

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

INTRODUCTORY SECTION

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CITY OF RUIDOSO DOWNS
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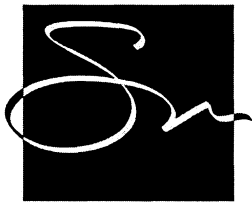
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**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
OFFICIAL ROSTER
JUNE 30, 2018**

CITY COUNCIL

Name	Title
Gary L. Williams	Mayor
Judy Miller	Mayor Pro-tem
Tom Armstrong	Councilor
James Romero	Councilor
Shane Walker	Councilor

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Brian Colon, 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, 2018, 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, 2018, 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 management's discussion and analysis (MD&A). Accounting principles generally accepted in the United States of America require that the MD&A 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. Our opinions on the basic financial statements are not affected by this omitted information.

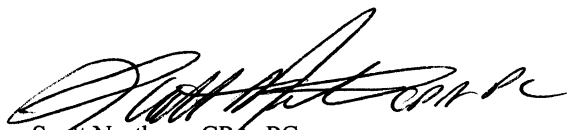
Other Information

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 February 21, 2019 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
February 21, 2019

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,693,567	\$ 2,761,690	\$ 6,455,257
Accounts Receivable, Net	-	86,166	86,166
Taxes Receivable			
Gross Receipts	557,932	144,618	702,550
Franchise	15,221	-	15,221
Property	65,365	-	65,365
Lodgers	22,740	-	22,740
Gasoline	2,178	-	2,178
Inventory	<u>34,617</u>	<u>158,208</u>	<u>192,825</u>
Total Current Assets	4,391,620	3,150,682	7,542,302
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	88,895	83,773	172,668
Capital Assets, Net	<u>11,516,956</u>	<u>13,548,840</u>	<u>25,065,796</u>
Total Noncurrent Assets	11,605,851	13,632,613	25,238,464
DEFERRED OUTFLOWS OF RESOURCES			
Net Pension Liability Deferred Outflows	587,574	-	587,574
NMFA Loan/Grant Funds Available	-	1,050,185	1,050,185
Contributions Subsequent to Measurement Date	<u>191,732</u>	<u>-</u>	<u>191,732</u>
Total Deferred Outflows	<u>779,306</u>	<u>1,050,185</u>	<u>1,829,491</u>
Total Assets and Deferred Outflows	<u>\$ 16,776,777</u>	<u>\$ 17,833,480</u>	<u>\$ 34,610,257</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	\$ 64,542	\$ 139,937	\$ 204,479
Accrued Payroll Liabilities	8,722	-	8,722
Accrued Payroll	106,893	8,991	115,884
Accrued Interest	17,427	-	17,427
Current Portion of Long-Term Debt	68,000	55,247	123,247
Total Current Liabilities	<u>265,584</u>	<u>204,175</u>	<u>469,759</u>
NONCURRENT LIABILITIES			
Customer Deposits	-	70,978	70,978
Accrued Compensated Absences	77,231	16,962	94,193
Long-Term Debt, Net of Current Portion	866,000	836,813	1,702,813
Net Pension Liability	2,859,079	-	2,859,079
Total Noncurrent Liabilities	<u>3,802,310</u>	<u>924,753</u>	<u>4,727,063</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Liability Deferred Inflows	556,549	-	556,549
NMFA Loan/Grant Funds Available	-	1,050,185	1,050,185
Total Deferred Inflows of Resources	<u>556,549</u>	<u>1,050,185</u>	<u>1,606,734</u>
Total Liabilities and Deferred Inflows	<u>4,624,443</u>	<u>2,179,113</u>	<u>6,803,556</u>
NET POSITION			
Net Investment in Capital Assets	10,582,956	12,656,780	23,239,736
Restricted for:			
Special Revenue Funds	1,779,762	-	1,779,762
Debt Service	88,895	-	88,895
Unrestricted (Deficit)	(299,279)	2,997,587	2,698,308
Total Net Position	<u>12,152,334</u>	<u>15,654,367</u>	<u>27,806,701</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,776,777</u>	<u>\$ 17,833,480</u>	<u>\$ 34,610,257</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, 2018**

	<u>Program Revenues</u>			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<i>Primary Government</i>				
Governmental Activities:				
General Administration	\$ 1,111,852	\$ 31,835	\$ 98,200	\$ 486,283
Streets and Transportation	638,408	-	60,689	-
Public Safety	1,443,305	-	33,440	-
Culture, Recreation and Promotion	564,808	123,753	106,356	-
Judicial	126,094	78,391	-	-
Interest and Fiscal Charges	39,242	-	-	-
Depreciation	508,612	-	-	-
<i>Total Governmental Activities</i>	<u>4,432,321</u>	<u>233,979</u>	<u>298,685</u>	<u>486,283</u>
Business-Type Activities:				
Sewer Fund	773,341	389,850	-	924,472
Sanitation Fund	314,376	209,316	-	-
Water Fund	465,320	448,432	-	-
Improvements Fund	124,943	-	-	983,779
<i>Total Business-Type Activities</i>	<u>1,677,980</u>	<u>1,047,598</u>	<u>-</u>	<u>1,908,251</u>
Total - Primary Government	<u><u>\$ 6,110,301</u></u>	<u><u>\$ 1,281,577</u></u>	<u><u>\$ 298,685</u></u>	<u><u>\$ 2,394,534</u></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
\$ (495,534)	\$ -	\$ (495,534)
(577,719)	-	(577,719)
(1,409,865)	-	(1,409,865)
(334,699)	-	(334,699)
(47,703)	-	(47,703)
(39,242)	-	(39,242)
(508,612)	-	(508,612)
<u>(3,413,374)</u>	<u>-</u>	<u>(3,413,374)</u>
-	540,981	540,981
-	(105,060)	(105,060)
-	(16,888)	(16,888)
-	858,836	858,836
<u>-</u>	<u>1,277,869</u>	<u>1,277,869</u>
<u>(3,413,374)</u>	<u>1,277,869</u>	<u>(2,135,505)</u>
2,989,306	-	2,989,306
-	756,316	756,316
67,142	-	67,142
401,166	-	401,166
11,823	-	11,823
195,689	-	195,689
6,854	-	6,854
32,451	-	32,451
<u>3,704,431</u>	<u>756,316</u>	<u>4,460,747</u>
<u>(52,050)</u>	<u>52,050</u>	<u>-</u>
<u>3,652,381</u>	<u>808,366</u>	<u>4,460,747</u>
239,007	2,086,235	2,325,242
<u>11,913,327</u>	<u>13,568,132</u>	<u>25,481,459</u>
<u>\$ 12,152,334</u>	<u>\$ 15,654,367</u>	<u>\$ 27,806,701</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, 2018**

	General Fund	Museum Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 2,081,645	\$ 51,243	\$ 1,560,679	\$ 3,693,567
Restricted - Debt Service	-	-	88,895	88,895
Taxes Receivable:				
Gross Receipts	531,632	-	26,300	557,932
Franchise	15,221	-	-	15,221
Property	47,971	-	17,394	65,365
Lodgers	-	-	22,740	22,740
Gasoline	-	-	2,178	2,178
Inventory	-	34,617	-	34,617
Total Assets	<u>\$ 2,676,469</u>	<u>\$ 85,860</u>	<u>\$ 1,718,186</u>	<u>\$ 4,480,515</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 63,763	\$ 779	\$ -	\$ 64,542
Accrued Payroll Liabilities	8,722	-	-	8,722
Accrued Payroll	100,782	6,111	-	106,893
Total Liabilities	173,267	6,890	-	180,157
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	47,971	-	17,394	65,365
Total Liabilities and Deferred Inflows of Resources	221,238	6,890	17,394	245,522
FUND BALANCES				
Nonspendable	-	34,617	-	34,617
Restricted				
Debt Service	-	-	88,895	88,895
Assigned	-	44,353	1,611,897	1,656,250
Unassigned	2,455,231	-	-	2,455,231
Total Fund Balances	2,455,231	78,970	1,700,792	4,234,993
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,676,469</u>	<u>\$ 85,860</u>	<u>\$ 1,718,186</u>	<u>\$ 4,480,515</u>

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
RECONCILIATION OF GOVERNMENTAL FUNDS
FUND BALANCE TO GOVERNMENT ACTIVITIES
NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds	\$	4,234,993
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		11,516,956
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are reported as deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities.		65,365
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	(77,231)	
Notes and Bonds Payable	(934,000)	
Accrued Interest	<u>(17,427)</u>	(1,028,658)
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	191,732	
NPL Deferred Outflows	587,574	
NPL Deferred Inflows	(556,549)	
Net Pension Liability	<u>(2,859,079)</u>	<u>(2,636,322)</u>
Net Position of Governmental Activities	\$	<u>12,152,334</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General Fund	Museum Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross Receipts	\$ 2,797,740	\$ -	\$ 138,268	\$ 2,936,008
Franchise	67,142	-	-	67,142
Property	298,009	-	103,157	401,166
Gas	-	-	11,823	11,823
Lodgers	-	-	195,689	195,689
Other	6,854	-	-	6,854
Charges for Service	684	-	18,860	19,544
Intergovernmental				
Federal	-	-	60,689	60,689
State	90,000	-	480,442	570,442
Local	-	-	33,440	33,440
Admissions	-	67,770	-	67,770
Memberships	-	2,975	-	2,975
Gift Shop Sales	-	51,358	-	51,358
Licenses, Fees and Permits	12,291	-	-	12,291
Fines and Forfeitures	55,752	-	22,639	78,391
Grants and Contributions	8,200	106,356	5,841	120,397
Miscellaneous	28,842	4,353	1,189	34,384
	<u>3,365,514</u>	<u>234,462</u>	<u>1,072,037</u>	<u>4,672,013</u>
Total Revenues	3,365,514	234,462	1,072,037	4,672,013

	General Fund	Museum Fund	Nonmajor Funds	Total Governmental Funds
EXPENDITURES				
Current				
General Administration				
Executive	53,115	-	-	53,115
Elections	2,386	-	-	2,386
Finance and Administration	611,943	-	-	611,943
Legal	179,682	-	-	179,682
Planning and Zoning	164,576	-	-	164,576
Streets and Transportation	486,352	-	152,056	638,408
Public Safety				
Police	1,133,414	-	12,379	1,145,793
Fire	100,304	-	91,705	192,009
Animal Control	61,653	-	-	61,653
Code Enforcement	50,565	-	-	50,565
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	36,327	36,327
Parks and Recreation	132,834	-	5,140	137,974
Museum	-	378,283	-	378,283
Senior Center	12,223	-	-	12,223
Judicial	116,726	-	9,368	126,094
Debt Service				
Principal	-	-	64,000	64,000
Interest and Administrative Fees	-	-	41,349	41,349
Capital Outlay	74,536	-	262,410	336,946
Total Expenditures	<u>3,180,309</u>	<u>378,283</u>	<u>674,734</u>	<u>4,233,326</u>
Excess (Deficiency) of Revenues over Expenditures Before Transfers	185,205	(143,821)	397,303	438,687
OTHER FINANCING SOURCES (USES)				
Transfers In	23,853	160,000	90,705	274,558
Transfers Out	<u>(103,901)</u>	<u>-</u>	<u>(222,707)</u>	<u>(326,608)</u>
Total Other Financing Sources (Uses)	<u>(80,048)</u>	<u>160,000</u>	<u>(132,002)</u>	<u>(52,050)</u>
Net Change in Fund Balances	105,157	16,179	265,301	386,637
Fund Balance, Beginning of Year	<u>2,350,074</u>	<u>62,791</u>	<u>1,435,491</u>	<u>3,848,356</u>
Fund Balance, End of Year	<u>\$ 2,455,231</u>	<u>\$ 78,970</u>	<u>\$ 1,700,792</u>	<u>\$ 4,234,993</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, 2018**

Net Changes in Fund Balance - Governmental Funds **\$ 386,637**

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. 336,946

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. (508,612)

The change in delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are reported as deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities. 52,802

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	\$	5,072	
Change in Accrued Interest		2,107	
Long-Term Obligations Principal Payments		64,000	
			71,179

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	\$	5,614	
Change in NPL Deferred Outflows		(654,823)	
Change in NPL Deferred Inflows		(421,497)	
Change in Net Pension Liability		970,761	
			(99,945)

Change in Net Position of Governmental Activities **\$ 239,007**

**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, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Gross Receipts	\$ 2,742,818	\$ 2,742,818	\$ 2,731,796	\$ (11,022)
Franchise	78,156	78,156	66,507	(11,649)
Property	319,379	319,379	298,189	(21,190)
Motor Vehicle	6,828	6,854	6,854	-
Charges for Service	4,020	4,350	684	(3,666)
Intergovernmental				
State	90,000	90,000	90,000	-
Licenses, Fees and Permits	10,525	12,438	12,291	(147)
Fines and Forfeitures	89,800	89,800	55,752	(34,048)
Grants and Contributions	-	-	8,200	8,200
Miscellaneous	50,444	50,444	28,842	(21,602)
Total Revenues	3,391,970	3,394,239	3,299,115	(95,124)
EXPENDITURES				
Current				
General Administration				
Executive	61,618	61,618	53,115	8,503
Elections	7,328	7,328	2,386	4,942
Finance and Administration	737,405	730,305	500,296	230,009
Legal	-	-	179,682	(179,682)
Planning and Zoning	-	-	164,576	(164,576)
Streets and Transportation	402,355	402,355	486,352	(83,997)
Public Safety				
Police	1,142,686	1,142,686	1,133,414	9,272
Fire	-	-	100,304	(100,304)
Animal Control	-	-	61,653	(61,653)
Code Enforcement	-	-	50,565	(50,565)
Culture, Recreation and Promotion				
Parks and Recreation	150,683	160,308	132,834	27,474
Senior Center	12,200	12,200	12,223	(23)
Judicial	129,924	130,924	116,726	14,198
Capital Outlay	895,085	909,385	74,536	834,849
Total Expenditures	3,539,284	3,557,109	3,068,662	488,447
Excess (Deficit) of Revenues over Expenditures Before Transfers	(147,314)	(162,870)	230,453	393,323

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	28,125	28,125	23,853	(4,272)
Transfers Out	<u>(53,000)</u>	<u>(103,901)</u>	<u>(103,901)</u>	<u>-</u>
Total Other Financing sources (Uses)	<u>(24,875)</u>	<u>(75,776)</u>	<u>(80,048)</u>	<u>(4,272)</u>
Net Change in Fund Balances	(172,189)	(238,646)	150,405	389,051
Cash Balance, Beginning of Year	<u>1,931,240</u>	<u>1,931,240</u>	<u>1,931,240</u>	<u>-</u>
Cash Balance, End of Year	<u><u>\$ 1,759,051</u></u>	<u><u>\$ 1,692,594</u></u>	<u><u>\$ 2,081,645</u></u>	<u><u>\$ 389,051</u></u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ 150,405	
Change in:				
Taxes Receivable				
Gross Receipts			65,944	
Franchise			635	
Property			256	
Accounts Payable			(53,731)	
Accrued Payroll Liabilities			(8,722)	
Accrued Payroll			(49,194)	
Deferred Inflows - Property Taxes			<u>(436)</u>	
Net Change in Fund Balance - GAAP Basis			<u><u>\$ 105,157</u></u>	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Admissions	\$ -	\$ -	\$ 67,770	\$ 67,770
Memberships	-	-	2,975	2,975
Gift Shop Sales	-	-	51,358	51,358
Rentals	-	-	1,650	1,650
Grants and Contributions	-	-	106,356	106,356
Miscellaneous	255,900	261,900	4,353	(257,547)
Total Revenues	<u>255,900</u>	<u>261,900</u>	<u>234,462</u>	<u>(27,438)</u>
EXPENSES				
Current				
Culture, Recreation and Promotion				
Museum	415,900	422,309	380,462	41,847
Total Expenditures	<u>415,900</u>	<u>422,309</u>	<u>380,462</u>	<u>41,847</u>
Excess (Deficit) of Revenues over Expenditures Before Transfers	(160,000)	(160,409)	(146,000)	14,409
OTHER FINANCING SOURCES (USES)				
Transfers In	160,000	160,000	160,000	-
Total Other Financing Sources (Uses)	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Net Change in Fund Balances	-	(409)	14,000	14,409
Cash Balance, Beginning of Year	<u>37,243</u>	<u>37,243</u>	<u>37,243</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 37,243</u>	<u>\$ 36,834</u>	<u>\$ 51,243</u>	<u>\$ 14,409</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ 14,000	
Change in:				
Inventory			2,928	
Accounts Payable			(370)	
Accrued Payroll			(379)	
Net Change in Fund Balance - GAAP Basis			<u>\$ 16,179</u>	

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

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and Cash Equivalents	\$ 1,473,079	\$ 39,591	\$ 349,074	\$ 899,946	\$ 2,761,690
Accounts Receivable, Net	18,628	31,192	36,346	-	86,166
Infrastructure Gross Receipts Tax Receivable	105,173	13,145	-	26,300	144,618
Inventory	-	-	158,208	-	158,208
Total Current Assets	<u>1,596,880</u>	<u>83,928</u>	<u>543,628</u>	<u>926,246</u>	<u>3,150,682</u>
Noncurrent Assets					
Restricted Cash - Customer Deposits	-	-	83,773	-	83,773
Capital Assets, Net	2,128,751	-	5,430,437	5,989,652	13,548,840
Total Noncurrent Assets	<u>2,128,751</u>	<u>-</u>	<u>5,514,210</u>	<u>5,989,652</u>	<u>13,632,613</u>
Total Assets	<u>3,725,631</u>	<u>83,928</u>	<u>6,057,838</u>	<u>6,915,898</u>	<u>16,783,295</u>
DEFERRED OUTFLOWS OF RESOURCES					
NMFA CIF-3358 Grant Funds Available	131,382	-	-	-	131,382
NMFA CIF-3514 Loan/Grant Funds Available	406,825	-	-	-	406,825
NMFA WTB-0347 Loan Funds Available	-	-	-	511,978	511,978
Total Deferred Outflows of Resources	<u>538,207</u>	<u>-</u>	<u>-</u>	<u>511,978</u>	<u>1,050,185</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,263,838</u>	<u>\$ 83,928</u>	<u>\$ 6,057,838</u>	<u>\$ 7,427,876</u>	<u>\$ 17,833,480</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 119,618	\$ 16,903	\$ 3,416	\$ -	\$ 139,937
Accrued Payroll	4,306	-	4,685	-	8,991
Current Portion of Long-Term Debt	17,066	-	24,982	13,199	55,247
Total Current Liabilities	<u>140,990</u>	<u>16,903</u>	<u>33,083</u>	<u>13,199</u>	<u>204,175</u>
Noncurrent Liabilities					
Customer Deposits	-	-	70,978	-	70,978
Accrued Compensated Absences	11,681	-	5,281	-	16,962
Long-Term Debt, Net of Current Portion	287,209	-	346,472	203,132	836,813
Total Noncurrent Liabilities	<u>298,890</u>	<u>-</u>	<u>422,731</u>	<u>203,132</u>	<u>924,753</u>
Total Liabilities	<u>439,880</u>	<u>16,903</u>	<u>455,814</u>	<u>216,331</u>	<u>1,128,928</u>
DEFERRED INFLOWS OF RESOURCES					
NMFA CIF-3358 Grant Funds Available	131,382	-	-	-	131,382
NMFA CIF-3514 Loan/Grant Funds Available	406,825	-	-	-	406,825
NMFA WTB-0347 Loan Funds Available	-	-	-	511,978	511,978
Total Deferred Inflows of Resources	<u>538,207</u>	<u>-</u>	<u>-</u>	<u>511,978</u>	<u>1,050,185</u>
NET POSITION					
Net Investment in Capital Assets	1,824,476	-	5,058,983	5,773,321	12,656,780
Unrestricted	1,461,275	67,025	543,041	926,246	2,997,587
Total Fund Net Position	<u>3,285,751</u>	<u>67,025</u>	<u>5,602,024</u>	<u>6,699,567</u>	<u>15,654,367</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,263,838</u>	<u>\$ 83,928</u>	<u>\$ 6,057,838</u>	<u>\$ 7,427,876</u>	<u>\$ 17,833,480</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
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Funds
OPERATING REVENUES					
Charges for Services	\$ 377,452	\$ 209,316	\$ 404,920	\$ -	\$ 991,688
Tap and Reconnect Fees	11,874	-	18,105	-	29,979
Late Fees	-	-	15,980	-	15,980
Other Income	524	-	9,427	-	9,951
Total Operating Revenues	<u>389,850</u>	<u>209,316</u>	<u>448,432</u>	<u>-</u>	<u>1,047,598</u>
OPERATING EXPENSES					
Personnel Services	176,011	-	190,015	-	366,026
Contracted Services	437,632	314,376	107,688	-	859,696
Maintenance, Materials and Supplies	53,007	-	33,290	-	86,297
Other Expenditures	62,401	-	32,053	-	94,454
Depreciation	44,290	-	86,471	123,074	253,835
Total Operating Expenses	<u>773,341</u>	<u>314,376</u>	<u>449,517</u>	<u>123,074</u>	<u>1,660,308</u>
Operating Loss	(383,491)	(105,060)	(1,085)	(123,074)	(612,710)
NONOPERATING REVENUES (EXPENSES)					
Infrastructure Gross Receipts Tax	552,811	65,236	-	138,269	756,316
Grant Proceeds	924,472	-	-	983,779	1,908,251
Interest Expense	-	-	(15,803)	(1,869)	(17,672)
Total Nonoperating Revenues (Expenses)	<u>1,477,283</u>	<u>65,236</u>	<u>(15,803)</u>	<u>1,120,179</u>	<u>2,646,895</u>
Change in Net Position Before Transfers	<u>1,093,792</u>	<u>(39,824)</u>	<u>(16,888)</u>	<u>997,105</u>	<u>2,034,185</u>
TRANSFERS					
Transfers In	73,742	43,901	-	12,037	129,680
Transfers Out	(12,037)	-	-	(65,593)	(77,630)
Net Transfers	<u>61,705</u>	<u>43,901</u>	<u>-</u>	<u>(53,556)</u>	<u>52,050</u>
Net Change in Net Position After Net Transfers	1,155,497	4,077	(16,888)	943,549	2,086,235
Net Position, Beginning 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>
Net Position, End of Year	<u>\$ 3,285,751</u>	<u>\$ 67,025</u>	<u>\$ 5,602,024</u>	<u>\$ 6,699,567</u>	<u>\$ 15,654,367</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 389,655	\$ 209,915	\$ 437,007	\$ -	\$ 1,036,577
Payments to and on Behalf of Employees	(160,024)	-	(194,637)	-	(354,661)
Payments to Suppliers and Contractors	(419,484)	(314,588)	(199,340)	-	(933,412)
Other Receipts and Payments, Net	(61,877)	-	(22,626)	-	(84,503)
Net Cash Provided (Used) by Operating Activities	<u>(251,730)</u>	<u>(104,673)</u>	<u>20,404</u>	<u>-</u>	<u>(335,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital Asset Purchases	(1,117,071)	-	(101,828)	(1,227,211)	(2,446,110)
Net Cash Used by Investing Activities	<u>(1,117,071)</u>	<u>-</u>	<u>(101,828)</u>	<u>(1,227,211)</u>	<u>(2,446,110)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING					
Infrastructure Gross Receipts Tax	521,890	61,372	-	135,000	718,262
Transfers In	73,742	43,901	-	12,037	129,680
Transfers Out	(12,037)	-	-	(65,593)	(77,630)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>583,595</u>	<u>105,273</u>	<u>-</u>	<u>81,444</u>	<u>770,312</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Loan Proceeds	129,449	-	101,828	88,450	319,727
Grant Proceeds	924,472	-	-	983,779	1,908,251
Interest Paid on Debt	-	-	(15,803)	(1,869)	(17,672)
Principal Paid on Debt	(10,593)	-	(19,374)	(13,085)	(43,052)
Net Cash Provided (Used) by Capital Financing Activities	<u>1,043,328</u>	<u>-</u>	<u>66,651</u>	<u>1,057,275</u>	<u>2,167,254</u>
NET CHANGE IN CASH	258,122	600	(14,773)	(88,492)	155,457
CASH AT BEGINNING OF YEAR	1,214,957	38,991	447,620	988,438	2,690,006
CASH AT END OF YEAR	<u>\$ 1,473,079</u>	<u>\$ 39,591</u>	<u>\$ 432,847</u>	<u>\$ 899,946</u>	<u>\$ 2,845,463</u>
Reconciliation of Operating Loss to Net Cash Provided					
(Used) by Operating Activities					
Operating Loss	\$ (383,491)	\$ (105,060)	\$ (1,085)	\$ (123,074)	\$ (612,710)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:					
Depreciation	44,290	-	86,471	123,074	253,835
Changes in:					
Accounts Receivable	329	599	(1,998)	-	(1,070)
Inventory	-	-	(50,104)	-	(50,104)
Accounts Payable	71,155	(212)	(8,258)	-	62,685
Accrued Payroll	4,306	-	(2,257)	-	2,049
Accrued Compensated Absences	11,681	-	(2,365)	-	9,316
Net Cash Provided (Used) by Operating Activities	<u>\$ (251,730)</u>	<u>\$ (104,673)</u>	<u>\$ 20,404</u>	<u>\$ -</u>	<u>\$ (335,999)</u>
Reconciliation to the Balance Sheet					
Unrestricted	\$ 1,473,079	\$ 39,591	\$ 349,074	\$ 899,946	\$ 2,761,690
Restricted	-	-	83,773	-	83,773
	<u>\$ 1,473,079</u>	<u>\$ 39,591</u>	<u>\$ 432,847</u>	<u>\$ 899,946</u>	<u>\$ 2,845,463</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018.

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, 2018**

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, 2018**

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, 2018**

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.

Excess of Expenditures over Appropriations - For the year ended June 30, 2018, the Water Fund expenditures exceeded budgetary appropriations by approximately \$42,611.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

GASB Statement No. 77, Tax Abatement Disclosure - The City is not subject to any tax abatement agreements subject to being reported under the requirements of GASB 77.

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, 2018**

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, 2018.

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, 2018**

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, and grant and loan proceeds appropriated and available for use during a future period.

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 and grant and loan proceeds appropriated and available for use during a future period.
- ***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 have 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, 2018**

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 or net position 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, 2018**

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, 2018, 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, 2018, of the cash and cash equivalents.

	Bank Balance June 30, 2018	Net Items Outstanding	Book Balance June 30, 2018
BBVA Compass Bank			
General Operating Account	\$ 6,026,695	\$ (53,114)	\$ 5,973,581
Hubbard Museum Account	461,108	-	461,108
Merchant Services Account	27,604	-	27,604
Construction Account	80,349	-	80,349
Water Security Deposit (Restricted)	84,094	(321)	83,773
Obligation Funds	<u>10</u>	<u>-</u>	<u>10</u>
Total - BBVA Compass Bank	<u>\$ 6,679,860</u>	<u>\$ (53,435)</u>	6,626,425
Petty Cash Funds			<u>1,500</u>
Total Cash			<u>\$ 6,627,925</u>

Reconciliation to the Statement of Net Position	Governmental Activities	Business-type Activities	Totals
Unrestricted	\$ 3,693,567	\$ 2,761,690	\$ 6,455,257
Restricted	<u>88,895</u>	<u>83,773</u>	<u>172,668</u>
Total Cash	<u>\$ 3,782,462</u>	<u>\$ 2,845,463</u>	<u>\$ 6,627,925</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, 2018.

Restricted Cash – The City has restricted approximately \$88,895 in the Debt Service Fund for debt service payments and approximately \$83,773 for customer deposits in the Water Fund.

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, 2018**

NOTE B - CASH AND CASH EQUIVALENTS (Cont.)

	BBVA Compass Bank
Deposits	\$ 6,679,860
Less FDIC Coverage	<u>(250,000)</u>
Uninsured Funds	6,429,860
Pledged Letters of Credit	<u>9,500,000</u>
Uninsured and Uncollateralized	<u>\$ (3,070,140)</u>
50% Pledged Collateral Requirement per Statute	\$ 3,214,930
Pledged Collateral	<u>9,500,000</u>
(Over) Under Collateralized	<u>\$ (6,285,070)</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 other than state statutes. As of June 30, 2018, \$6,429,860 of the City's bank deposit balance of \$6,679,860 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:	Letter Number	Maturity	Market Value	Par Value
Line of Credit	115488	09/18/2018	\$ 500,000	\$ 500,000
Line of Credit	116978	10/19/2018	1,800,000	1,800,000
Line of Credit	120794	01/10/2019	4,000,000	4,000,000
Line of Credit	123715	03/21/2019	800,000	800,000
Line of Credit	128422	07/19/2018	400,000	400,000
Line of Credit	132567	10/23/2018	<u>2,000,000</u>	<u>2,000,000</u>
	Total Collateral Pledged		<u>\$ 9,500,000</u>	<u>\$ 9,500,000</u>

NOTE C - RECEIVABLES

Government Activities - The City fully reserved approximately \$65,365 of delinquent property taxes that are outstanding as of fiscal year-end.

Receivable amounts for gross receipts, franchise, lodger's 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	\$ 30,814	\$ 57,503	\$ 85,605	\$ 173,922
Less Allowance for Doubtful Accounts	<u>(12,186)</u>	<u>(26,311)</u>	<u>(49,259)</u>	<u>(87,756)</u>
Net Accounts Receivable	<u>\$ 18,628</u>	<u>\$ 31,192</u>	<u>\$ 36,346</u>	<u>\$ 86,166</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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	\$ 43,901	\$ 43,901
General Fund	Lincoln Co. Transit	Subsidize Operations	60,000	60,000
Gas Tax Road	Street Improvements	Reimburse Expenditures	5,004	
	General Fund	Reimburse Expenditures	<u>6,635</u>	11,639
Lodgers Tax	General Fund	10% Admin Fees	17,218	
	Lincoln Co. Transit	Subsidize Fund Operations	25,000	
	Museum Fund	Promotional and Nonpromotional Assistance	<u>160,000</u>	202,218
Colonias Grant	Sewer	Subsidize Capital Outlay	8,149	8,149
Capital Appropriations	Infrastructure	Reimburse Expenditures	701	701
Sewer	Improvements	Reimburse Expenditures	12,037	12,037
Improvements	Sewer	Subsidize Capital Outlay	<u>65,593</u>	<u>65,593</u>
Total Transfers				<u>\$ 404,238</u>

The transfer amounts between types of funds are summarized below:

From Fund Type	To Fund Type	Amount	Totals
Governmental	Governmental	\$ 274,558	
	Proprietary	<u>52,050</u>	\$ 326,608
Proprietary	Proprietary	77,630	
	Governmental	<u>-</u>	<u>77,630</u>
Total Transfers			<u>\$ 404,238</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE E - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Non-depreciable Capital Assets				
Museum Artifacts and Collections	\$ 5,501,635	\$ -	\$ -	\$ 5,501,635
Land	<u>226,634</u>	<u>-</u>	<u>-</u>	<u>226,634</u>
Total Non-depreciable Capital Assets	<u>5,728,269</u>	<u>-</u>	<u>-</u>	<u>5,728,269</u>
Depreciable Capital Assets				
Buildings and Improvements	4,151,696	-	-	4,151,696
Streets and Other Infrastructure	3,513,433	127,646	-	3,641,079
Vehicles, Machinery and Equipment	<u>2,671,177</u>	<u>209,300</u>	<u>(42,974)</u>	<u>2,837,503</u>
Total Depreciable Capital Assets	<u>10,336,306</u>	<u>336,946</u>	<u>(42,974)</u>	<u>10,630,278</u>
Accumulated Depreciation				
Buildings and Improvements	(1,070,795)	(89,116)	-	(1,159,911)
Streets and Other Infrastructure	(2,441,398)	(159,354)	-	(2,600,752)
Vehicles, Machinery and Equipment	<u>(863,760)</u>	<u>(260,142)</u>	<u>42,974</u>	<u>(1,080,928)</u>
Accumulated Depreciation	<u>(4,375,953)</u>	<u>(508,612)</u>	<u>42,974</u>	<u>(4,841,591)</u>
Total Depreciable Capital Assets, Net	<u>5,960,353</u>	<u>(171,666)</u>	<u>-</u>	<u>5,788,687</u>
Capital Assets, Net	<u>\$ 11,688,622</u>	<u>\$ (171,666)</u>	<u>\$ -</u>	<u>\$ 11,516,956</u>

Management has elected to present the Governmental Activities depreciation expense of \$508,612 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Business-type Activities:				
Non-depreciable Capital Assets				
Land and Water Rights	\$ 1,194,277	\$ -	\$ -	\$ 1,194,277
Construction in Progress	-	2,344,282	-	2,344,282
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>2,344,282</u>	<u>-</u>	<u>8,295,687</u>
Depreciable Capital Assets				
Buildings and Improvements	1,127,383	-	-	1,127,383
Distribution Systems	6,649,356	-	-	6,649,356
Vehicles, Machinery and Equipment	<u>853,513</u>	<u>101,828</u>	<u>(13,500)</u>	<u>941,841</u>
Total Depreciable Capital Assets	<u>8,630,252</u>	<u>101,828</u>	<u>(13,500)</u>	<u>8,718,580</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE E - CAPITAL ASSETS (Cont.)

	Balance			Balance
	June 30, 2017	Increases	Decreases	June 30, 2018
Accumulated Depreciation				
Buildings and Improvements	(314,332)	(69,614)	-	(383,346)
Distribution Systems	(2,182,430)	(97,238)	-	(2,279,668)
Vehicles, Machinery and Equipment	<u>(728,330)</u>	<u>(86,983)</u>	<u>13,500</u>	<u>(801,813)</u>
Accumulated Depreciation	<u>(3,225,092)</u>	<u>(253,835)</u>	<u>13,500</u>	<u>(3,465,427)</u>
Total Depreciable Capital Assets, Net	<u>5,405,160</u>	<u>(152,007)</u>	<u>-</u>	<u>5,253,153</u>
Capital Assets, Net	<u>\$ 11,356,565</u>	<u>\$ 2,192,275</u>	<u>\$ -</u>	<u>\$ 13,548,840</u>

For the Business-type Activities, depreciation expense of approximately \$44,290 was reported in the Sewer Fund, \$86,471 in the Water Fund, and \$123,074 in the Improvements Fund .

NOTE F - COMPENSATED ABSENCES

Vacation and sick leave hours are 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, 2018 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, 2017	Increases	Decreases	June 30, 2018
Governmental Activities	\$ 82,303	\$ 63,750	\$ (68,822)	\$ 77,231
Business-type Activities	<u>7,646</u>	<u>16,272</u>	<u>(6,956)</u>	<u>16,962</u>
Total	<u>\$ 89,949</u>	<u>\$ 80,022</u>	<u>\$ (75,778)</u>	<u>\$ 94,193</u>

NOTE G - LONG-TERM DEBT

The City had the following long-term debt obligations as of June 30, 2018:

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 \$43,318 in interest expense during the fiscal year from the governmental funds. Long-term debt activity for the year ended June 30, 2018 was as follows:

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE G - LONG-TERM DEBT (Cont.)

Governmental	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
NMFA – 2090-PP	\$ 998,000	\$ _____	\$ (64,000)	\$ 934,000	\$ 68,000

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.

JCB Finance – Backhoe Capital Lease – The City entered into a capital lease agreement with JCB Finance for the financing of the lease-purchase of a 2017 JCB backhoe loader in October 2017. The initial principal was \$101,828, with repayment terms of 72 monthly payments of approximately \$1,556, bearing interest at 3.2%, and maturing in October 2023.

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 3514-CIF – Wastewater System Improvements Phase III Colonias Grant - The City entered into an agreement with NMFA in February 2016 to administer approximately a \$1,294.485 Grant/Loan project to the wastewater infrastructure of the City. Initial principal was \$129,449 with repayment terms of 20 annual, non-interest-bearing payments of approximately \$6,639, and maturing in June 2038.

NMFA 3358-CIF – Wastewater System Improvements Colonias Grant - The City entered into an agreement with NMFA in May 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 \$15,597 in interest expense during the fiscal year from the proprietary funds.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE G - LONG-TERM DEBT (Cont.)

Pending Commitments

NMFA 3358-CIF - Wastewater System Improvements Colonias Grant - The City has approximately \$131,382 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 grant funds will revert back at that time.

NMFA 3514-CIF – Wastewater System Improvements Phase III Colonias Grant - The City has approximately \$40,683 of loan funds available with NMFA to be drawn down for the project. The City has approximately \$406,825 in grant and loan funds available, of which \$366,142 is grant funds with the remaining \$40,683 being loan funds associated with the agreement. The City has until June 30, 2020 to draw down the grant funds or any remaining grant amount would revert back at that time.

NMFA 0347-WTB - Storage, Conveyance and Delivery of Water – The City has approximately \$511,978 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.

Long-term proprietary fund debt activity for the year ended June 30, 2018 was as follows:

Proprietary	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
USDA-RUS	\$ 289,000	\$ -	\$ (9,000)	\$ 280,000	\$ 9,000
JCB Finance	-	101,828	(10,374)	91,454	15,982
NMED ARRA SWSRF 02	74,037	-	(4,635)	69,402	4,728
NMFA 3514-CIF	-	129,449	-	129,449	6,473
NMFA 0347-WTB	155,379	-	(8,450)	146,929	8,471
NMFA 3358-CIF	110,692	-	(6,150)	104,542	6,150
NMFA 2718-CIF	12,752	-	(797)	11,955	797
NMFA 2975-CIF	61,975	-	(3,646)	58,329	3,646
Total Long-Term Debt	<u>\$ 703,835</u>	<u>\$ 231,277</u>	<u>\$ (43,052)</u>	<u>\$ 892,060</u>	<u>\$ 55,247</u>

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
2019	\$ 68,000	\$ 37,738	\$ 105,738	\$ 55,247	\$ 18,988	\$ 74,235
2020	74,000	34,919	108,919	56,881	17,924	74,805
2021	78,000	31,847	109,847	57,535	16,801	74,336
2022	85,000	28,503	113,503	59,208	15,648	74,856
2023	89,000	24,893	113,893	59,900	14,435	74,335
2024-2028	540,000	60,656	600,656	226,777	59,246	286,023
2029-2033	-	-	-	228,601	38,958	267,559
2034-2038	-	-	-	147,911	14,986	162,897
	<u>\$ 934,000</u>	<u>\$ 218,556</u>	<u>\$ 1,152,556</u>	<u>\$ 892,060</u>	<u>\$ 196,986</u>	<u>\$ 1,089,046</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE G - LONG-TERM DEBT (Cont.)

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 obligations are reported on the Village's financial statements and the debt service expenditures billed by the JUB are considered operating expenses in the City's financial statements.

NOTE H - 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 see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

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 17 annual audit report, which may be obtained at <http://saonm.org> using the Audit Report Search function for agency 366-B.

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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE H - PERA PENSION PLAN (Cont.)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Division – General - At June 30, 2018, the City reported a liability of \$1,940,208 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportionate share was 0.1412%, which was lower than its 0.1469% proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund - General, pension expense of \$202,978. At June 30, 2017, 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	\$ 89,472	\$ 20,049
Changes in Proportion	-	77,132
Differences Between Expected and Actual Experience	76,238	99,372
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	159,182	-
City Contributions Subsequent to Measurement Date	<u>107,526</u>	<u>-</u>
Totals	<u>\$ 432,418</u>	<u>\$ 196,553</u>

For the General Division, \$107,526 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,	
2019	\$ 23,235
2020	141,324
2021	10,300
2022	<u>(46,520)</u>
Totals	<u>\$ 128,339</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE H - PERA PENSION PLAN (Cont.)

PERA Fund Division – Police - At June 30, 2018, the City reported a liability of \$766,680 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportionate share was 0.1380%, which was lower than its 0.1753% proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund - Police, pension expense of \$66,150. At June 30, 2017, 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	\$ 45,615	\$ 17,828
Changes in Proportion	88,337	170,549
Differences Between Expected and Actual Experience	46,564	143,247
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	61,746	-
City Contributions Subsequent to Measurement Date	<u>73,233</u>	<u>-</u>
Totals	<u>\$ 315,495</u>	<u>\$ 331,624</u>

For the Police Division, \$73,233 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,	
2019	\$ (31,050)
2020	23,370
2021	(63,628)
2022	<u>(18,054)</u>
Totals	<u>\$ (89,362)</u>

PERA Fund Division – Fire - At June 30, 2018, the City reported a liability of \$152,191 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportionate share was 0.0266%, which was lower than its 0.0284% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund - Fire, pension expense of \$15,605. At June 30, 2017, 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	\$ 6,017	\$ 954
Changes in Proportion	3,721	8,361
Differences Between Expected and Actual Experience	4,969	19,057
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,713	-
City Contributions Subsequent to Measurement Date	<u>10,973</u>	<u>-</u>
Totals	<u>\$ 31,393</u>	<u>\$ 28,372</u>

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE H - PERA PENSION PLAN (Cont.)

For the Fire Division, \$10,973 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,	
2019	\$ (1,329)
2020	957
2021	(5,934)
2022	<u>(1,646)</u>
Totals	\$ <u>(7,952)</u>

Actuarial Assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Amortization Period	Solved for Based on Statutory Rates
Asset Valuation Method	4-Year smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.51% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% Annual Rate for first 9 years, then 3.25% annual rate
Projected Salary Increases	2.75% to 14.00% Annual Rate
Included Inflation at	2.25% Annual Rate first 9 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, 2016 (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, 2018**

NOTE H- 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 7.51% 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 GASBS 67. Therefore, the 7.51% 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

Proportionate Share of Net Pension Liability	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
General	\$ 3,040,946	\$ 1,940,208	\$ 1,024,791
Police	1,222,643	766,680	392,496
Fire	<u>203,975</u>	<u>152,191</u>	<u>109,516</u>
	<u>\$ 4,467,564</u>	<u>\$ 2,859,079</u>	<u>\$ 1,526,803</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 30,2018, the City had no outstanding amount of contributions payable to the pension plan.

NOTE I - 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.

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. The City has elected not to depreciate or amortize the investment in the facility.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE J - JOINT POWERS AGREEMENTS (Cont.)

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.

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	6/30/18
Portion of Net Pension Liability	0.1528%	0.1515%	0.1469%	0.1412%
Net Pension Liability	1,192,004	1,544,674	2,346,968	1,940,208
Annual Covered Payroll	1,256,930	1,259,339	1,289,331	1,279,150
NPL as Percentage of Covered Payroll	95%	82%	182%	152%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%	73.74%

Schedule of Required Contributions

Contractually Required Contributions	118,832	120,081	123,132	122,159
Contributions Made	118,832	120,081	123,132	122,159
Contributions as Percentage of Covered Payroll	9.45%	9.54%	9.55%	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	6/30/18
Portion of Net Pension Liability	0.1555%	0.1384%	01753%	01380%
Net Pension Liability	506,913	665,505	1,293,415	766,680
Annual Covered Payroll	278,931	348,619	294,823	258,202
NPL as Percentage of Covered Payroll	182%	191%	439%	297%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%	73.74%

Schedule of Required Contributions

Contractually Required Contributions	51,283	65,889	55,722	58,599
Contributions Made	51,283	65,889	55,722	58,599
Contributions as Percentage of Covered Payroll	18.39%	18.90%	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	6/30/18
Portion of Net Pension Liability	0.0277%	0.0269%	0.0284%	0.0266%
Net Pension Liability	115,620	138,836	189,457	152,191
Annual Covered Payroll	30,683	33,117	33,556	50,684
NPL as Percentage of Covered Payroll	377%	419%	565%	300%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%	73.74%

Schedule of Required Contributions

Contractually Required Contributions	6,638	7,170	7,265	10,973
Contributions Made	6,638	7,170	7,265	10,973
Contributions as Percentage of Covered Payroll	21.63%	21.65%	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, 2018**

Changes of Benefit Terms. The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Changes of Assumptions. PERA Annual Actuarial Valuation as of June 30, 2017 report is available at: http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf.

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 on page 60 of the report.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
NONMAJOR FUND DESCRIPTIONS
JUNE 30, 2018**

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, 2018**

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, 2018**

	SPECIAL REVENUE			
	Police Grant Fund	Local Government Correction Fund	Judicial Education Fund	Court Automation Fund
ASSETS				
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ -	\$ 55,094	\$ 326	\$ 677
Restricted - Debt Service	-	-	-	-
Taxes Receivable				
Gross Receipts	-	-	-	-
Property	-	-	-	-
Lodgers	-	-	-	-
Gasoline	-	-	-	-
Total Assets	\$ -	\$ 55,094	\$ 326	\$ 677
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	-	55,094	326	677
Total Fund Balances	-	55,094	326	677
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 55,094	\$ 326	\$ 677

SPECIAL REVENUE

Litter Control Fund	Lincoln County Transit Fund	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund
\$ -	\$ 8,531	\$ 926	\$ 495,012	\$ 2	\$ 30,798
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,178	-
<u>\$ -</u>	<u>\$ 8,531</u>	<u>\$ 926</u>	<u>\$ 495,012</u>	<u>\$ 2,180</u>	<u>\$ 30,798</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,531	926	495,012	2,180	30,798
-	8,531	926	495,012	2,180	30,798
<u>\$ -</u>	<u>\$ 8,531</u>	<u>\$ 926</u>	<u>\$ 495,012</u>	<u>\$ 2,180</u>	<u>\$ 30,798</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, 2018**

ASSETS	SPECIAL REVENUE			
	FEMA Fund	Law Enforcement Protection Fund	Lodgers Tax Fund	Recreation Fund
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 23,116	\$ 13,166	\$ 111,453	\$ 3,709
Restricted - Debt Service	-	-	-	-
Taxes Receivable				
Gross Receipts	-	-	-	-
Property	-	-	-	-
Lodgers	-	-	22,740	-
Gasoline	-	-	-	-
Total Assets	\$ 23,116	\$ 13,166	\$ 134,193	\$ 3,709
 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	13,166	134,193	3,709
Total Fund Balances	23,116	13,166	134,193	3,709
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,116	\$ 13,166	\$ 134,193	\$ 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	
\$ 683,340	\$ -	\$ 18,617	\$ 115,912	\$ -	\$ 1,560,679
-	88,895	-	-	-	88,895
26,300	-	-	-	-	26,300
-	17,394	-	-	-	17,394
-	-	-	-	-	22,740
-	-	-	-	-	2,178
<u>\$ 709,640</u>	<u>\$ 106,289</u>	<u>\$ 18,617</u>	<u>\$ 115,912</u>	<u>\$ -</u>	<u>\$ 1,718,186</u>
\$ -	\$ -	\$ -	\$ -	-	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	17,394	-	-	-	17,394
-	17,394	-	-	-	17,394
-	88,895	-	-	-	88,895
709,640	-	18,617	115,912	-	1,611,897
709,640	88,895	18,617	115,912	-	1,700,792
<u>\$ 709,640</u>	<u>\$ 106,289</u>	<u>\$ 18,617</u>	<u>\$ 115,912</u>	<u>\$ -</u>	<u>\$ 1,718,186</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, 2018**

	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	5,440	-	-	-
Fines and Fees	-	15,645	2,303	4,691
Grants and Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	5,440	15,645	2,303	4,691
EXPENDITURES				
Current				
Public Safety				
Police	10,443	-	-	-
Fire	-	-	-	-
Judicial	-	2,374	2,303	4,691
Transportation	-	-	-	-
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	-	-
Parks and Recreation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Administrative Fees	-	-	-	-
Capital Outlay	-	27,701	-	-
Total Expenditures	10,443	30,075	2,303	4,691
Excess (Deficiency) of Revenues over Expenditures Before Transfers	(5,003)	(14,430)	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(5,003)	(14,430)	-	-
Fund Balance, Beginning of Year	5,003	69,524	326	677
Fund Balance, End of Year	\$ -	\$ 55,094	\$ 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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	11,823	-
-	18,860	-	-	-	-
-	60,689	-	-	-	-
-	28,000	7,133	370,447	-	79,262
-	-	-	-	-	-
5,140	-	-	-	-	-
-	-	-	-	-	-
<u>5,140</u>	<u>107,549</u>	<u>7,133</u>	<u>370,447</u>	<u>11,823</u>	<u>79,262</u>
-	-	-	-	-	-
-	-	6,427	-	-	85,278
-	152,056	-	-	-	-
-	-	-	-	-	-
5,140	-	-	-	-	-
-	-	-	-	-	-
-	32,000	-	127,646	-	42,365
<u>5,140</u>	<u>184,056</u>	<u>6,427</u>	<u>127,646</u>	<u>-</u>	<u>127,643</u>
-	(76,507)	706	242,801	11,823	(48,381)
-	85,000	-	5,004	-	-
-	-	-	-	(11,639)	-
-	85,000	-	5,004	(11,639)	-
-	8,493	706	247,805	184	(48,381)
-	38	220	247,207	1,996	79,179
<u>\$ -</u>	<u>\$ 8,531</u>	<u>\$ 926</u>	<u>\$ 495,012</u>	<u>\$ 2,180</u>	<u>\$ 30,798</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, 2018

	SPECIAL REVENUE			
	FEMA Fund	Law Enforcement Protection Fund	Lodgers Tax Fund	Recreation Fund
REVENUES				
Taxes				
Gross Receipts	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-
Gasoline	-	-	-	-
Lodgers	-	-	195,689	-
Charges for Service	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	23,600	-	-
Local	-	-	-	-
Fines and Fees	-	-	-	-
Grants and Contributions	-	-	-	-
Miscellaneous	-	-	1,189	-
Total Revenues	-	23,600	196,878	-
EXPENDITURES				
Current				
Public Safety				
Police	-	1,936	-	-
Fire	-	-	-	-
Judicial	-	-	-	-
Transportation	-	-	-	-
Culture, Recreation and Promotion				
Lodgers Tax Programs	-	-	36,327	-
Parks and Recreation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Administrative Fees	-	-	-	-
Capital Outlay	-	32,698	-	-
Total Expenditures	-	34,634	36,327	-
Excess (Deficiency) of Revenues over Expenditures Before Transfers	-	(11,034)	160,551	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(202,218)	-
Total Other Financing Sources (Uses)	-	-	(202,218)	-
Net Change in Fund Balances	-	(11,034)	(41,667)	-
Fund Balance, Beginning of Year	23,116	24,200	175,860	3,709
Fund Balance, End of Year	\$ 23,116	\$ 13,166	\$ 134,193	\$ 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	
\$ 138,268	\$ -	\$ -	\$ -	\$ -	\$ 138,268
-	103,157	-	-	-	103,157
-	-	-	-	-	11,823
-	-	-	-	-	195,689
-	-	-	-	-	18,860
-	-	-	-	-	60,689
-	-	-	-	-	480,442
-	-	-	-	-	33,440
-	-	-	-	-	22,639
-	-	-	-	701	5,841
-	-	-	-	-	1,189
<u>138,268</u>	<u>103,157</u>	<u>-</u>	<u>-</u>	<u>701</u>	<u>1,072,037</u>
-	-	-	-	-	12,379
-	-	-	-	-	91,705
-	-	-	-	-	9,368
-	-	-	-	-	152,056
-	-	-	-	-	36,327
-	-	-	-	-	5,140
-	64,000	-	-	-	64,000
-	41,349	-	-	-	41,349
-	-	-	-	-	262,410
<u>-</u>	<u>105,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,734</u>
138,268	(2,192)	-	-	701	397,303
701	-	-	-	-	90,705
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,149)</u>	<u>(701)</u>	<u>(222,707)</u>
701	-	-	<u>(8,149)</u>	<u>(701)</u>	<u>(132,002)</u>
138,969	(2,192)	-	(8,149)	-	265,301
<u>570,671</u>	<u>91,087</u>	<u>18,617</u>	<u>124,061</u>	<u>-</u>	<u>1,435,491</u>
<u>\$ 709,640</u>	<u>\$ 88,895</u>	<u>\$ 18,617</u>	<u>\$ 115,912</u>	<u>\$ -</u>	<u>\$ 1,700,792</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, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Local	\$ 7,403	\$ 7,403	\$ 5,440	\$ (1,963)
Total Revenues	7,403	7,403	5,440	(1,963)
EXPENDITURES				
Current				
Public Safety				
Police	7,403	12,405	10,941	1,464
Total Expenditures	7,403	12,405	10,941	1,464
Net Change in Fund Balance	-	(5,002)	(5,501)	(499)
Cash Balance, Beginning of Year	5,501	5,501	5,501	-
Cash Balance, End of Year	\$ 5,501	\$ 499	\$ -	\$ (499)
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ (5,501)	
Change in:				
Accounts Payable			498	
Net Change in Fund Balance - GAAP Basis			\$ (5,003)	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fines and Fees	\$ 35,000	\$ 35,000	\$ 15,645	\$ (19,355)
Total Revenues	35,000	35,000	15,645	(19,355)
EXPENDITURES				
Current				
Judicial	20,600	48,301	30,075	18,226
Total Expenditures	20,600	48,301	30,075	18,226
Net Change in Fund Balance	14,400	(13,301)	(14,430)	(1,129)
Cash Balance, Beginning of Year	69,524	69,524	69,524	-
Cash Balance, End of Year	<u>\$ 83,924</u>	<u>\$ 56,223</u>	<u>\$ 55,094</u>	<u>\$ (1,129)</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			<u>\$ (14,430)</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ (14,430)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fines and Fees	\$ 5,400	\$ 5,400	\$ 2,303	\$ (3,097)
Total Revenues	5,400	5,400	2,303	(3,097)
EXPENDITURES				
Current				
Judicial	5,400	5,400	2,303	3,097
Total Expenditures	5,400	5,400	2,303	3,097
Net Change in Fund Balance	-	-	-	-
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				
Net Change in Fund Balance - Budget Basis			<u>\$ -</u>	
Net Change in Fund Balance - 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, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fines and Fees	\$ 10,950	\$ 10,950	\$ 4,691	\$ (6,259)
Total Revenues	10,950	10,950	4,691	(6,259)
EXPENDITURES				
Current				
Judicial	10,950	10,950	4,691	6,259
Total Expenditures	10,950	10,950	4,691	6,259
Net Change in Fund Balance	-	-	-	-
Cash Balance, Beginning of Year	677	677	677	-
Cash Balance, End of Year	\$ 677	\$ 677	\$ 677	\$ -
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ -	
Net Change in Fund Balance - 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, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Grants and Contributions	\$ 6,500	\$ 6,500	\$ 5,140	\$ (1,360)
Total Revenues	6,500	6,500	5,140	(1,360)
EXPENDITURES				
Current				
Culture, Recreation and Promotion				
Parks and Recreation	6,500	6,500	5,140	1,360
Total Expenditures	6,500	6,500	5,140	1,360
Net Change in Fund Balance	-	-	-	-
Cash Balance, Beginning of Year	5,501	5,501	-	5,501
Cash Balance, End of Year	\$ 5,501	\$ 5,501	\$ -	\$ 5,501
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ -	
Net Change in Fund Balance - 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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Service	\$ -	\$ -	\$ 18,860	\$ 18,860
Intergovernmental				
Federal	-	-	60,689	60,689
Local	-	-	28,000	28,000
Miscellaneous	<u>183,911</u>	<u>183,911</u>	<u>-</u>	<u>(183,911)</u>
Total Revenues	<u>183,911</u>	<u>183,911</u>	<u>107,549</u>	<u>(76,362)</u>
EXPENDITURES				
Current				
Transportation	206,288	238,360	153,838	84,522
Capital Outlay	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>(32,000)</u>
Total Expenditures	<u>206,288</u>	<u>238,360</u>	<u>185,838</u>	<u>52,522</u>
Deficit of Revenues over Expenditures Before Transfers	<u>(22,377)</u>	<u>(54,449)</u>	<u>(78,289)</u>	<u>(23,840)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>53,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Total Other Financing sources (Uses)	<u>53,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Net Change in Fund Balance	30,623	30,551	6,711	(23,840)
Cash Balance, Beginning of Year	<u>1,820</u>	<u>1,820</u>	<u>1,820</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 32,443</u>	<u>\$ 32,371</u>	<u>\$ 8,531</u>	<u>\$ (23,840)</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ 6,711	
Change in:				
Accrued Payroll			<u>1,782</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ 8,493</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental State	\$ 7,133	\$ 7,133	\$ 7,133	\$ -
Total Revenues	7,133	7,133	7,133	-
EXPENDITURES				
Current				
Public Safety				
Fire	<u>7,133</u>	<u>7,133</u>	<u>6,427</u>	<u>706</u>
Total Expenditures	<u>7,133</u>	<u>7,133</u>	<u>6,427</u>	<u>706</u>
Net Change in Fund Balance	-	-	706	706
Cash Balance, Beginning of Year	<u>220</u>	<u>220</u>	<u>220</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 220</u>	<u>\$ 220</u>	<u>\$ 926</u>	<u>\$ 706</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			<u>\$ 706</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ 706</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	128,155	135,010	\$ -	\$ (135,010)
Gasoline	13,904	13,904	-	(13,904)
Intergovernmental State	-	58,473	370,447	311,974
Total Revenues	<u>142,059</u>	<u>207,387</u>	<u>370,447</u>	<u>163,060</u>
EXPENDITURES				
Capital Outlay	40,000	533,929	127,646	406,283
Total Expenditures	<u>40,000</u>	<u>533,929</u>	<u>127,646</u>	<u>406,283</u>
Excess of Revenues over Expenditures Before Transfers	102,059	(326,542)	242,801	569,343
OTHER FINANCING SOURCES (USES)				
Transfers In	5,466	6,167	5,004	(1,163)
Transfers Out	(13,904)	(13,904)	-	(13,904)
Total Other Financing Sources (Uses)	<u>(8,438)</u>	<u>(7,737)</u>	<u>5,004</u>	<u>(15,067)</u>
Net Change in Fund Balance	93,621	(334,279)	247,805	554,276
Cash Balance, Beginning of Year	<u>247,207</u>	<u>247,207</u>	<u>247,207</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 340,828</u>	<u>\$ (87,072)</u>	<u>\$ 495,012</u>	<u>\$ 554,276</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			<u>\$ 247,805</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ 247,805</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Gas	\$ -	\$ -	\$ 11,639	\$ 11,639
Total Revenues	-	-	11,639	11,639
EXPENDITURES				
Current				
Transportation	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over Expenditures Before Transfers	-	-	11,639	11,639
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(11,639)	(11,639)
Total Other Financing Sources (Uses)	-	-	(11,639)	(11,639)
Net Change in Fund Balance	-	-	-	-
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				
Net Change in Fund Balance - Budget Basis			\$ -	
Change in:				
Taxes Receivable				
Gasoline			184	
Net Change in Fund Balance - GAAP Basis			<u>\$ 184</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ 75,667	\$ 79,262	\$ 79,262	\$ -
Total Revenues	<u>75,667</u>	<u>79,262</u>	<u>79,262</u>	<u>-</u>
EXPENDITURES				
Current				
Public Safety				
Fire	75,501	131,007	85,277	45,730
Capital Outlay	<u>-</u>	<u>-</u>	<u>42,365</u>	<u>(42,365)</u>
Total Expenditures	<u>75,501</u>	<u>131,007</u>	<u>127,642</u>	<u>3,365</u>
Net Change in Fund Balance	166	(51,745)	(48,380)	3,365
Cash Balance, Beginning of Year	<u>79,179</u>	<u>79,179</u>	<u>79,179</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 79,345</u>	<u>\$ 27,434</u>	<u>\$ 30,799</u>	<u>\$ 3,365</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			<u>\$ (48,380)</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ (48,380)</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FEMA FUND
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental				
State	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current				
Public Safety				
Fire	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Cash Balance, Beginning of Year	<u>23,116</u>	<u>23,116</u>	<u>23,116</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 23,116</u>	<u>\$ 23,116</u>	<u>\$ 23,116</u>	<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)
LAW ENFORCEMENT PROTECTION FUND
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental State	\$ 23,600	\$ 23,600	23,600	\$ -
Total Revenues	23,600	23,600	23,600	-
EXPENDITURES				
Current				
Public Safety				
Police	-	-	1,936	(1,936)
Capital Outlay	<u>47,800</u>	<u>47,800</u>	<u>32,698</u>	<u>15,102</u>
Total Expenditures	<u>47,800</u>	<u>47,800</u>	<u>34,634</u>	<u>13,166</u>
Net Change in Fund Balance	(24,200)	(24,200)	(11,034)	13,166
Cash Balance, Beginning of Year	<u>24,200</u>	<u>24,200</u>	<u>24,200</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,166</u>	<u>\$ 13,166</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			<u>\$ (11,034)</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ (11,034)</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Lodgers	\$ 197,375	\$ 197,375	\$ 192,181	\$ (5,194)
Miscellaneous	-	-	1,189	1,189
Total Revenues	<u>197,375</u>	<u>197,375</u>	<u>193,370</u>	<u>(4,005)</u>
EXPENDITURES				
Current				
Culture, Recreation and Promotion				
Lodgers Tax Projects	<u>29,825</u>	<u>49,825</u>	<u>36,327</u>	<u>13,498</u>
Total Expenditures	<u>29,825</u>	<u>49,825</u>	<u>36,327</u>	<u>13,498</u>
Excess of Revenues over Expenditures Before Transfers	167,550	147,550	157,043	9,493
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(204,687)</u>	<u>(204,687)</u>	<u>(202,218)</u>	<u>2,469</u>
Total Other Financing Sources (Uses)	<u>(204,687)</u>	<u>(204,687)</u>	<u>(202,218)</u>	<u>2,469</u>
Net Change in Fund Balance	(37,137)	(57,137)	(45,175)	11,962
Cash Balance, Beginning of Year	<u>156,628</u>	<u>156,628</u>	<u>156,628</u>	<u>-</u>
Cash Balance, End of Year	<u>\$ 119,491</u>	<u>\$ 99,491</u>	<u>\$ 111,453</u>	<u>\$ 11,962</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ (45,175)	
Change in:				
Taxes Receivable				
Gasoline			<u>3,508</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ (41,667)</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental State	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current				
Culture, Recreation and Promotion	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Cash Balance, Beginning of Year	3,709	3,709	3,709	-
Cash Balance, End of Year	\$ 3,709	\$ 3,709	\$ 3,709	\$ -
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ -	
Net Change in Fund Balance - 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)
INFRASTRUCTURE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Gross Receipts	\$ 128,155	\$ 129,625	\$ 134,999	\$ 5,374
Total Revenues	128,155	129,625	134,999	5,374
EXPENDITURES				
Current				
Streets	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over Expenditures Before Transfers	128,155	129,625	134,999	5,374
OTHER FINANCING SOURCES (USES)				
Transfers In	-		701	701
Transfers Out	-		-	-
Total Other Financing Sources (Uses)	-	-	701	701
Net Change in Fund Balance	128,155	129,625	135,700	6,075
Cash Balance, Beginning of Year	547,640	547,640	547,640	-
Cash Balance, End of Year	<u>\$ 675,795</u>	<u>\$ 677,265</u>	<u>\$ 683,340</u>	<u>\$ 6,075</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ 135,700	
Change in:				
Gross Receipts Tax			<u>3,269</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ 138,969</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Property	\$ 114,608	\$ 114,608	\$ 104,328	\$ (10,280)
Total Revenues	114,608	114,608	104,328	(10,280)
EXPENDITURES				
Debt Service				
Principal	64,000	64,000	64,000	-
Interest and Administrative Fees	41,454	41,454	41,349	105
Total Expenditures	105,454	105,454	105,349	105
Net Change in Fund Balance	9,154	9,154	(1,021)	(10,175)
Cash Balance, Beginning of Year	91,087	91,087	91,087	-
Cash Balance, End of Year	<u>\$ 100,241</u>	<u>\$ 100,241</u>	<u>\$ 90,066</u>	<u>\$ (10,175)</u>
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ (1,021)	
Change in:				
Property Tax Receivable			<u>(1,171)</u>	
Net Change in Fund Balance - GAAP Basis			<u>\$ (2,192)</u>	

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CDBG GRANT FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental State			\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay			-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In			-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance after Transfers	-	-	-	-
Cash Balance, Beginning of Year	18,617	18,617	18,617	-
Cash Balance, End of Year	\$ 18,617	\$ 18,617	\$ 18,617	\$ -

STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COLONIAS GRANT FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental State	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(8,149)	(8,149)
Total Other Financing Sources (Uses)	-	-	(8,149)	(8,149)
Net Change in Fund Balance after Transfers	-	-	(8,149)	(8,149)
Cash Balance, Beginning of Year	124,061	124,061	124,061	-
Cash Balance, End of Year	\$ 124,061	\$ 124,061	\$ 115,912	\$ (8,149)

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Grants and Contributions	\$ -	\$ -	\$ 701	\$ 701
Total Revenues	-	-	701	701
EXPENDITURES				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues over Expenditures Before Transfers	-	-	701	701
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(701)	(701)
Total Other Financing Sources (Uses)	-	-	(701)	(701)
Net Change in Fund Balance	-	-	-	-
Cash Balance, Beginning of Year	-	-	-	-
Cash Balance, End of Year	\$ -	\$ -	\$ -	\$ -
Reconciliation to GAAP Basis				
Net Change in Fund Balance - Budget Basis			\$ -	
Net Change in Fund Balance - GAAP Basis			\$ -	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 378,700	\$ 392,809	\$ 377,123	\$ (15,686)
Tap and Reconnect Fees	-	-	11,874	11,874
Other Income	-	-	525	525
Total Operating Revenues	<u>378,700</u>	<u>392,809</u>	<u>389,522</u>	<u>(3,287)</u>
EXPENSES				
Current				
Personnel Services	817,653	866,116	160,024	706,092
Contracted Services	-	-	366,477	(366,477)
Maintenance, Materials and Supplies	-	-	52,941	(52,941)
Other Expenditures	-	-	61,810	(61,810)
Capital Outlay	<u>1,862,546</u>	<u>1,905,796</u>	<u>1,117,071</u>	<u>788,725</u>
Total Operating Expenses	<u>2,680,199</u>	<u>2,771,912</u>	<u>1,758,323</u>	<u>1,013,589</u>
Operating Income	(2,301,499)	(2,379,103)	(1,368,801)	1,010,302
NONOPERATING REVENUES (EXPENSES)				
Environmental Gross Receipts Tax	444,000	521,890	521,890	-
Debt Service				
Principal Paid on Debt	-	-	(10,593)	(10,593)
Loan Proceeds	-	-	129,449	129,449
Grant Proceeds	1,722,321	1,747,321	924,472	(822,849)
Transfers In	13,881	13,881	73,742	59,861
Transfers Out	(15,000)	(15,000)	(12,037)	2,963
Total Nonoperating Revenues (Expenses)	<u>2,165,202</u>	<u>2,268,092</u>	<u>1,626,923</u>	<u>(641,169)</u>
Net Change in Net Position After Transfers	(136,297)	(111,011)	258,122	369,133
Cash - Beginning of Year	<u>1,214,957</u>	<u>1,214,957</u>	<u>1,214,957</u>	<u>-</u>
Cash - End of Year	<u>\$ 1,078,661</u>	<u>\$ 1,103,947</u>	<u>\$ 1,473,079</u>	<u>\$ 369,133</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ 258,122	
Loan Proceeds			(129,449)	
Principal Paid on Debt			10,593	
Capital Outlay			1,117,071	
Depreciation			(44,290)	
Change in:				
Gross Receipts Tax Receivable			30,921	
Accounts Receivable			(329)	
Accounts Payable			(71,155)	
Accrued Payroll			(4,306)	
Accrued Compensated Absences			(11,681)	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ 1,155,497</u>	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 202,230	\$ 209,317	\$ 209,915	\$ 598
Total Operating Revenues	202,230	209,317	209,915	598
EXPENSES				
Current				
Contracted Services	280,227	318,453	314,588	3,865
Total Operating Expenses	280,227	318,453	314,588	3,865
Operating Loss	(77,997)	(109,136)	(104,673)	4,463
NONOPERATING REVENUES (EXPENSES)				
Environmental Gross Receipts Tax	54,887	65,237	61,372	(3,865)
Transfers In	25,000	43,901	43,901	-
Total Nonoperating Revenues (Expenses)	79,887	109,138	105,273	(3,865)
Net Change in Net Position After Transfers	1,890	2	600	598
Cash - Beginning of Year	38,991	38,991	38,991	-
Cash - End of Year	<u>\$ 40,881</u>	<u>\$ 38,993</u>	<u>\$ 39,591</u>	<u>\$ 598</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ 600	
Change in:				
Gross Receipts Tax			3,864	
Accounts Receivable			(599)	
Accounts Payable			212	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ 4,077</u>	

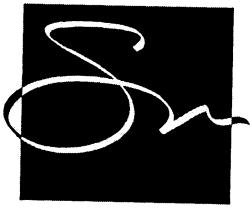
**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
WATER FUND
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 502,244	\$ 502,244	\$ 406,922	\$ (95,322)
Tap and Reconnect Fees	-	-	18,105	18,105
Late Fees	-	-	22,470	22,470
Other Income	-	-	2,811	2,811
Total Operating Revenues	502,244	502,244	450,308	(51,936)
EXPENSES				
Current				
Personnel Services	477,446	489,121	194,637	294,484
Contracted Services	-	-	107,688	(107,688)
Maintenance, Materials and Supplies	-	-	95,525	(95,525)
Other Expenditures	-	-	32,054	(32,054)
Capital Outlay	-	-	101,828	(101,828)
Total Operating Expenses	477,446	489,121	531,732	(42,611)
Operating Income	24,798	13,123	(81,424)	(94,547)
NONOPERATING REVENUES (EXPENSES)				
Transfers Out	(23,970)	(23,970)	-	23,970
Debt Service				
Lease Proceeds	-	-	101,828	101,828
Principal Paid on Debt	-	-	(19,374)	(19,374)
Interest and Administrative Fees	-	-	(15,803)	(15,803)
Total Nonoperating Revenues (Expenses)	(23,970)	(23,970)	66,651	90,621
Net Change in Net Position After Transfers	828	(10,847)	(14,773)	(3,926)
Cash - Beginning of Year	447,620	447,620	447,620	-
Cash - End of Year	\$ 448,448	\$ 436,773	\$ 432,847	\$ (3,926)
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ (14,773)	
Principal Paid on Debt			19,374	
Lease Proceeds			(101,828)	
Capital Outlay			101,828	
Depreciation			(86,471)	
Change in:				
Accounts Receivable			1,998	
Inventory			50,104	
Accounts Payable			8,258	
Accrued Payroll			2,257	
Accrued Compensated Absences			2,365	
Customer Deposits			-	
Net Change in Net Position After Transfers - GAAP Basis			\$ (16,888)	

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENSES				
Capital Outlay	\$ 1,862,546	\$ 1,905,796	\$ 1,227,211	\$ 678,585
Total Operating Expenses	<u>1,862,546</u>	<u>1,905,796</u>	<u>1,227,211</u>	<u>678,585</u>
Operating Loss	(1,862,546)	(1,905,796)	(1,227,211)	678,585
NONOPERATING REVENUES (EXPENSES)				
Grant Proceeds	1,722,321	1,747,321	983,779	763,542
Environmental Gross Receipts Tax	140,000	140,000	135,000	(5,000)
Debt Service				
Principal	-	-	(13,085)	(13,085)
Loan Proceeds	-	-	88,450	(88,450)
Interest and Administrative Fees	-	-	(1,869)	(1,869)
Transfers In	130,449	130,449	12,037	(118,412)
Transfers Out	<u>(169,880)</u>	<u>(170,581)</u>	<u>(65,593)</u>	<u>(104,988)</u>
Total Nonoperating Revenues (Expenses)	<u>1,822,890</u>	<u>1,847,189</u>	<u>1,138,719</u>	<u>(708,470)</u>
Net Change in Net Position After Transfers	(39,656)	(58,607)	(88,492)	(29,886)
Cash - Beginning of Year	<u>988,438</u>	<u>988,438</u>	<u>988,438</u>	<u>-</u>
Cash - End of Year	<u>\$ 948,783</u>	<u>\$ 929,832</u>	<u>\$ 899,946</u>	<u>\$ (29,886)</u>
Reconciliation to GAAP Basis				
Net Change in Net Position After Transfers - Budget Basis			\$ (88,492)	
Loan Proceeds			(88,450)	
Principal Paid on Debt			13,085	
Capital Outlay			1,227,211	
Depreciation			(123,074)	
Change in:				
Environmental Gross Receipts Tax			<u>3,269</u>	
Net Change in Net Position After Transfers - GAAP Basis			<u>\$ 943,549</u>	

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*

Brian Colon, New Mexico State Auditor, and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, 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 February 21, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as 2018-001 and 2018-003,

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies as 2018-004, 2018-005, 2018-007 and 2018-008

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 2018-002, 2018-006 and 2018-009.

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
February 21, 2019

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

Summary of Auditors' Results:

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes (2)
b. Significant deficiencies identified not considered to be material weaknesses?	Yes (4)
c. Noncompliance material to the financial statements noted?	Yes (3)

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-001 (2017-003) - Lack of Lodgers Tax Advisory Board or Audits – Material Weakness (Revised and Repeated)

CONDITION - City management personnel has been acting in place of the advisory board, providing recommendations for expenditures to the City Council. The City selected a vendor but did not conduct a lodger's tax audit as required by state statute.

PROGRESS ON RESOLVING PRIOR YEAR FINDING - The City appointed an advisory board during its June 11, 2018 City Council meeting. However, the advisory board has not met to conduct business as of the report date. A lodging vendor was selected to be subject to a lodger's tax audit during the City Council's February 12, 2018 meeting, however the audit has yet to be conducted as of the report date.

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 – The City seems to have placed a low priority on coordinating and scheduling the advisory board meetings and the lodger's tax random audit selection during the fiscal year through to the report date.

EFFECT - The City is still in violation of state statutes.

RECOMMENDATION - The City should request the Lodgers Tax Advisory Board convene and begin to oversee the handling and recommendations of expenditures to the City Council, rather than City personnel. The City should also follow its policies and procedures to conduct timely random lodgers tax compliance audits on vendors, as required by state statute.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – On February 6, 2019 the Lodger's Tax Committee that was appointed June 13, 2018 conducted its initial meeting. The Lodger's Tax Committee selected a Chair and Vice-Chair and approved Resolution No. 2019-01 outlining their monthly meetings dates and time.

The Lodging Vendor that was selected randomly by the Governing Body on February 12, 2018 was notified on February 6, 2019 that they had been randomly selected by the Governing Body for audit. As of February 7, 2019, we have received three (3) quotes from local Certified Public Accountants and purchase order will be issued to the selected Audit Firm.

Responsible Party: City Clerk. Expected completion date June 30, 2019.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-002 (2017-005) - Late Submission of Audit Report – Other Non-Compliance (Revised and Repeated)

CONDITION - The audit report for the fiscal year ended June 30, 2018 was not submitted by the New Mexico State Audit Rule deadline of December 15 after the fiscal year end.

PROGRESS ON RESOLVING PRIOR YEAR FINDING – Different circumstances than the prior year caused the current year audit to be late.

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 – Turnover in the Finance department caused significant delays in gathering the necessary capital asset documentation to provide a complete and accurate audit. See Finding 2018-003.

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

RECOMMENDATION – Effective cross-training within the administrative personnel would have provided the City with the resources necessary to provide the underlying information necessary to complete the audit within the specified deadline. See Finding 2018-005.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The previous Finance Director submitted her letter of resignation on July 12, 2018 to become effective July 30, 2018. When the Auditor requested the Capital Asset documentation, the staff could not locate the proper documents. The current Finance Director, over a period of time, worked on the capital assets report and proper documentation. The task was completed and submitted to the Auditor on February 5, 2019.

Responsible Parties: Effective February 7, 2019 each Department Director will be responsible with providing the capital asset form along with proper back up documentation for submission to the Finance Department and/or the City Clerk on a monthly basis.

On February 11, 2019, the City presented to Council a new job description for an Assistant who will provide back up for all departments. Thereafter the city will hire a new assistant. The City will put in place procedures to account for controls over capital assets, hire an assistant to maintain procedures to account for controls over capital assets working alongside every department and record the assets on the inventory.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-003 – Control over Capital Asset Inventory – Material Weakness

CONDITION – The City had the following deficiencies over capital assets:

- The annual physical inventory had not been performed at the fiscal year-end
- Capital asset additions over \$5,000 were not added to the inventory list during the fiscal year.
- The capital asset inventory, assets and deletions were not presented to City Council for approval.

CRITERIA – Section 12-6-10 NMSA 1978 and 2.20.1.15 NMAC requires an annual physical inventory of equipment over \$5,000 on the inventory list and a certification of the list by the governing authority, and to establish controls over its capital assets for the primary purpose of safeguarding the assets and establishing accountability for their custody and use. Assets must be properly capitalized, classified, valued and depreciated.

CAUSE – The City does not have sufficient procedures to account for controls over capital assets. The City provided a capital asset inventory report a month after the audit report deadline.

EFFECT – Without a complete and accurate capital assets inventory list, there is a greater risk of undetected misappropriation of assets by either not recording the assets on the inventory list, or by unauthorized removal of the assets from City custody without detection. This may have a material effect on the financial statements if left unaccounted for.

RECOMMENDATION – The City should take inventory of its capital assets to ensure completeness and establish policies and procedures necessary to continually maintain the listing of all City capital assets and related depreciation and assign an administrative employee with the responsibility to continually monitor and update the asset inventory.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The previous Finance Director submitted her letter of resignation on July 12, 2018 to become effective July 30, 2018. When the Auditor requested the Capital Asset documentation, the staff could not locate the proper documents. The Finance Director at the time worked on the capital assets report and proper documentation. The task was completed and submitted to the Auditor on February 5, 2019.

On February 11, 2019, the City presented to Council a new job description for an Assistant who will provide back up for all departments. Thereafter the city will hire a new assistant. The City will put in place procedures to account for controls over capital assets, hire an assistant to maintain procedures to account for controls over capital assets working alongside every department and record the assets on the inventory.

Responsible Parties: Effective February 7, 2019 each Department Director will be responsible for with providing the capital asset form along with proper back up documentation for submission to the Finance Department and or the City Clerk on a monthly basis.

AUDITOR REBUTTAL – The employee promoted to Finance Director on January 7, 2019 abruptly resigned February 15, 2019. The City subsequently promoted another employee from the police department, who completed his accounting degree in December 2018, to the finance director position, but the employee has no practical governmental accounting experience or training.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-004 - Segregation of Duties – Significant Deficiency

CONDITION – Accounts payable duties were reassigned to the Finance Director, causing an internal control deficiency by having the Finance Director issue purchase orders, enter invoices, write checks and reconcile the bank statements.

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. A fundamental concept in a good system of internal control is proper segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

CAUSE – The City Council approved the reassignment during the March 26, 2018 meeting.

EFFECT - Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of error or fraud that may not be detected timely.

RECOMMENDATION – The City should either train or obtain another individual with the necessary skills to perform some of the accounting functions performed by the Finance Director's office. The financial and accounting policies and procedures should be designed to maintain proper internal controls that include segregation of duties.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The previous Finance Director submitted her letter of resignation on July 12, 2018 to become effective July 30, 2018.

The City hired a new Finance Director on January 7, 2019 and the budget reports for municipality will be submitted by December 15th following the end of the fiscal year. During the February 11, 2019 council meeting, the City presented to Council a new job description for an Assistant who will provide back-up for the Finance, Human Resources and Utilities department and was authorized to hire a new assistant.

AUDITOR REBUTTAL – The employee promoted to Finance Director on January 7, 2019 abruptly resigned February 15, 2019. This employee was the City's sole Certified Procurement Officer (CPO), which puts the City out of compliance with Section 13.1-95.2 NMSA 1978. The City applied to the General Services Department for a purchasing procurement waiver until the next CPO training class is held. The waiver had not been granted as of the report date.

The City subsequently promoted another employee from the police department, who completed his accounting degree in December 2018, to the finance director position, but the employee has no practical governmental accounting experience or training.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-005 – Inadequate Cross-training of Departmental Duties – Significant Deficiency

CONDITION – The City relies on the skills of one individual to perform the duties and responsibilities of the office or department to which that person is assigned within the finance, human resources and utility administration departments. Lack of sufficient personnel backup could cause extensive delays, missed deadlines, and possibly incur unnecessary expense.

CRITERIA - In its *Establishing a Comprehensive Framework for Internal Control (Framework)* best practice, GFOA (Government Finance Officers Association) recommended that state and local governments adopt the Committee of Sponsoring Organizations' (COSO) *Internal Control—Integrated Framework (2013)* as their conceptual basis for designing, implementing, operating, and evaluating internal control so as to provide reasonable assurance that they are achieving their operational, reporting, and compliance objectives.

Per the Committee of Sponsoring Organization (COSO) report which defines internal control for organizations, under the control environment, management should have employees that are competent to perform functions that have a direct alignment with their financial reporting objectives. The duties are imperative to the financial reporting for the City both internally and externally.

Governments should commit to attracting and retaining competent employees by:

- a. Developing comprehensive job descriptions;
- b. Ensuring that hiring panels include experts in the desired skill sets;
- c. Providing opportunities for employees to gain continuing professional education to stay current in their field;
- d. Encouraging membership in professional organizations to develop networking;
- e. Supporting the development of succession planning;
- f. Cross-training staff;
- g. Thoroughly documenting the responsibilities of each position and appropriate processes for succession planning;
- h. Providing managerial training, in addition to technical training, for staff members who will be promoted;
- i. Requiring that supervisors give staff members hands-on training on key responsibilities; and
- j. Developing an ongoing mentoring program to enhance employees' skills.

CAUSE – Due to budget and time and space constraints, the City has assigned only one person to each particular department and has not committed the necessary resources to provide the staff the training needed to perform duties outside of their normal routine.

EFFECT - The City is at risk of significant operational disruptions or delays if critical tasks, day-to-day processing and controls cannot be completed due to an extended or unforeseen absence, resignation or termination of personnel without personnel to be sufficiently trained to perform the duties in the interim. personnel without the proper skills and abilities to conduct the necessary duties increases risk that financial errors and omissions would not be detected timely.

RECOMMENDATION – Cross-trained employees ensure that someone will be able to perform all essential tasks required by each Department. Additionally, cross-trained employees become a valuable resource as their understanding of more aspects of Departmental operations increase. This understanding helps them to better fulfill their responsibilities and recommend improvements in other areas as well. Cross-training will also help the City avoid the steep costs and operational disruptions involved with hiring outside help in the event an employee's extended absence. All department heads should be familiar with all policies and procedures within their office and be able to complete all necessary tasks in order to sufficiently train employees or to substitute for employees on an interim basis.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-005 – Inadequate Cross-training of Departmental Duties – Significant Deficiency (Cont.)

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The City hired a new Finance Director on January 7, 2019 and the budget reports for municipality will be submitted by December 15th following the end of the fiscal year. On February 11, 2018 city is presenting to Council a new job description for an Assistant. Thereafter the city will hire a new assistant.

During the February 11, 2019 council meeting, the City presented to Council of a new job description for an Assistant who will provide back up for all departments and was authorized to hire a new assistant. Until the position is filled, the Finance Director and City Clerk will be responsible for the duties assigned to the vacant position.

AUDITOR REBUTTAL – The employee promoted to Finance Director on January 7, 2019 abruptly resigned February 15, 2019. This employee was the City’s sole Certified Procurement Officer (CPO), which puts the City out of compliance with Section 13.1-95.2 NMSA 1978. The City applied to the General Services Department for a purchasing procurement waiver until the next CPO training class is held. The waiver had not been granted as of the report date.

The City subsequently promoted another employee from the police department, who completed his accounting degree in December 2018, to the finance director position, but the employee has no practical governmental accounting experience or training.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-006 – Grant Compliance – Other Non-Compliance

CONDITION – In an effort to test for grant compliance, the auditors requested grant files for the state and federal grants awarded to the City which were active during the fiscal year. No files were available to be provided. Instead, the City Clerk directed the auditor to contact the Southeastern New Mexico Economic Development District for grant information, which provided the grant binders and documentation.

CRITERIA – Section 6-6-3 NMSA 1978 provides that every local body shall keep all the books, records, and accounts of their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Also, 2.20.5 NMAC, *Public Finance Accounting by Governmental Entities*, the DFA requires all accounting systems, including subsidiary systems, to record transactions timely, completely and accurately, and maintain proper records supporting the transactions.

CAUSE – The City could not provide the requested information during the audit. The City relies on an outside agency to monitor and maintain grant compliance.

EFFECT – The City does not have adequate grant documentation available in the event of a compliance audit, or if other public information is requested from the grant files.

RECOMMENDATION – The City should establish proper policies and procedures to organize and maintain grant files that are readily accessible for review and not significantly rely on outside agencies

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The City of Ruidoso of Downs was without a Finance Director upon the arrival of the Auditor. Grant files could not be located in order to provide to the Auditor. Therefore, the City contacted Southeastern New Mexico Development District/COG to provide grant files in which case the grant files were provided. On January 7, 2019 a Special Meeting was held by the City Council to approve the hiring of a new finance director.

Responsible parties for the grant maintenance will be the Finance Director and/or the City Clerk. Prior to June 30, 2019 scheduling of monthly meetings to provide updates and progress of each project with Finance Director, Public Works Director and their Supervisor. Keep tighter communication with Finance Director, Public Works Director, and City's Engineer and the Administrator of those grants.

AUDITOR REBUTTAL – The employee promoted to Finance Director on January 7, 2019 abruptly resigned February 15, 2019. This employee was the City's sole Certified Procurement Officer (CPO), which puts the City out of compliance with Section 13.1-95.2 NMSA 1978. The City applied to the General Services Department for a purchasing procurement waiver until the next CPO training class is held. The waiver had not been granted as of the report date.

The City subsequently promoted another employee from the police department, who completed his accounting degree in December 2018, to the finance director position, but the employee has no practical governmental accounting experience or training.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-007 – Control Over Disbursements – Significant Deficiency

CONDITION – During the review for unrecorded liabilities, the auditors noted that 4 of 17 cash expenditures presented to Council and approved during the September 10, 2018 meeting did not match the amount presented to the Council for approval by approximately \$10,984.

CRITERIA – Section 6-5-8 NMSA 1978 states that purchases for goods and services, other than personnel, must be accompanied by supporting documentation and invoices. Additionally, 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violation of state and federal law and rules related to financial matters.

CAUSE – The City did not properly review the actual cash disbursements to be placed on the agenda for approval, but instead relied on the purchase order amount to be presented to the Council.

EFFECT – The Council was provided inaccurate information regarding the amount of expenditures that were for the prior year.

RECOMMENDATION – City personnel should review agenda items thoroughly for errors before finalizing and publicly posting.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - On September 10, 2018 prior expenditures purchase orders were presented to Council for approval. Inaccurate information was presented to Council.

Effectively immediately, the Finance Director and/or the City Clerk will ensure that actual disbursements and back up documentation will be provided to the council.

The Finance Director with help from the City Clerk will ensure that year end cut off procedures will be enforced as of July 1 to eliminate the majority of prior year expenditures to be paid in the next budget year.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-008 – Control Over Hubbard Museum Inventory – Significant Deficiency

CONDITION – During testwork of the Hubbard Museum inventory, the auditors noted that the City had a lack of controls over valuating and recording inventory in the accounting system. The Hubbard Museum utilizes an inventory tracking system but did not provide periodic valuations to the City administration. While the Hubbard Museum provided an inventory count as of the fiscal year-end to the City, a valuation of the inventory was not provided. A reconciliation was performed to provide an estimated inventory balance of \$34,617 as of June 30, 2018. The unknown difference between the estimated balance and actual balance was not considered material to the financial statements as a whole.

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.

CAUSE – The City does not have internal control policies and procedures over the retail inventory that are sufficient to accurately track, value, and record the Museum inventory in the City’s accounting records.

EFFECT – Without maintaining the value of the items in inventory, the City is unable to record the value of those assets. Although the Hubbard Museum maintains the inventory in its perpetual inventory system, it does not provide the City with periodic adjustments to the value of the inventory, thus causing the City to report a misstated inventory value in its accounting system.

RECOMMENDATION – The City should better coordinate with the Hubbard Museum management regarding their internal control procedures over the retail inventory. We recommend that the Museum provide the City periodic inventory valuation reports so that a timelier and more accurate inventory valuation can be recorded in the financial statements.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - Museum management was unaware of the need to provide such documentation. In order to ensure all requirements are met, effective February 8, 2019, Hubbard Museum staff will provide, on a quarterly basis, Value of Inventory on Hand reports for the records of City of Ruidoso Downs Department.

The Finance Director and the City Clerk will ensure the inventory is correct by being present during future inventories and acquiring the necessary reports to provide to the auditors.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

2018-009 - Legal Compliance with Budget – Other Non-Compliance

CONDITION - The City's actual expenditures exceeded authorized budgetary expenditures in the Water Fund by approximately \$42,611.

CRITERIA - Section 6-6-6 NMSA 1978 requires the Town to keep expenditures within the approved budget at the fund level, rather than at the individual line item level.

CAUSE - The Water Fund budget was not adjusted for additional capital outlay for equipment purchased through a capital lease. The capital lease current year payments were budgeted instead of the entire cost of the equipment and the proceeds for full amount of the obligation.

EFFECT - The City may not have accurate information for planning activities and cash flows in the funds that exceeded the budget.

RECOMMENDATION - The City should review accounting standards regarding capital leases budget versus actual comparison periodically to ensure that budget adjustments are warranted, approved by Council and forwarded to DFA for approval.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - Since the previous Finance Director left there was no one to monitor the year end process. The LGBMS system notifies the entity when there is a fund over spent. Funds will be monitored monthly as part of the closing process for any BARs that will be necessary.

Responsible Party will be the Finance Director and/or the City Clerk to ensure compliance.

Completion date will be July 30, 2019, when the final budget is due to DFA.

AUDITOR REBUTTAL – The employee promoted to Finance Director on January 7, 2019 abruptly resigned February 15, 2019. This employee was the City's sole Certified Procurement Officer (CPO), which puts the City out of compliance with Section 13.1-95.2 NMSA 1978.

The City subsequently promoted another employee from the police department, who completed his accounting degree in December 2018, to the finance director position, but the employee has no practical governmental accounting experience or training.

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2018**

	Finding	Status
2017-001 (2016-001)	Lodgers Taxes Not Being Collected	Resolved
2017-002	Internal Control Deficiencies Regarding Lodger's Tax Management	Resolved
2017-003	Lack of Lodger's Tax Advisory Board or Audits	Revised and Repeated
2017-004	Anti-Donation Clause Violation	Resolved
2017-005	Late Submission of Audit Report	Revised and Repeated

**STATE OF NEW MEXICO
CITY OF RUIDOSO DOWNS
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed with the City of Ruidoso Downs representatives on February 21, 2019. The following individuals were available for the conference:

City of Ruidoso Downs

Gary Williams, Mayor
Carol Virden, City Clerk
H. John Underwood, City Attorney

Scott Northam, CPA, PC

Scott Northam, 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.