and 35-14-11 NMSA 1978.

Court Automation Fund - Accounts for a portion of traffic fines designated for the purpose of purchasing, maintaining and operating a court automation system in that municipality's municipal court. Authority for this fund is Sections 34-9-12 and 35-14-11 NMSA 1978.

Litter Control Fund - Accounts for grants and contributions and the expenditures for the beautification and maintenance of the parks within the City. Authority for this fund is City management.

Lincoln County Transit Fund - Accounts for operational funds related to the local transit system. Authorization is by resolution.

Emergency Medical Services Fund - To account for state revenues received pursuant to the Emergency Medical Services Fund Act, 59A-53-1, NMSA 1978. Expenditures from this fund may be used for the establishment of emergency medical services; to acquire emergency medical services vehicles, equipment and supplies; and for training and licensing of local emergency management services personnel.

Street Improvement Fund - Accounts for funds designated for street repairs. Authority for this fund is City management.

Gas Tax Road Fund - Accounts for revenues received from the levy of a tax per gallon of gasoline purchased within City boundaries, pursuant to the County and Municipal Gasoline Tax Act, NMSA 7-1-6.9, NMSA 1978. Expenditures from this fund may be used for bridge and road projects on transit routes; for purchasing, maintaining or operating transit facilities; for operating a transit authority; for operating a vehicle emissions inspection program; or for road, street or highway construction, repair or maintenance or transit routes.

Fire Protection Fund - To account for state revenues received pursuant to the Fire Protection Fund Law, NMSA 59A-53-1. Expenditures from this fund may be used for the purchase, construction, operation, and maintenance of fire stations, except for the station's water supply system; fire apparatus and equipment; the payment of insurance premiums on the above; and for insurance premiums for injuries or death of firefighters.

FEMA Grant Fund - Accounts for grant funds received from Federal sources. Authorization is by resolution.

Law Enforcement Protection Fund - To account for state revenues received pursuant to the Law Enforcement Correction Act, NMSA 29-13-3. Expenditures from this fund may be used for the repair and purchase of law enforcement apparatus and equipment, expenditures associated with advanced law enforcement planning and training, complying with match or contribution requirements for receipt of federal funds, and salaries for law enforcement personnel under certain conditions.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NONMAJOR FUND DESCRIPTIONS
JUNE 30, 2017**

Lodgers Tax Fund - Accounts for the operation of promotional activity for the City, mostly through payment to promotion oriented agencies. Financing is provided primarily by a specific tax levy on area motels and hotels. Authority is Section 3-38-15 NMSA 1978.

Recreation Fund - To account for revenues collected from taxes on cigarettes sold within city boundaries pursuant to the Cigarette Tax Act, NMSA 7-12-1 and 7-12-15. Expenditures from this fund may be used for recreational facilities and salaries of employees necessary for the operation of such facilities.

Infrastructure Fund - Accounts for the operation and maintenance of funds restricted for the repair and replacement of infrastructure improvements. Financing is provided by a 1/2 of 1% tax on the gross receipts within the City. The funds may be used only for sewer and street repairs and replacements, or for the acquisition of rights-of-way. Authority is by City ordinance.

Debt Service Fund:

Debt Service Fund - Reflects the activity relating to the accumulation of funds to service the general long-term debt obligations of the City.

Capital Project Funds:

CDGB Grant Fund - Accounts for the City's Community Development Block Grants projects funded by special appropriation.

Colonias Grant Fund - Accounts for the City's State approved capital projects funded by special appropriation.

Capital Appropriations Fund - Created by Council authority, this fund accounts for general capital outlay expenditures and any reimbursements from external sources.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	SPECIAL REVENUE			
	Police Grant Fund	Local Government Correction Fund	Judicial Education Fund	Court Automation Fund
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 5,501	\$ 69,524	\$ 326	\$ 677
Restricted - Debt Service	-	-	-	-
Taxes Receivable				
Gross Receipts	-	-	-	-
Property	-	-	-	-
Lodgers	-	-	-	-
Gasoline	-	-	-	-
Total Assets	\$ 5,501	\$ 69,524	\$ 326	\$ 677
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 498	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Total Liabilities	498	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	-	-	-	-
Total Liabilities and Deferred Inflows	498	-	-	-
FUND BALANCES				
Restricted	-	-	-	-
Assigned	5,003	69,524	326	677
Total Fund Balances	5,003	69,524	326	677
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,501	\$ 69,524	\$ 326	\$ 677

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

SPECIAL REVENUE

Litter Control Fund	Lincoln County Transit Fund	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund
\$ -	\$ 1,820	\$ 220	\$ 247,208	\$ 2	\$ 79,179
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,994	-
<u>\$ -</u>	<u>\$ 1,820</u>	<u>\$ 220</u>	<u>\$ 247,208</u>	<u>\$ 1,996</u>	<u>\$ 79,179</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,783	-	-	-	-
-	1,783	-	-	-	-
-	-	-	-	-	-
-	1,783	-	-	-	-
-	-	-	-	-	-
-	37	220	247,208	1,996	79,179
-	37	220	247,208	1,996	79,179
<u>\$ -</u>	<u>\$ 1,820</u>	<u>\$ 220</u>	<u>\$ 247,208</u>	<u>\$ 1,996</u>	<u>\$ 79,179</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS	SPECIAL REVENUE			
	FEMA Fund	Law Enforcement Protection Fund	Lodgers Tax Fund	Recreation Fund
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 23,116	\$ 24,200	\$ 156,627	\$ 3,709
Restricted - Debt Service	-	-	-	-
Taxes Receivable				
Gross Receipts	-	-	-	-
Property	-	-	-	-
Lodgers	-	-	19,232	-
Gasoline	-	-	-	-
Total Assets	<u>\$ 23,116</u>	<u>\$ 24,200</u>	<u>\$ 175,859</u>	<u>\$ 3,709</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Total Liabilities	-	-	-	-
 DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	-	-	-	-
Total Liabilities and Deferred Inflows	-	-	-	-
 FUND BALANCES				
Restricted	-	-	-	-
Assigned	23,116	24,200	175,859	3,709
Total Fund Balances	<u>23,116</u>	<u>24,200</u>	<u>175,859</u>	<u>3,709</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 23,116</u>	<u>\$ 24,200</u>	<u>\$ 175,859</u>	<u>\$ 3,709</u>

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

<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>			<u>Total Nonmajor Governmental Funds</u>
Infrastructure Fund	Debt Service Fund	CDBG Grant Fund	Colonias Grant Fund	Capital Appropriations Fund	
\$ 547,640	\$ -	\$ 18,617	\$ 124,060	\$ -	\$ 1,302,426
-	91,087	-	-	-	91,087
23,031	-	-	-	-	23,031
-	18,565	-	-	-	18,565
-	-	-	-	-	19,232
-	-	-	-	-	1,994
<u>\$ 570,671</u>	<u>\$ 109,652</u>	<u>\$ 18,617</u>	<u>\$ 124,060</u>	<u>\$ -</u>	<u>\$ 1,456,335</u>
\$ -	\$ -	\$ -	\$ -	-	\$ 498
-	-	-	-	-	1,783
-	-	-	-	-	2,281
-	18,565	-	-	-	18,565
-	18,565	-	-	-	20,846
-	91,087	-	-	-	91,087
570,671	-	18,617	124,060	-	1,344,402
570,671	91,087	18,617	124,060	-	1,435,489
<u>\$ 570,671</u>	<u>\$ 109,652</u>	<u>\$ 18,617</u>	<u>\$ 124,060</u>	<u>\$ -</u>	<u>\$ 1,456,335</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE			
	Police Grant Fund	Local Government Correction Fund	Judicial Education Fund	Court Automation Fund
REVENUES				
Taxes				
Gross Receipts	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-
Gasoline	-	-	-	-
Lodgers	-	-	-	-
Charges for Service	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	7,437	-	-	-
Fines and Fees	-	24,575	3,707	7,795
Grants and Contributions	10,000	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	17,437	24,575	3,707	7,795
EXPENDITURES				
Current				
Public Safety				
Police	12,434	-	-	-
Fire	-	-	-	-
Judicial	-	9,064	3,707	7,795
Transportation	-	-	-	-
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	-	-
Parks and Recreation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Administrative Fees	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	12,434	9,064	3,707	7,795
Excess (Deficiency) of Revenues over Expenditures Before Transfers	5,003	15,511	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures After Transfers	5,003	15,511	-	-
Fund Balance, Beginning of Year	-	54,013	326	677
Fund Balance, End of Year	\$ 5,003	\$ 69,524	\$ 326	\$ 677

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

SPECIAL REVENUE

Litter Control Fund	Lincoln County Transit Fund	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	11,376	-
-	21,748	-	-	-	-
-	83,197	-	-	-	-
-	33,000	7,178	230,000	-	139,824
-	-	-	-	-	-
10,209	-	-	-	-	-
-	-	-	-	-	-
<u>10,209</u>	<u>137,945</u>	<u>7,178</u>	<u>230,000</u>	<u>11,376</u>	<u>139,824</u>
-	-	-	-	-	-
-	-	6,958	-	-	39,146
-	164,037	-	-	-	-
-	-	-	-	-	-
10,209	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	214,715	-	83,200
<u>10,209</u>	<u>164,037</u>	<u>6,958</u>	<u>214,715</u>	<u>-</u>	<u>122,346</u>
-	(26,092)	220	15,285	11,376	17,478
-	25,000	-	5,004	-	-
-	-	-	-	(10,128)	-
-	<u>25,000</u>	-	<u>5,004</u>	<u>(10,128)</u>	-
-	(1,092)	220	20,289	1,248	17,478
-	1,129	-	226,919	748	61,701
<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 220</u>	<u>\$ 247,208</u>	<u>\$ 1,996</u>	<u>\$ 79,179</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE			
	FEMA Fund	Law Enforcement Protection Fund	Lodgers Tax Fund	Recreation Fund
REVENUES				
Taxes				
Gross Receipts	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-
Gasoline	-	-	-	-
Lodgers	-	-	184,251	-
Charges for Service	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	24,200	-	-
Local	-	-	-	-
Fines and Fees	-	-	-	-
Grants and Contributions	-	-	-	-
Miscellaneous	-	-	208	-
Total Revenues	-	24,200	184,459	-
EXPENDITURES				
Current				
Public Safety				
Police	-	-	-	-
Fire	-	-	-	-
Judicial	-	-	-	-
Transportation	-	-	-	-
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	39,424	-
Parks and Recreation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Administrative Fees	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	39,424	-
Excess (Deficiency) of Revenues over Expenditures Before Transfers	-	24,200	145,035	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(203,445)	-
Total Other Financing Sources (Uses)	-	-	(203,445)	-
Excess (Deficiency) of Revenues over Expenditures After Transfers	-	24,200	(58,410)	-
Fund Balance, Beginning of Year	23,116	-	234,269	3,709
Fund Balance, End of Year	\$ 23,116	\$ 24,200	\$ 175,859	\$ 3,709

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

<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>			<u>Total Nonmajor Governmental Funds</u>
Infrastructure Fund	Debt Service Fund	CDBG Grant Fund	Colonias Grant Fund	Capital Appropriations Fund	
\$ 129,267	\$ -	\$ -	\$ -	\$ -	\$ 129,267
-	109,053	-	-	-	109,053
-	-	-	-	-	11,376
-	-	-	-	-	184,251
-	-	-	-	-	21,748
-	-	-	-	-	83,197
-	-	-	-	-	401,202
-	-	-	-	-	40,437
-	-	-	-	-	36,077
-	-	-	-	244,893	265,102
-	-	-	-	-	208
<u>129,267</u>	<u>109,053</u>	<u>-</u>	<u>-</u>	<u>244,893</u>	<u>1,281,918</u>
-	-	-	-	-	12,434
-	-	-	-	-	46,104
-	-	-	-	-	20,566
-	-	-	-	-	164,037
-	-	-	-	-	39,424
-	-	-	-	-	10,209
-	59,000	-	-	-	59,000
-	43,786	-	-	-	43,786
-	-	-	-	255,842	553,757
<u>-</u>	<u>102,786</u>	<u>-</u>	<u>-</u>	<u>255,842</u>	<u>949,317</u>
129,267	6,267	-	-	(10,949)	332,601
255,805	-	-	-	182,000	467,809
(182,000)	-	-	-	(255,805)	(651,378)
<u>73,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,805)</u>	<u>(183,569)</u>
203,072	6,267	-	-	(84,754)	149,032
<u>367,599</u>	<u>84,820</u>	<u>18,617</u>	<u>124,060</u>	<u>84,754</u>	<u>1,286,457</u>
<u>\$ 570,671</u>	<u>\$ 91,087</u>	<u>\$ 18,617</u>	<u>\$ 124,060</u>	<u>\$ -</u>	<u>\$ 1,435,489</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE GRANT FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
Local	\$ 9,000	\$ 10,000	\$ 7,437	\$ (2,563)
Grants and Contributions	-	10,000	10,000	-
Total Revenues	9,000	20,000	17,437	(2,563)
EXPENDITURES				
Current				
Public Safety				
Police	9,000	20,000	11,936	8,064
Total Expenditures	9,000	20,000	11,936	8,064
Excess of Revenues over Expenditures	-	-	5,501	5,501
Cash Balance, Beginning of Year	-	-	-	-
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,501</u>	<u>\$ 5,501</u>
Reconciliation to GAAP Basis				
Excess (Deficit) of Revenues over Expenditures - Budget Basis			\$ 5,501	
Change in:				
Accounts Payable			(498)	
Excess (Deficit) of Revenues over Expenditures - GAAP Basis			<u>\$ 5,003</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LOCAL GOVERNMENT CORRECTION FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fines and Fees	\$ 35,000	\$ 35,000	\$ 24,575	\$ (10,425)
Total Revenues	35,000	35,000	24,575	(10,425)
EXPENDITURES				
Current				
Judicial	20,600	20,600	9,064	11,536
Total Expenditures	20,600	20,600	9,064	11,536
Excess of Revenues over Expenditures	14,400	14,400	15,511	1,111
Cash Balance, Beginning of Year	54,013	54,013	54,013	-
Cash Balance, End of Year	<u>\$ 68,413</u>	<u>\$ 68,413</u>	<u>\$ 69,524</u>	<u>\$ 1,111</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 15,511</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 15,511</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
JUDICIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fines and Fees	\$ 5,400	\$ 5,400	\$ 3,707	\$ (1,693)
Total Revenues	5,400	5,400	3,707	(1,693)
EXPENDITURES				
Current				
Judicial	5,400	5,400	3,707	1,693
Total Expenditures	5,400	5,400	3,707	1,693
Excess of Revenues over Expenditures	-	-	-	-
Cash Balance, Beginning of Year	326	326	326	-
Cash Balance, End of Year	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ -</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ -</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT AUTOMATION FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and Fees	\$ 10,950	\$ 10,950	\$ 7,795	\$ (3,155)
Total Revenues	10,950	10,950	7,795	(3,155)
EXPENDITURES				
Current				
Judicial	10,950	10,950	7,795	3,155
Total Expenditures	10,950	10,950	7,795	3,155
Excess of Revenues over Expenditures	-	-	-	-
Cash Balance, Beginning of Year	677	677	677	-
Cash Balance, End of Year	\$ 677	\$ 677	\$ 677	\$ -
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ -	
Excess of Revenues over Expenditures - GAAP Basis			\$ -	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LITTER CONTROL FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Grants and Contributions	\$ 13,000	\$ 13,000	\$ 10,209	\$ (2,791)
Total Revenues	13,000	13,000	10,209	(2,791)
EXPENDITURES				
Current				
Culture, Recreation and Promotion				
Parks and Recreation	13,000	13,000	10,209	2,791
Total Expenditures	13,000	13,000	10,209	2,791
Excess of Revenues over Expenditures	-	-	-	-
Cash Balance, Beginning of Year	-	-	-	-
Cash Balance, End of Year	\$ -	\$ -	\$ -	\$ -
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ -	
Excess of Revenues over Expenditures - GAAP Basis			\$ -	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LINCOLN COUNTY TRANSIT FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Service	\$ 40,000	\$ 40,000	\$ 21,748	\$ (18,252)
Intergovernmental				
Federal	138,511	138,511	83,197	(55,314)
Local	28,000	33,000	33,000	-
Miscellaneous	3,000	3,000	-	(3,000)
Total Revenues	<u>209,511</u>	<u>214,511</u>	<u>137,945</u>	<u>(76,566)</u>
EXPENDITURES				
Current				
Transportation	196,110	196,110	164,037	32,073
Capital Outlay	<u>32,000</u>	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Total Expenditures	<u>228,110</u>	<u>228,110</u>	<u>164,037</u>	<u>64,073</u>
Deficit of Revenues over Expenditures Before Transfers	(18,599)	(13,599)	(26,092)	(12,493)
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	25,000	25,000	-
Total Other Financing sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Deficit of Revenues over Expenditures After Transfers	6,401	11,401	(1,092)	(12,493)
Cash Balance, Beginning of Year	<u>2,912</u>	<u>2,912</u>	<u>2,912</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 9,313</u>	<u>\$ 14,313</u>	<u>\$ 1,820</u>	<u>\$ (12,493)</u>
Reconciliation to GAAP Basis				
Deficit of Revenues over Expenditures - Budget Basis			<u>\$ (26,092)</u>	
Deficit of Revenues over Expenditures - GAAP Basis			<u>\$ (26,092)</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMERGENCY MEDICAL SERVICES FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ 7,174	\$ 7,174	\$ 7,178	\$ 4
Total Revenues	<u>7,174</u>	<u>7,174</u>	<u>7,178</u>	<u>4</u>
EXPENDITURES				
Current				
Public Safety				
Fire	<u>7,174</u>	<u>7,174</u>	<u>6,958</u>	<u>216</u>
Total Expenditures	<u>7,174</u>	<u>7,174</u>	<u>6,958</u>	<u>216</u>
Excess of Revenues over Expenditures	-	-	220	220
Cash Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ 220</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 220</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 220</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
STREET IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Total Revenues	230,000	230,000	230,000	-
EXPENDITURES				
Capital Outlay	230,000	230,000	214,715	15,285
Total Expenditures	230,000	230,000	214,715	15,285
Excess of Revenues over Expenditures Before Transfers	-	-	15,285	15,285
OTHER FINANCING SOURCES (USES)				
Transfers In	5,466	5,466	5,004	(462)
Total Other Financing Sources (Uses)	5,466	5,466	5,004	(462)
Excess of Revenues over Expenditures After Transfers	5,466	5,466	20,289	14,823
Cash Balance, Beginning of Year	226,919	226,919	226,919	-
Cash Balance, End of Year	<u>\$ 232,385</u>	<u>\$ 232,385</u>	<u>\$ 247,208</u>	<u>\$ 14,823</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 15,285</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 15,285</u>	

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GAS TAX ROAD FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gas	\$ 13,904	\$ 13,904	\$ 10,128	\$ (3,776)
Total Revenues	13,904	13,904	10,128	(3,776)
EXPENDITURES				
Current				
Transportation	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over Expenditures Before Transfers	13,904	13,904	10,128	(3,776)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(13,904)	(13,904)	(10,128)	3,776
Total Other Financing Sources (Uses)	(13,904)	(13,904)	(10,128)	3,776
Excess of Revenues over Expenditures After Transfers	-	-	-	-
Cash Balance, Beginning of Year	2	2	2	-
Cash Balance, End of Year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 10,128	
Change in:				
Taxes Receivable				
Gasoline			1,248	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 11,376</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
State	\$ 54,709	\$ 139,824	\$ 139,824	\$ -
Total Revenues	54,709	139,824	139,824	-
EXPENDITURES				
Current				
Public Safety				
Fire	54,709	72,663	39,146	33,517
Capital Outlay	-	83,200	83,200	-
Total Expenditures	54,709	155,863	122,346	33,517
Excess (Deficit) of Revenues over Expenditures	-	(16,039)	17,478	33,517
Cash Balance, Beginning of Year	61,701	61,701	61,701	-
Cash Balance, End of Year	\$ 61,701	\$ 45,662	\$ 79,179	\$ 33,517
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 17,478	
Excess of Revenues over Expenditures - GAAP Basis			\$ 17,478	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LAW ENFORCEMENT PROTECTION FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ 24,200	\$ 24,200	24,200	\$ -
Total Revenues	24,200	24,200	24,200	-
EXPENDITURES				
Capital Outlay	24,200	24,200	-	24,200
Total Expenditures	24,200	24,200	-	24,200
Excess of Revenues over Expenditures	-	-	24,200	24,200
Cash Balance, Beginning of Year	-	-	-	-
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,200</u>	<u>\$ 24,200</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ 24,200</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 24,200</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LODGERS TAX FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Lodgers	\$ 196,875	\$ 196,875	\$ 184,251	\$ (12,624)
Miscellaneous	500	500	208	(292)
Total Revenues	197,375	197,375	184,459	(12,916)
EXPENDITURES				
Current				
Culture, Recreation and Promotion				
Lodgers Tax Projects	40,100	40,625	39,424	1,201
Total Expenditures	40,100	40,625	39,424	1,201
Excess of Revenues over Expenditures Before Transfers	157,275	156,750	145,035	(11,715)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(204,687)	(204,687)	(203,445)	1,242
Total Other Financing Sources (Uses)	(204,687)	(204,687)	(203,445)	1,242
Deficit of Revenues over Expenditures After Transfers	(47,412)	(47,937)	(58,410)	(10,473)
Cash Balance, Beginning of Year	215,037	215,037	215,037	-
Cash Balance, End of Year	\$ 167,625	\$ 167,100	\$ 156,627	\$ (10,473)
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 145,035	
Excess of Revenues over Expenditures - GAAP Basis			\$ 145,035	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RECREATION FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current				
Culture, Recreation and Promotion	-	3,709	-	3,709
Total Expenditures	-	3,709	-	3,709
Deficit of Revenues over Expenditures	-	(3,709)	-	3,709
Cash Balance, Beginning of Year	3,709	3,709	3,709	-
Cash Balance, End of Year	<u>\$ 3,709</u>	<u>\$ -</u>	<u>\$ 3,709</u>	<u>\$ 3,709</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			<u>\$ -</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ -</u>	

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
INFRASTRUCTURE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	\$ 128,155	\$ 129,625	\$ 129,624	\$ (1)
Total Revenues	128,155	129,625	129,624	(1)
EXPENDITURES				
Current				
Streets	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over Expenditures Before Transfers	128,155	129,625	129,624	(1)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	255,805	255,805	-
Transfers Out	-	(182,000)	(182,000)	-
Total Other Financing Sources (Uses)	-	73,805	73,805	-
Excess of Revenues over Expenditures After Transfers	128,155	203,430	203,429	(1)
Cash Balance, Beginning of Year	344,211	344,211	344,211	-
Cash Balance, End of Year	<u>\$ 472,366</u>	<u>\$ 547,641</u>	<u>\$ 547,640</u>	<u>\$ (1)</u>
Reconciliation to GAAP Basis				
Excess of Revenues over Expenditures - Budget Basis			\$ 129,624	
Change in:				
Gross Receipts Tax			<u>(357)</u>	
Excess of Revenues over Expenditures - GAAP Basis			<u>\$ 129,267</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property	\$ 114,608	\$ 114,608	\$ 109,054	\$ (5,554)
Total Revenues	114,608	114,608	109,054	(5,554)
EXPENDITURES				
Debt Service				
Principal	59,000	59,000	59,000	-
Interest and Administrative Fees	43,840	43,840	43,786	54
Total Expenditures	102,840	102,840	102,786	54
Excess (Deficit) of Revenues over Expenditures	11,768	11,768	6,268	(5,500)
Cash Balance, Beginning of Year	84,820	84,820	84,820	-
Cash Balance, End of Year	<u>\$ 96,588</u>	<u>\$ 96,588</u>	<u>\$ 91,088</u>	<u>\$ (5,500)</u>
Reconciliation to GAAP Basis				
Excess (Deficit) of Revenues over Expenditures - Budget Basis			\$ 6,268	
Change in:				
Gross Receipts Tax			<u>(1)</u>	
Excess (Deficit) of Revenues over Expenditures - GAAP Basis			<u>\$ 6,267</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CAPITAL APPROPRIATIONS FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Grants and Contributions	\$ 86,500	\$ 314,200	\$ 293,646	\$ (20,554)
Total Revenues	<u>86,500</u>	<u>314,200</u>	<u>293,646</u>	<u>(20,554)</u>
EXPENDITURES				
Capital Outlay	<u>86,500</u>	<u>305,453</u>	<u>226,785</u>	<u>78,668</u>
Total Expenditures	<u>86,500</u>	<u>305,453</u>	<u>226,785</u>	<u>78,668</u>
Excess of Revenues over Expenditures Before Transfers	-	8,747	66,861	58,114
OTHER FINANCING SOURCES (USES)				
Transfers In	-	182,000	182,000	-
Transfers Out	-	<u>(255,805)</u>	<u>(255,805)</u>	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(73,805)</u>	<u>(73,805)</u>	<u>-</u>
Deficit of Revenues over Expenditures After Transfers	-	(65,058)	(6,944)	58,114
Cash Balance, Beginning of Year	<u>65,058</u>	<u>65,058</u>	<u>65,058</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 65,058</u>	<u>\$ -</u>	<u>\$ 58,114</u>	<u>\$ 58,114</u>
Reconciliation to GAAP Basis				
Deficit of Revenues over Expenditures - Budget Basis			\$ 66,861	
Change in:				
Other Receivable			(48,753)	
Accounts Payable			<u>(29,057)</u>	
Deficit of Revenues over Expenditures - GAAP Basis			<u>\$ (10,949)</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SEWER FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 357,700	\$ 360,218	\$ 357,290	\$ (2,928)
Tap and Reconnect Fees	14,000	14,000	11,000	(3,000)
Other Income	-	875	875	-
Total Operating Revenues	371,700	375,093	369,165	(5,928)
EXPENSES				
Current				
Personnel Services	153,374	153,374	148,963	4,411
Contracted Services	502,926	494,357	391,237	103,120
Maintenance, Materials and Supplies	83,007	84,556	65,191	19,365
Other Expenditures	23,500	71,634	52,373	19,261
Capital Outlay	1,404,424	2,828,359	1,052,500	1,775,859
Total Operating Expenses	2,167,231	3,632,280	1,710,264	1,922,016
Operating Income	(1,795,531)	(3,257,187)	(1,341,099)	1,916,088
NONOPERATING REVENUES (EXPENSES)				
Environmental Gross Receipts Tax	444,000	440,607	366,855	(73,752)
Debt Service				
Principal Paid on Debt	(13,881)	(13,881)	(12,335)	1,546
Loan Proceeds	118,584	248,033	118,584	(129,449)
Grant Proceeds	1,167,256	2,332,293	910,296	(1,421,997)
Transfers In	143,084	272,533	95,138	(177,395)
Transfers Out	(25,593)	(26,521)	(12,605)	13,916
Total Nonoperating Revenues (Expenses)	1,833,450	3,253,064	1,465,933	(1,787,131)
Net Change in Net Position After Transfers	37,919	(4,123)	124,834	128,957
Cash - Beginning of Year	1,090,123	1,090,123	1,090,123	-
Cash - End of Year	\$ 1,128,042	\$ 1,086,000	\$ 1,214,957	\$ 128,957
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ 124,834	
Loan Proceeds			(118,584)	
Principal Paid on Debt			12,335	
Capital Outlay			1,052,500	
Depreciation			(61,561)	
Change in:				
Gross Receipts Tax			50,862	
Accounts Receivable			3,312	
Accounts Payable			(7,349)	
Net Change in Net Position After Transfers - GAAP Basis			\$ 1,056,349	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SANITATION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 202,230	\$ 208,590	\$ 209,517	\$ 927
Total Operating Revenues	202,230	208,590	209,517	927
EXPENSES				
Current				
Contracted Services	286,227	286,227	286,191	36
Total Operating Expenses	286,227	286,227	286,191	36
Operating Loss	(83,997)	(77,637)	(76,674)	963
NONOPERATING REVENUES (EXPENSES)				
Environmental Gross Receipts Tax	54,887	48,527	48,954	427
Transfers In	25,000	25,000	25,000	-
Total Nonoperating Revenues (Expenses)	79,887	73,527	73,954	427
Net Change in Net Position After Transfers	(4,110)	(4,110)	(2,720)	1,390
Cash - Beginning of Year	41,711	41,711	41,711	-
Cash - End of Year	<u>\$ 37,601</u>	<u>\$ 37,601</u>	<u>\$ 38,991</u>	<u>\$ 1,390</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ (2,720)	
Change in:				
Gross Receipts Tax			(133)	
Accounts Receivable			4,482	
Accounts Payable			<u>12,664</u>	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ 14,293</u>	

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
WATER FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 473,894	\$ 467,973	\$ 400,286	\$ (67,687)
Tap and Reconnect Fees	9,000	12,972	9,972	(3,000)
Late Fees	16,350	17,879	18,299	420
Other Income	<u>3,000</u>	<u>3,420</u>	<u>4,109</u>	<u>689</u>
Total Operating Revenues	502,244	502,244	432,666	(69,578)
EXPENSES				
Current				
Personnel Services	185,513	186,739	166,428	20,311
Contracted Services	164,362	157,145	122,436	34,709
Maintenance, Materials and Supplies	79,000	75,407	59,453	15,954
Other Expenditures	39,800	50,197	29,089	21,108
Capital Outlay	<u>13,000</u>	<u>18,000</u>	<u>17,950</u>	<u>50</u>
Total Operating Expenses	<u>481,675</u>	<u>487,488</u>	<u>395,356</u>	<u>92,132</u>
Operating Income	20,569	14,756	37,310	22,554
NONOPERATING REVENUES (EXPENSES)				
Transfers Out	(10,074)	(10,074)	(10,074)	-
Debt Service				
Principal Paid on Debt	(9,000)	(9,000)	(9,000)	-
Interest and Administrative Fees	<u>(14,155)</u>	<u>(14,155)</u>	<u>(14,155)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(33,229)</u>	<u>(33,229)</u>	<u>(33,229)</u>	<u>-</u>
Net Change in Net Position After Transfers	(12,660)	(18,473)	4,081	22,554
Cash - Beginning of Year	<u>443,540</u>	<u>443,540</u>	<u>443,540</u>	<u>-</u>
Cash - End of Year	<u>\$ 430,880</u>	<u>\$ 425,067</u>	<u>\$ 447,621</u>	<u>\$ 22,554</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ 4,081	
Principal Paid on Debt			9,000	
Capital Outlay			17,950	
Depreciation			(167,805)	
Change in:				
Accounts Receivable			(5,835)	
Inventory			(37,614)	
Accounts Payable			(5,862)	
Customer Deposits			<u>(4,059)</u>	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ (190,144)</u>	

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENSES				
Capital Outlay	\$ 1,711,952	\$ 1,711,952	\$ 79,992	\$ 1,631,960
Total Operating Expenses	<u>1,711,952</u>	<u>1,711,952</u>	<u>79,992</u>	<u>1,631,960</u>
Operating Loss	(1,711,952)	(1,711,952)	(79,992)	1,631,960
NONOPERATING REVENUES (EXPENSES)				
Grant Proceeds	1,495,757	1,495,757	-	1,495,757
Environmental Gross Receipts Tax	140,000	140,000	180,488	40,488
Debt Service				
Principal	(15,360)	(15,360)	(15,360)	-
Loan Proceeds	166,195	166,195	77,744	88,451
Interest and Administrative Fees	(2,099)	(2,099)	(2,099)	-
Transfers In	-	-	12,605	12,605
Transfers Out	(131,743)	(299,429)	(85,064)	(214,365)
Total Nonoperating Revenues (Expenses)	<u>1,652,750</u>	<u>1,485,064</u>	<u>168,314</u>	<u>(1,316,750)</u>
Net Change in Net Position After Transfers	(59,202)	(226,888)	88,322	315,210
Cash - Beginning of Year	<u>900,116</u>	<u>900,116</u>	<u>900,116</u>	<u>-</u>
Cash - End of Year	<u>\$ 840,914</u>	<u>\$ 673,228</u>	<u>\$ 988,438</u>	<u>\$ 315,210</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ 88,322	
Loan Proceeds			(77,744)	
Principal Paid on Debt			15,360	
Capital Outlay			79,992	
Change in:				
Environmental Gross Receipts Tax			<u>(52,279)</u>	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ 53,651</u>	

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

INTERNAL CONTROL AND COMPLIANCE



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

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*

Wayne Johnson, New Mexico State Auditor, and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico

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 the major special revenue fund of the City of Ruidoso Downs, New Mexico (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated January 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as items 2017-001 (2016-001), 2017-002, 2017-003 and 2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item 2017-005.

City's Responses to Findings

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

Purpose of this Report

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



Scott Northam, CPA, PC
Ruidoso, New Mexico
January 18, 2018

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-001 (2016-001) - Lodgers Taxes Management - Material Weakness (Repeated and Revised)

CONDITION - The City has not been properly recording, reporting or collecting lodgers tax due to the City.

PROGRESS TOWARD RESOLVING PRIOR YEAR FINDING - The City has regressed in the progress toward the proper handling of the lodgers tax fund, to the point where the finding is being elevated from Significant Deficiency to Material Weakness. The following errors or irregularities were noted during the current fiscal year audit:

Lodger E - This lodger has not provided lodgers tax remittance forms for the period of July 2015 through October 2017 as noted during audit fieldwork in November 2017 and was the primary factor for the prior year finding. The management response to the finding from the prior year noted a lien would be filed in January 2017. The lien was actually filed in October 2017. The amount used for the lien was an estimation of \$281.86 per month for the lodgers tax plus \$28.19 for a late-filing penalty per month plus interest at 1% per month on the uncollected balance. Total amount on the lien was \$7,996.33. Lodger E paid the lien nineteen (19) business days after the lien was filed with the Lincoln County Clerk's Office. However, Lodger E had previously paid, and the City receipted, \$1,973.32 on December 27, 2016. This amount was not credited to Lodger E's running estimation used as support for the lien and was not reported on the internal spreadsheet used to track lodger tax collections.

Lodger B - Lodger B submitted its remittance form for November 2016 on December 9, 2016 for \$2,550.00. The remittance form was stamped as received by the City on December 9, 2016 and signed by the City personnel responsible for the lodgers tax on December 12, 2016, and recorded on an internal tracking spreadsheet as received. The remittance form notes an EFT electronic payment would be made on December 12, 2016 and delivered to the City's account by December 16, 2016, and included a confirmation code. However, the EFT transfer was not made, and according to City personnel, a subsequent check from the Lodger was returned to the Lodger for additional information. The amount remained outstanding from December 2016 until audit fieldwork noted the amount still outstanding in November 13, 2017, at which time the City contacted Lodger B regarding the outstanding amount. Lodger B wrote a check dated November 15, 2017 and the City receipted the check on November 20, 2017. No penalties or interest were assessed for the late payment, contra to the city ordinance. The City personnel responsible for the lodgers tax told the auditor she waived the penalties and interest since the check was sent back to the Lodger by the City.

Lodger B attempted to pay its February remittance by draft in February, but the draft was not accepted by the City's bank. Lodger B then remitted the funds by check, which was received on May 30, 2017. No penalties or interest were assessed for the late payment of \$3,176.04, contra to the city ordinance.

The City received Lodger B's February form reporting on March 15th, receipting the funds on April 6, 2017, 22 days after receiving the form and 17 days after the ordinance deadline. No penalties or interest were assessed for the late payment of \$2,995.74, contra to the city ordinance.

Lodger Q - The City received Lodger Q's February form and receipted the funds on April 6, 2017, which is 17 days past the ordinance deadline. No penalties or interest were assessed for the late payment of \$4,041.84, contra to the city ordinance.

Lodger D - A miscoding in the general ledger recorded \$167.28 of Lodger D's February remittance as franchise tax. This error went undetected until audit fieldwork in November 2017, at which time a correcting journal entry was made.

CRITERIA - State Statute 3-38-13 to 3-38-24 NMSA 1978 requires municipalities to collect lodgers taxes from vendors who provide short-term lodging or accommodations within the city limits. The taxes are due to the City from the lodgers within twenty days of the close of the month.

CAUSE - A lack of internal controls within the administration regarding the management, collection and reporting of the lodgers tax forms and remittances.

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2017-001 (2016-001) – Lodgers Taxes Management – Material Weakness (Repeated and Revised) (Cont.)

EFFECT - The City is in violation of state statute and its own city ordinance.

RECOMMENDATION – The City needs to re-evaluate the procedures used to receipt and record lodgers tax and perform a monthly reconciliation to the general ledger to ensure accuracy within the financial records.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - In January 2018, the Finance Director and City Clerk has developed a month-end procedure by which the City Clerk records the receipt of the lodgers tax forms and expected payment on the internal spreadsheet, while the utilities clerk receipts in the daily funds. At the end of the month, the Finance Director will reconcile the spreadsheet to the deposits in the general ledger, and alert the City Clerk to investigate any discrepancies.

The City Clerk made an on-site visit to Lodger E in January 2018 to emphasize the necessity of remitting the outstanding lodgers tax forms. Lodger E complied with the request and turned in the outstanding lodgers tax forms from July 2015 through December 2017, along with the remainder of the outstanding funds for the 2017 and 2018 fiscal years in the amount of \$2,215.83.

In the future, the City Clerk will coordinate with the Mayor and City Attorney to determine whether it is economically feasible to enforce the penalty and interest portion of the lodger tax ordinance on a case-by-case basis and obtain the necessary authorization and approval before dismissing the penalties and interest on the late payments.

The City Clerk and City Attorney will present an amended tax lodgers ordinance during the February 12, 2018 meeting to ensure proper collection, remittance and accounting of the lodgers tax.

This finding should be resolved by the end of February 2018.

2017-002 – Internal Control Deficiencies Regarding Lodgers Tax Management - Material Weakness

CONDITION - The City does not have proper internal controls regarding lodgers tax management because of the following deficiencies:

- There is no reconciliation between the lodgers tax form receipts to the accounting records
- There is no secondary supervision oversight regarding the recording of the lodger tax
- Inconsistent treatment among lodgers in applying the city ordinance regarding lodger tax form remittances (Lodger E)
- Inconsistent treatment among lodgers in applying the city ordinance with assessing penalties and interest on delinquent payments (Lodger B, E, and Q)
- Overstepping authority by City personnel for writing off receivable amounts due to the City (Lodger B). Only City Council has the authority to write off collectibles due to the City
- The lodger tax files are not stored with the other tax records maintained by the City, such as gross receipts, property, franchise and gasoline taxes, which are available for public inspection.

CRITERIA - *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 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.

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2017-002 – Internal Control Deficiencies Regarding Lodgers Tax Management - Material Weakness (Cont.)

CAUSE – Lack of internal controls within the administration regarding the management, collection and reporting of the lodgers tax forms and remittances. Management does not have a documented policy in place to follow to ensure internal controls were in place and working properly.

EFFECT - Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information, either unintentional or fraudulent.

RECOMMENDATION - Management needs to formulate an internal control structure that properly oversees the policies and procedures regarding the proper documentation, receipting, recording and reporting of the lodgers tax information. Monthly interaction and reconciliation with the accounting records by a secondary supervisor is recommended to detect any recording errors or outstanding remittances.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - New reconciliation procedures between the City Clerk and Finance Director are being implemented, along with obtaining proper authorization and approval before applying or writing off late payment penalty and interest charges. The lodgers tax files are being relocated by the City Clerk to a more publicly accessible location. This finding should be resolved by the end of February 2018.

2017-003 - Lack of Lodgers Tax Advisory Board or Audits - Material Weakness

CONDITION - The City does not have an advisory board in place as required by state statute. City management personnel has been acting in place of an advisory board, providing recommendations for expenditures to the City Council. The City has not been conducting lodgers tax audits as required by state statute.

CRITERIA - State Statute 3-38-22 NMSA 1978 states: [A] The mayor of every municipality that imposes an occupancy tax pursuant to the Lodgers' Tax Act [3-38-13 through 3-38-24 NMSA 1978] shall appoint a five-member advisory board that consists of two members who are owners or operators of lodgings subject to the occupancy tax within the municipality, two members who are owners or operators of industries located within the municipality that primarily provide services or products to tourists and one member who is a resident of the municipality and represents the general public. [D]. The advisory board shall submit to the mayor and council recommendations for the expenditures of funds authorized pursuant to the Lodgers' Tax Act for advertising, publicizing and promoting tourist-related attractions, facilities and events in the respective counties and municipalities.

State Statute 3-38-17.1 states: 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.

CAUSE - Lack of internal controls within the administration regarding the lodgers tax management and related knowledge of state statutes. Management does not have a documented policy in place to follow to ensure internal controls were in place and working properly for city ordinance and state statute compliance.

EFFECT - The City is in violation of state statutes. If lodgers tax audits had been conducted, the issues in Findings 2017-001 and 2017-004 possibly might have been detected and/or corrected in a timely matter.

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2017-003 – Lack of Lodgers Tax Advisory Board or Audits - Material Weakness (Cont.)

RECOMMENDATION - The City should establish a Lodgers Tax Advisory Board, as required by state statute, to oversee the handling and recommendations of expenditures to the City Council. The City should also establish and follow policies and procedures to conduct random lodgers tax compliance audits on vendors, as required by state statute.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - An agenda item will be placed on the February 12, 2018 council meeting for the City to re-establish the Lodgers Tax Advisory Board. The Mayor is to appoint for Council approval, the recommended members of the advisory board. An agenda will also be placed on the February 12, 2018 council meeting for the Council to authorize City management to either conduct random lodgers tax audits internally or contract them out to a third party. The City Clerk and City Attorney will present an amended tax lodgers ordinance during the February 12, 2018 meeting to ensure proper collection, remittance and accounting of the lodgers tax. This finding should be resolved at the end of February 2018.

2017-004 - Anti-Donation Clause Violation – Material Weakness

CONDITION - The City has allowed a lodger within the city limits to collect the 5% lodgers tax for over two fiscal years without proper auditing, reporting or remittance.

CRITERIA - Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) prohibits the state, county, school district or *municipality*, except as otherwise provided in this constitution, from directly or *indirectly* lending or pledging its credit *or make any donation to or in aid of any person, association or public or private corporation* or in aid of any private enterprise.

CAUSE - Lack of formal policies and controls and lax enforcement and collection efforts by City management.

EFFECT - By not taking action on the collection of the lodgers tax in a timely manner, and not performing lodgers tax audits on the vendor, the City has effectively indirectly subsidized the lodger's operations by allowing the lodger to use the designated 5% lodgers tax collected from customers for personal use, rather than for its intended purpose. The City has incurred an economic loss of approximately \$10,212 in taxes, interest and late fees through November 2018, by not verifying the amounts collected by the vendor, violating the Anti-Donation Clause of the New Mexico Constitution.

RECOMMENDATION - The City needs to reorganize the management of the lodgers tax within the administration to establish policies and procedures to ensure that all lodgers taxes are properly collected by the lodgers, timely remitted, and accounted for within the City's accounting system.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - With the newly formed reconciliation procedures from the Finance Director and City Clerk and the amended lodgers tax ordinance to be presented by the City Attorney (as noted in the 2017-001 finding response), and the re-authorization of lodgers tax audits (as noted in 2017-004 finding response), the City should have better control over the remittance and recording of the lodgers tax and cooperation from the various lodgers to timely remit the tax collections. This finding should be resolved by the end of February 2018

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2017-005 - Late Submission of Audit Report - Compliance

CONDITION - The audit report for the fiscal year ended June 30, 2017 was not submitted by the New Mexico State Audit Rule deadline of December 15 after the fiscal year end.

CRITERIA - New Mexico State Auditor Rule 2.2.2.9A(1)(g) requires audit reports for municipalities be submitted by December 15th following the end of the fiscal year.

CAUSE - Management for the City did not provide responses to the findings, the management representation letter, or schedule the exit conference within the IPA requested timeline to be able to submit the audit before the deadline.

EFFECT - The City is out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

RECOMMENDATION - Continuity and communications between the IPA and the City would make the audit process more efficient and be able to submit the report on time.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - Miscommunications within City management regarding who would be responsible for responding to the audit findings caused a month-long delay in communicating back with the IPA to provide adequate responses to the findings, set a date for the exit conference and sign the management representation letter. The City Clerk will promptly respond to IPA requests in the future, so as not to jeopardize future audit reports being filed after the deadline. This finding should be resolved by December 15, 2018.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2017**

Finding	Status
2016-001 Lodgers Taxes Not Being Collected	Revised and Repeated

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
EXIT CONFERENCE
JUNE 30, 2017**

The contents of this report were discussed with the City of Ruidoso Downs representatives on January 18, 2018. The following individuals were available for the conference:

City of Ruidoso Downs

Gary Williams, Mayor
Carol Virden, City Clerk
Mary Castaneda, Finance Director
H. John Underwood, City Attorney

Scott Northam, CPA, PC

Scott Northam, CPA
Lorri McKnight, CPA

The financial statements of the City of Ruidoso Downs were prepared by Scott Northam, CPA, PC from original books and records provided by and with assistance from the management of the City.

Although standards strongly emphasize the City prepare its own financial statements, the consensus between City management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the City designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The City reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes and supplementary schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.