

State of New Mexico

Santa Rosa

NEW MEXICO

The City of Natural Lakes



FOR YEAR ENDED JUNE 30, 2017

ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

CITY OF SANTA ROSA

AUDIT REPORT

For The Year Ended June 30, 2017

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
CITY OF SANTA ROSA
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STATE OF NEW MEXICO
CITY OF SANTA ROSA
Official Roster
Year Ended June 30, 2016

City Council

<u>Name</u>	<u>Title</u>
Mr. Joseph Campos	Mayor
Mr. Patrick Cordova	Mayor Pro-Tem
Mr. Harold Sexton	Council Member
Mr. Richard Muniz	Council Member
Mr. Dalbert Marquez	Council Member

City Administration

Mr. Timothy P. Dodge	City Manager
Ms. Yolanda Garcia	City Clerk

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne A. Johnson
New Mexico State Auditor
and
Honorable Mayor Joseph Campos
and City Council
City of Santa Rosa
Santa Rosa, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Lodgers Tax and Recreation Funds of the City of Santa Rosa, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City of Santa Rosa's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City of Santa Rosa's non-major governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017 as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for the City. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Rosa, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Lodgers Tax and Recreation Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and enterprise funds of the City of Santa Rosa, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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 opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the City of Santa Rosa financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relates 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 basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparisons for the other 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 December 11, 2017 on our consideration of the City of Santa Rosa 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 of Santa Rosa internal control over financial reporting and compliance.

Paul A. Cassinelli, CPA

Albuquerque, New Mexico
December 11, 2017

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Statement of Net Position
June 30, 2017

Statement 1
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash	\$ 1,280,742	\$ 510,373	\$ 1,791,115
Accounts receivable (net of uncollectible accounts)	277,982	244,519	522,501
Due from other funds	-	214	214
Total current assets	<u>1,558,724</u>	<u>755,106</u>	<u>2,313,830</u>
Restricted Assets (Cash)			
Customer meter deposits	-	70,096	70,096
Repair and replacement	-	161,495	161,495
Sewer asset management	-	276,165	276,165
Debt service reserve	240,689	130,358	371,047
Capital outlay	396,077	-	396,077
Total restricted assets	<u>636,766</u>	<u>638,114</u>	<u>1,274,880</u>
Capital Assets			
Land	1,688,145	158,559	1,846,704
Land improvements	5,424,577	-	5,424,577
Buildings and improvements	10,991,573	385,532	11,377,105
Airport	7,416,723	-	7,416,723
Infrastructure	9,644,151	-	9,644,151
Vehicles	608,224	348,063	956,287
Equipment	1,208,575	229,083	1,437,658
Heavy Equipment	2,113,355	1,045,416	3,158,771
Plant	-	18,994,466	18,994,466
Total capital assets	<u>39,095,323</u>	<u>21,161,119</u>	<u>60,256,442</u>
Less accumulated depreciation	<u>(16,362,420)</u>	<u>(8,228,665)</u>	<u>(24,591,085)</u>
Total capital assets (net of accumulated depreciation)	<u>22,732,903</u>	<u>12,932,454</u>	<u>35,665,357</u>
Deferred outflows of resources related to pension	<u>1,262,479</u>	-	<u>1,262,479</u>
Total assets	<u>\$ 26,190,872</u>	<u>\$ 14,325,674</u>	<u>\$ 40,516,546</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Statement of Net Position
June 30, 2017

Statement 1
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 144,160	\$ 34,932	\$ 179,092
Customer meter deposits (restricted)	-	68,279	68,279
Accrued interest payable	108,587	-	108,587
Revenue bonds payable - current portion	188,782	110,400	299,182
Loans payable - current portion	69,744	-	69,744
	<u>511,273</u>	<u>213,611</u>	<u>724,884</u>
Total current liabilities			
Non-Current Liabilities			
Revenue bonds payable (less current portion)	2,071,238	4,449,500	6,520,738
Compensated absences payable	69,544	18,687	88,231
Landfill closure and post closure liability	-	792,203	792,203
Net Pension liability	3,166,018	-	3,166,018
Loans payable (less current portion)	965,064	-	965,064
NM Environment loan	-	325,000	325,000
	<u>6,271,864</u>	<u>5,585,390</u>	<u>11,857,254</u>
Total non-current liabilities			
Total liabilities	<u>6,783,137</u>	<u>5,799,001</u>	<u>12,582,138</u>
Deferred Inflows of resources			
related to pension	40,489	-	40,489
Net Position			
Net investment			
in capital assets	19,438,075	8,047,554	27,485,629
Restricted for repair and replacement	-	437,660	437,660
Restricted for capital outlay	465,785	-	465,785
Restricted for debt service	240,690	130,358	371,048
Restricted for special grants	784,052	-	784,052
Restricted for water meter deposit	-	1,818	1,818
Restricted for State mandated reserves	238,102	-	238,102
Unrestricted	(1,799,458)	(90,717)	(1,890,175)
	<u>19,367,246</u>	<u>8,526,673</u>	<u>27,893,919</u>
Total net position			
Total liabilities and net position	<u>\$ 26,190,872</u>	<u>\$ 14,325,674</u>	<u>\$ 40,516,546</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Statement of Activities
Year Ended June 30, 2017

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,969,891	\$ 59,154	\$ 787,151	\$ 178,024	\$ (945,562)	\$ -	\$ (945,562)
Highways and streets	266,597	-	-	1,255,796	989,199	-	989,199
Public safety	853,235	-	249,806	-	(603,429)	-	(603,429)
Culture and recreation	1,461,347	513,672	116,378	-	(831,297)	-	(831,297)
Depreciation - unallocated	839,124	-	-	-	(839,124)	-	(839,124)
Interest	72,924	-	-	-	(72,924)	-	(72,924)
Total governmental activities	<u>5,463,118</u>	<u>572,826</u>	<u>1,153,335</u>	<u>1,433,820</u>	<u>(2,303,137)</u>	<u>-</u>	<u>(2,303,137)</u>
Business-type activities:							
Water/sewer services	1,593,349	1,147,248	123,911	-	-	(322,190)	(322,190)
Solid waste services	419,633	393,234	2,364	-	-	(24,035)	(24,035)
Ambulance services	230,817	131,104	95,539	-	-	(4,174)	(4,174)
Los Amigos	547,860	549,459	65,000	-	-	66,599	66,599
MVD services	48,181	33,268	-	-	-	(14,913)	(14,913)
Total business-type activities	<u>2,839,840</u>	<u>2,254,313</u>	<u>286,814</u>	<u>-</u>	<u>-</u>	<u>(298,713)</u>	<u>(298,713)</u>
Total all activities	<u>\$ 8,302,958</u>	<u>\$ 2,827,139</u>	<u>\$ 1,440,149</u>	<u>\$ 1,433,820</u>	<u>(2,303,137)</u>	<u>(298,713)</u>	<u>(2,601,850)</u>
General Revenues:							
Property taxes					230,215	-	230,215
Franchise taxes					17,530	-	17,530
Gross receipts taxes					2,099,142	43,929	2,143,071
Motor vehicle taxes					-	7,699	7,699
Gas taxes					244,809	-	244,809
Lodgers taxes					620,212	-	620,212
State aid not restricted to special purpose:							
General					96,660	-	96,660
Investment earnings					19,092	9,616	28,708
Transfers					(55,087)	(31,960)	(87,047)
Total general revenues and transfers					<u>3,272,573</u>	<u>29,284</u>	<u>3,301,857</u>
Change in net position					969,436	(269,429)	700,007
Net position - beginning					<u>18,397,810</u>	<u>8,796,103</u>	<u>27,193,913</u>
Net position - ending					<u>\$ 19,367,246</u>	<u>\$ 8,526,674</u>	<u>\$ 27,893,920</u>

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

STATE OF NEW MEXICO
City of Santa Rosa
Balance Sheet
Governmental Funds
June 30, 2017

Statement 3

	General Fund	Lodgers Tax Fund	Recreation Fund	Riverroad Drainage Fund	Airport Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash on deposit	\$ 1,161,025	\$ 419,881	\$ 99,969	\$ -	\$ 3,975	\$ 232,658	\$ 1,917,508
Accounts receivable	176,803	65,187	-	-	-	35,992	277,982
Due from other funds	<u>49,119</u>	<u>16,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,266</u>
Total assets	<u>\$ 1,386,947</u>	<u>\$ 501,215</u>	<u>\$ 99,969</u>	<u>\$ -</u>	<u>\$ 3,975</u>	<u>\$ 268,650</u>	<u>\$ 2,260,756</u>
LIABILITIES							
Due to other funds	\$ 16,147	\$ -	\$ -	\$ -	\$ -	\$ 49,119	\$ 65,266
Accounts payable	<u>144,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,160</u>
Total liabilities	<u>160,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,119</u>	<u>209,426</u>
FUND BALANCE							
Nonspendable	-	-	-	-	-	-	-
Restricted	665,837	501,215	99,969	-	3,975	219,531	1,490,527
Committed	-	-	-	-	-	-	-
Unassigned	<u>560,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,803</u>
Total fund balance	<u>1,226,640</u>	<u>501,215</u>	<u>99,969</u>	<u>-</u>	<u>3,975</u>	<u>219,531</u>	<u>2,051,330</u>
Total liabilities and fund balance	<u>\$ 1,386,947</u>	<u>\$ 501,215</u>	<u>\$ 99,969</u>	<u>\$ -</u>	<u>\$ 3,975</u>	<u>\$ 268,650</u>	<u>\$ 2,260,756</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2017

Statement 4

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

Total fund balances - governmental funds		\$ 2,051,330
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	39,095,323	
Accumulated depreciation	<u>(16,362,420)</u>	
		22,732,903
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Compensated absences	(69,544)	
Revenue bonds payable	(2,260,020)	
Loans payable	(1,034,808)	
Interest payable	<u>(108,587)</u>	
		(3,472,959)
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds		
Net pension liability		(3,166,018)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to pension		1,262,479
Deferred inflows or resources related to pension		<u>(40,489)</u>
Net position of governmental activities		<u><u>\$ 19,367,246</u></u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Governmental Funds

Statement 5

Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	General Fund	Lodgers Tax Fund	Recreation Fund	Riverroad Drainage Fund	Airport Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 247,745	\$ 620,212	\$ -	\$ -	\$ -	\$ 244,809	\$ 1,112,766
Charges for services	59,154	-	443,451	-	-	70,221	572,826
Licenses and permits	9,745	-	-	-	-	-	9,745
Fines and forfeitures	5,252	-	-	-	-	1,500	6,752
Local sources	777,406	-	-	-	-	13,700	791,106
State sources	96,660	-	-	467,486	8,387	633,810	1,206,343
Federal sources	9,305	-	-	454,663	169,637	36,264	669,869
State shared taxes	2,099,142	-	-	-	-	-	2,099,142
Earnings from investments	7,913	4,603	758	1,028	158	4,632	19,092
Total revenues	3,312,322	624,815	444,209	923,177	178,182	1,004,936	6,487,641
EXPENDITURES							
Current:							
General government	1,656,325	-	-	-	4,068	50,000	1,710,393
Highways and streets	-	-	-	-	-	266,597	266,597
Public safety	731,543	-	-	-	-	121,692	853,235
Health & welfare	-	-	-	-	-	-	-
Culture and recreation	513,159	94,544	266,170	-	-	587,474	1,461,347
Capital outlay	66,824	-	-	1,224,681	209,244	525,080	2,025,829
NMFA principle	145,325	-	-	-	-	157,098	302,423
NMFA interest	68,071	-	-	-	-	49,815	117,886
Total expenditures	3,181,247	94,544	266,170	1,224,681	213,312	1,757,756	6,737,710
Excess (deficiency) revenues over expenditures	131,075	530,271	178,039	(301,504)	(35,130)	(752,820)	(250,069)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	1,703	-	-	45,380	30,771	683,545	761,399
Operating transfers (out)	(191,794)	(537,357)	(85,633)	-	-	(1,702)	(816,486)
Total other financing sources (uses)	(190,091)	(537,357)	(85,633)	45,380	30,771	681,843	(55,087)
Net change in fund balances	(59,016)	(7,086)	92,406	(256,124)	(4,359)	(70,977)	(305,156)
Fund balance beginning of year	1,285,656	508,301	7,563	256,124	8,334	290,508	2,356,486
Fund balance end of year	\$ 1,226,640	\$ 501,215	\$ 99,969	\$ -	\$ 3,975	\$ 219,531	\$ 2,051,330

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Statement 6

Net change in fund balances - total governmental funds \$ (305,156)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlay exceeds depreciaton expense in the period.

Capital outlays	2,025,829	
Depreciation expense	<u>(839,124)</u>	
Excess of depreciation expense over capital outlay		1,186,705

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

Pension contributions		163,056
Pension expense		<u>(410,105)</u>

In the Statement of Activities, certain operating expenses are measured by the amount incurred during the year. In the fund financial statements however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increase) decrease in the liabilities for the year were:

Compensated absences payable		(11,834)
Accrued interest payable		44,962

The issuance of long-term debt (e.g. loans) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Loan proceeds	-	
Repayment of long-term debt	<u>301,808</u>	
		<u>301,808</u>

Change in net position of governmental activities **\$ 969,436**

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

STATE OF NEW MEXICO
City of Santa Rosa
General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 213,722	\$ 227,074	\$ 227,074	\$ -
Franchise taxes	18,000	18,000	17,530	(470)
Gross receipts taxes	1,580,500	2,114,308	2,114,185	(123)
Charges for services	176,000	176,785	59,159	(117,626)
Licenses and permits	6,575	9,125	9,745	620
Fines and forfeits	17,050	17,050	5,252	(11,798)
Local sources	608,600	623,600	777,401	153,801
State sources	161,600	168,260	96,660	(71,600)
Federal sources	19,000	27,594	25,595	(1,999)
Earnings from investments	3,110	3,110	7,913	4,803
Total revenues	<u>\$ 2,804,157</u>	<u>\$ 3,384,906</u>	<u>\$ 3,340,514</u>	<u>\$ (44,392)</u>
EXPENDITURES				
Current:				
General government	\$ 1,314,345	\$ 1,436,345	\$ 1,649,618	\$ (213,273)
Highways and streets	-	-	-	-
Public safety	824,570	765,180	731,543	33,637
Culture and recreation	405,950	563,965	513,159	50,806
Capital outlay	-	-	66,824	(66,824)
Debt service:				
Loan principle	200,000	200,000	145,325	54,675
Loan interest	224,928	224,928	68,071	156,857
Total expenditures	<u>\$ 2,969,793</u>	<u>\$ 3,190,418</u>	<u>\$ 3,174,540</u>	<u>\$ 15,878</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,703	\$ 1,703	\$ -
Transfers out	(45,616)	(191,794)	(191,794)	-
Total other financing sources (uses)	<u>\$ (45,616)</u>	<u>\$ (190,091)</u>	<u>\$ (190,091)</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 226,594</u>	<u>\$ 228,431</u>		

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Lodger's Tax Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 451,100	\$ 626,601	\$ 625,674	\$ (927)
Earnings from investments	1,500	2,824	4,603	1,779
Total revenues	<u>\$ 452,600</u>	<u>\$ 629,425</u>	<u>\$ 630,277</u>	<u>\$ 852</u>
EXPENDITURES				
Culture & recreation	\$ 53,500	\$ 127,500	\$ 94,544	\$ 32,956
Total expenditures	<u>\$ 53,500</u>	<u>\$ 127,500</u>	<u>\$ 94,544</u>	<u>\$ 32,956</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (195,000)	\$ (537,360)	\$ (537,357)	\$ 3
Total other financing sources (uses)	<u>\$ (195,000)</u>	<u>\$ (537,360)</u>	<u>\$ (537,357)</u>	<u>\$ 3</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 278,992</u>		

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Recreation Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 170,000	\$ 444,209	\$ 443,451	\$ (758)
Earnings from investments	-	-	758	758
Total revenues	<u>\$ 170,000</u>	<u>\$ 444,209</u>	<u>\$ 444,209</u>	<u>\$ -</u>
EXPENDITURES				
Culture and recreation	\$ 156,289	\$ 271,289	\$ 266,170	\$ 5,119
Total expenditures	<u>\$ 156,289</u>	<u>\$ 271,289</u>	<u>\$ 266,170</u>	<u>\$ 5,119</u>
OTHER FINANCING USES				
Transfer out	\$ -	\$ (85,633)	\$ (85,633)	\$ -
Total other financing uses	<u>\$ -</u>	<u>\$ (85,633)</u>	<u>\$ (85,633)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Proprietary Funds
Statement of Net Position
June 30, 2017

Statement 10
Page 1 of 2

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Los Amigos Fund	Motor Vehicle Department Fund	Total
ASSETS						
Current Assets						
Cash on deposit	\$ 302,854	\$ 97,392	\$ 56,226	\$ 45,804	\$ 8,097	\$ 510,373
Accounts receivable (net)	159,203	53,459	-	31,857	-	244,519
Total Current Assets	<u>462,057</u>	<u>150,851</u>	<u>56,226</u>	<u>77,661</u>	<u>8,097</u>	<u>754,892</u>
Non-Current Assets						
Restricted Assets (Cash)	568,018	-	-	-	-	568,018
Customer meter deposits	70,096	-	-	-	-	70,096
Due from other funds	128	10,315	-	-	-	10,443
Total Non-Current Assets	<u>638,242</u>	<u>10,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>648,557</u>
Capital Assets						
Land	158,559	-	-	-	-	158,559
Land improvements	-	-	-	-	-	-
Buildings and Improvements	236,962	148,570	-	-	-	385,532
Equipment	192,085	36,998	-	-	-	229,083
Vehicles	338,361	9,702	-	-	-	348,063
Heavy equipment	-	913,580	131,836	-	-	1,045,416
Plant/infrastructure	18,574,324	420,142	-	-	-	18,994,466
Accumulated depreciation	(7,044,650)	(1,131,281)	(52,734)	-	-	(8,228,665)
Total Capital Assets	<u>12,455,641</u>	<u>397,711</u>	<u>79,102</u>	<u>-</u>	<u>-</u>	<u>12,932,454</u>
Total Assets	<u>\$ 13,555,940</u>	<u>\$ 558,877</u>	<u>\$ 135,328</u>	<u>\$ 77,661</u>	<u>\$ 8,097</u>	<u>\$ 14,335,903</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Proprietary Funds
Statement of Net Position
June 30, 2017

Statement 10
Page 2 of 2

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Los Amigos Fund	Motor Vehicle Department Fund	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 27,542	\$ 3,946	\$ -	\$ -	\$ -	\$ 31,488
Unapplied credits	3,444	-	-	-	-	3,444
Current portion revenue bonds payak	110,400	-	-	-	-	110,400
Curent portion loan payable	-	-	-	-	-	-
Customer meter deposits payable from Restricted Assets	68,279	-	-	-	-	68,279
Total Current Liabilities	209,665	3,946	-	-	-	213,611
Long-Term Liabilities						
Compensated absences payable	15,931	2,756	-	-	-	18,687
Revenue bonds payable	4,449,500	-	-	-	-	4,449,500
Landfill post closure liabilities	-	792,203	-	-	-	792,203
Due to other funds	10,229	-	-	-	-	10,229
NM Environment loan	325,000	-	-	-	-	325,000
Total Long-Term Liabilities	4,800,660	794,959	-	-	-	5,595,619
Total Liabiliites	5,010,325	798,905	-	-	-	5,809,230
NET POSITION						
Net investment in capital assets	7,570,741	397,711	79,102	-	-	8,047,554
Restricted for debt service	130,358	-	-	-	-	130,358
Restricted for repair & replacement	437,660	-	-	-	-	437,660
Restricted water deposit	1,818	-	-	-	-	1,818
Unrestricted	405,038	(637,739)	56,226	77,661	8,097	(90,717)
Total Net Position	8,545,615	(240,028)	135,328	77,661	8,097	8,526,673
Total Liabilities and Net Position	\$ 13,555,940	\$ 558,877	\$ 135,328	\$ 77,661	\$ 8,097	\$ 14,335,903

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2017

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Los Amigos Fund	Motor Vehicle Department Fund	Total
OPERATING REVENUES						
Sales and services	\$ 1,147,248	\$ 393,234	\$ 131,104	\$ 549,459	\$ 33,268	\$ 2,254,313
Local sources	72,038	2,364	95,539	65,000	-	234,941
State sources	51,873	-	-	-	-	51,873
Federal sources	-	-	-	-	-	-
State shared taxes	-	43,929	-	-	7,699	51,628
Total operating revenue	1,271,159	439,527	226,643	614,459	40,967	2,592,755
OPERATING EXPENSES						
Personal services	303,839	179,404	147,777	-	43,078	674,098
Maintenance and operations	608,507	193,583	69,857	547,860	5,103	1,424,910
Major contractual services	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-
Depreciation	542,806	46,646	13,183	-	-	602,635
Total operating expenses	1,455,152	419,633	230,817	547,860	48,181	2,701,643
Operating income (loss)	(183,993)	19,894	(4,174)	66,599	(7,214)	(108,888)
NON-OPERATING REVENUE (EXPENSE)						
Investment income	8,315	597	524	120	60	9,616
Investment expense	(138,197)	-	-	-	-	(138,197)
Transfers in	-	-	-	-	12,000	12,000
Transfers out	(43,960)	-	-	-	-	(43,960)
Total Non-Operating Revenue (Expense)	(173,842)	597	524	120	12,060	(160,541)
Change in Net Position	(357,835)	20,491	(3,650)	66,719	4,846	(269,429)
Net position, beginning of year	8,903,451	(260,519)	138,978	10,942	3,251	8,796,103
Net position, end of year	\$ 8,545,616	\$ (240,028)	\$ 135,328	\$ 77,661	\$ 8,097	\$ 8,526,674

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2017

Statement 12

	Water/Sewer Fund	Solid Waste Fund	Ambulance Fund	Los Amigos Fund	Motor Vehicle Department Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 1,142,890	\$ 391,864	\$ 131,104	\$ 517,602	\$ 33,268	\$ 2,216,728
Cash received from local sources	72,038	2,852	95,539	65,000	-	235,429
Cash received from state sources	-	-	-	-	-	-
Cash received from federal sources	-	-	-	-	-	-
Cash received from state shared taxes	51,873	43,847	-	-	7,699	103,419
Cash payments to employees and to suppliers for goods and services	<u>(925,343)</u>	<u>(406,483)</u>	<u>(217,634)</u>	<u>(547,860)</u>	<u>(48,181)</u>	<u>(2,145,501)</u>
Net cash provided by operating activities	<u>341,458</u>	<u>32,080</u>	<u>9,009</u>	<u>34,742</u>	<u>(7,214)</u>	<u>410,075</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Loan proceeds	-	-	-	-	-	-
Principal paid	(108,400)	-	-	-	-	(108,400)
Acquisition of capital assets	(51,286)	(15,226)	-	-	-	(66,512)
Investment expense	<u>(138,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,197)</u>
Net cash provided (used) by capital and related financing activities	<u>(297,883)</u>	<u>(15,226)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(313,109)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers from other funds	1,107	-	-	-	1,200	2,307
Operating transfers to other funds	(45,069)	-	-	-	-	(45,069)
Change in due to/from other funds	<u>21,936</u>	<u>29,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,626</u>
Net cash provided (used) by noncapital financing activities	<u>(22,026)</u>	<u>29,690</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>8,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	<u>7,830</u>	<u>596</u>	<u>524</u>	<u>120</u>	<u>60</u>	<u>9,130</u>
Net cash provided by investing activities	<u>7,830</u>	<u>596</u>	<u>524</u>	<u>120</u>	<u>60</u>	<u>9,130</u>
Net increase (decrease) in cash	29,379	47,140	9,533	34,862	4,846	125,760
Cash, beginning of year	<u>841,493</u>	<u>50,252</u>	<u>46,693</u>	<u>10,942</u>	<u>3,251</u>	<u>952,631</u>
Cash, end of year	<u>\$ 870,872</u>	<u>\$ 97,392</u>	<u>\$ 56,226</u>	<u>\$ 45,804</u>	<u>\$ 8,097</u>	<u>\$ 1,078,391</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (183,993)	\$ 19,894	\$ (4,174)	\$ 66,599	\$ (7,214)	\$ (108,888)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	542,806	46,646	13,183	-	-	602,635
Changes in assets and liabilities:						
(Increase) decrease in receivables	(4,359)	(965)	-	(31,857)	-	(37,181)
Increase (decrease) in accounts payable	(9,670)	(30,907)	-	-	-	(40,577)
Increase (decrease) in compensated absences	<u>(3,326)</u>	<u>(2,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,914)</u>
Net cash provided (used) by operating activities	<u>\$ 341,458</u>	<u>\$ 32,080</u>	<u>\$ 9,009</u>	<u>\$ 34,742</u>	<u>\$ (7,214)</u>	<u>\$ 410,075</u>

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

STATE OF NEW MEXICO
 CITY OF SANTA ROSA
 Statement of Fiduciary Assets and Liabilities - Agency Funds
 June 30, 2017

	Agency Funds
ASSETS	
Cash	\$ 10,040
Total Assets	\$ 10,040
LIABILITIES	
Due to other agencies	\$ 823
Deposits held for others	9,217
Total Liabilities	\$ 10,040

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Notes to Financial Statements
Year Ended June 30, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Santa Rosa was incorporated under the provisions of the Municipal Code of the State of New Mexico (Sec. 14-2-1 et-Seq. 1953 Comp.) The City operates under a mayor-council form of government and provides the following services: public safety (police, emergency and fire), public works (highway and streets), community services (culture and recreation), judicial, development, legal, engineering and general administrative services.

The summary of significant accounting policies of the City of Santa Rosa is presented to assist in the understanding of the City of Santa Rosa's financial statements. The financial statements and notes are the representation of the City of Santa Rosa'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. 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 pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and

is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City had no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which is normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers

Notes to Financial Statements (continued)

revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The government 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.

Lodgers Tax Fund (Special Revenue Fund) - To account for the administration of a City promotional effort. Funds are derived from a lodger's tax imposed on motel rentals. (Authority is NMSA 3-38-13).

Recreation Fund (Special Revenue Fund) - To account for the operations and maintenance of the parks and other recreation type activities. Resources from the Wubit sales provide the financing.

River Road Drainage Fund (Capital Project Fund) - To account for improvements to drainage flows to cross from the West side of the road to the East side and continue through the Pecos River. Funding is from NMSHTD Cooperative Agreement and City matching funds.

Airport Construction Fund (Capital Project Fund) - To account for the construction of a new runway at the airport. Financing is provided by a grant from the Federal Aviation Administration (FAA) and a grant from the State of New Mexico.

The City reports the following as Proprietary Funds.

Proprietary Funds - Enterprise Funds

Enterprise Fund - Water and Sewer Fund - To account for the operations of the City's Water and Sewer Department, for meter deposits and payment of Joint Utility Revenue Bonds.

Notes to Financial Statements (continued)

Enterprise Fund - Solid Waste Fund - To account for the operations of the (contracted) solid waste services.

Enterprise Fund - Ambulance Fund - To account for the operations of the City's ambulance services.

Enterprise Fund - MVD Fund - To account for the operations of the City's Motor Vehicle Department.

Enterprise Fund - Los Amigos Fund - To account for the operations of the nursing home located in Santa Rosa.

The City also reports additional Governmental funds as non-major.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

The City also reports Fiduciary Funds.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues include: 1) charges for services to taxpayers or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions and 3) program specific capital grants and contributions including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charged to customers for sales and services. The enterprise fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Notes to Financial Statements (continued)

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgetary Information

The original reporting budget is coordinated and prepared by the City Manager and staff. The budget is brought before the City Council for approval. The approved budget is then presented to the State of New Mexico, Department of Finance and Administration for approval. Amendments to the budget, including operating transfers, must follow the same process as the original budget. Adjustments and other amendments made to the original budget have been included in the budgetary comparison statements of this report. The Department of Finance and Administration exercises budget control at the fund level. The budgets of all individual funds may not be legally over expended. All appropriations lapse at year end. The City does not use encumbrance accounting.

Budgets, and amendments to the budgets, for all governmental and proprietary type funds are adopted in a legally permissible manner. The budgets presented in the financial statements are considered to be adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for these funds are on a NON-GAAP (cash) budgetary basis.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Village. The pledged securities remain in the name of the financial institution.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The cost of inventories are recorded as expenditures when purchased rather than when consumed.

Notes to Financial Statements (continued)

G. Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The City has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Notes to Financial Statements (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 to 33
Building improvements	20 to 33
Public domain infrastructure	33
System infrastructure	33
Vehicles	5
Equipment	3-10
Heavy equipment	10

The City does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

J. Compensated Absences

Vested or accumulated vacation and compensation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

K. Long-Term Obligations

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

L. Taxes

Franchise Taxes - By authority of Chapter 3, Article 42, NMSA 1978 and various ordinances, the City imposes a franchise tax on certain public utilities operating within the municipality.

Motor Vehicle Registration Fees - Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies with the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 2978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

Notes to Financial Statements (continued)

Gasoline Tax - The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an excise tax on \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax - Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the City adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Village after deducting certain administrative costs.

State Gross Receipts Tax - Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

M. Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purpose such as "deposits held in trust for others".

N. Net Position

The governmental activities and business-type activities financial statements utilize a net position presentation. Net Positions are categorized as follows:

Net investment in capital assets - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitation on their use.

Unrestricted net position - This category reflects net position of the City not restricted for any project or other purposes.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy,

Notes to Financial Statements (continued)

charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by the City Council or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. 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.

Notes to Financial Statements (continued)

Q. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current fiscal year.

R. 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 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.

2. DEPOSITORY COLLATERAL

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of Federal Deposit Insurance Corporation insurance coverage (for each financial institution).

The following is the Cash on Deposit at each financial institution.

First National Bank	Checking	Landfill Closure	\$	21,007
First National Bank	Checking	Solid Waste		76,107
First National Bank	Checking	Ambulance		56,315
First National Bank	Checking	Motor Vehicle		8,275
First National Bank	Checking	Golf Course		29,435
First National Bank	Checking	Airport		16,989
First National Bank	Checking	General		165,577
First National Bank	Checking	Gasoline Tax		26,730
First National Bank	Checking	LGC		6,131
First National Bank	Checking	Convention Center		43,785
First National Bank	Checking	Riverroad		-
First National Bank	Checking	Lodgers Tax		281,101
First National Bank	Checking	ARRA Waste Water		-
First National Bank	Checking	Blue Hole Road		11,001
First National Bank	Checking	Safe Routes to School		-
First National Bank	Checking	Water Meter Deposit		60,342
First National Bank	Checking	Mainstreet		2,846
First National Bank	Checking	Activity		22,578
First National Bank	Checking	MVD Sweep		553
First National Bank	Checking	Sewer Reserve		130,358
First National Bank	Checking	Sewer Asset Management		36,679
First National Bank	Checking	Sewer Capital Reserve		239,486
First National Bank	Checking	R & R Water		161,495
First National Bank	Checking	Water		114,784
First National Bank	Checking	Recreation		102,972

Notes to Financial Statements (continued)

First National Bank	Checking	LEPF	1,029
First National Bank	Checking	Fire	48,377
First National Bank	Checking	EMS	214
First National Bank	Checking	Library	5,638
First National Bank	Checking	EMS/Fire/Rescue	16,210
First National Bank	Checking	Seniors	13,221
First National Bank	Checking	Power Dam	11,647
First National Bank	Checking	Blue Hole Improvements	407
First National Bank	Checking	YCC Grant	-
First National Bank	Checking	Cultural Corridors	6,380
First National Bank	Checking	Downtown Improvements	6,224
First National Bank	Checking	Los Amigos	45,804
First National Bank	Checking	CDBG 2 nd Street	26,480
First National Bank	Checking	Ilfeld	12,505
First National Bank	Checking	Airport Construction	5,179
First National Bank	Checking	Sewer	93,445
First National Bank	Checking	CDBG 5 th Street	49,093
Wells Fargo Bank	Checking	General	111,948
Wells Fargo Bank	Certificate of Deposit	General	11,889
Wells Fargo Bank	Certificate of Deposit	Lodgers Tax	17,844
First National Bank	Savings	General IMMA	207,447
First National Bank	Savings	General Money Market	360,852
First National Bank	Savings	Water/Sewer IMMA	8,737
First National Bank	Savings	Water Meter Deposit	12,345
Wells Fargo Bank	Certificate of Deposit	Water	<u>96,768</u>
		Total	<u>\$2,784,229</u>

NM Finance Authority	<u>\$ 416,836</u>
Total amount on deposit	\$3,201,065
Deposit in transit	2,813
Petty Cash	2,700
Outstanding checks	<u>(130,543)</u>
Total per financial statements	<u>\$3,076,035</u>

The following schedule details the public money held at each Bank and the pledged collateral provided for the City follows:

	Wells Fargo Bank	First Financial Bank
Cash on deposit at June 30	\$ 141,681	\$ 2,642,065
Less FDIC	<u>(141,681)</u>	<u>(367,923)</u>
Uninsured funds	-	2,274,142
Funds needing collateralization at 50% (required by State Law)	-	1,137,071
Pledged collateral at June 30	<u>-</u>	<u>(1,532,433)</u>
(Excess) deficiency of Pledged Collateral	<u>\$ -</u>	<u>\$ (395,362)</u>

Notes to Financial Statements (continued)

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, \$2,274,142 of the City's bank balance of \$2,784,229 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 741,709
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the City's name	<u>1,532,433</u>
Total	<u>\$ 2,274,142</u>

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

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. The collateral pledged is shown as follows:

<u>First National Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #31418AHQ4	8-01-32	\$ 791,182
FHLB #3137B2CH1	4-15-33	266,790
FHLB #83164L3J8	3-25-41	<u>474,461</u>
		<u>\$ 1,532,433</u>

The amount held at the New Mexico Finance Authority totaling \$416,836 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. RECEIVABLES

Receivables as of June 30, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables from customers	\$ -	\$ 261,888
Less allowance for Uncollectible accounts	<u>-</u>	<u>(20,798)</u>
Subtotal	-	241,090
Property taxes receivable	7,518	-
Lodgers tax receivable	65,187	-
Gross receipts taxes receivable	169,285	3,429
Gas taxes receivable	20,285	-
Intergovernmental	<u>15,707</u>	<u>-</u>
Total	<u>\$ 277,982</u>	<u>\$ 244,519</u>

4. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semi-annual installments by November 10 and April 10 of the subsequent year. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. Because the Treasurer for the county in which the City is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the City.

The City is permitted to levy taxes for general operating purposes based on taxable value for both residential and nonresidential property, taxable value being defined as one-third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the City.

The City accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues. The City has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the City's financial records.

5. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

Deposits in the Water and Wastewater Utility Enterprise Fund consist of the following:

Hydrant Meter deposits	<u>\$ 68,279</u>
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Water meter deposits are charged to new customers and consist of the following:

Residential properties	\$ 100
Commercial properties	\$ 200

Notes to Financial Statements (continued)

6. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Major Funds</u>	<u>Non-Major Governmental</u>	<u>Proprietary Funds</u>	<u>Activity Fund</u>	
General Fund	\$ 80,981	\$ 44,464	\$ 88,930	\$ 12,000	\$ 46,400	\$ (272,775)
Lodgers Tax Fund	-	-	496,709	-	40,649	(537,358)
Non-Major Funds	1,702	-	-	-	-	(1,702)
Recreation Fund	-	-	85,633	-	-	(85,633)
Proprietary Funds	-	31,686	12,274	-	-	(43,960)
Total Transfers In/Out	\$ 82,683	\$ 76,150	\$ 683,546	\$ 12,000	\$ 87,049	\$ -

Balance of Transfers

Transfer to Non-Major Governmental Fund	\$ 12,274	From Proprietary Fund
Transfer to Activity Fund	40,649	From Lodgers Tax Fund
Transfer to Non-Major Governmental Fund	88,930	From General Fund
Transfer to Major Fund	44,464	From General Fund
Transfer to Activity Fund	46,400	From General Fund
Transfer to Proprietary Fund	12,000	From General Fund
Transfer to Non-Major Governmental Fund	496,709	From Lodgers Tax Fund
Transfer to General	1,702	From Non-Major Governmental Fund
Transfer to General Fund	80,981	From General Fund
Transfer to Non-Major Governmental Fund	85,633	From Recreation Fund
Transfer to Major Funds	<u>31,686</u>	From Proprietary Funds
Total Interfund Transfers Between Governmental and Business-Type Activities	\$ 941,428	

Notes to Financial Statements (continued)

7. CAPITAL ASSETS

The amount of property, plant and equipment in the Governmental-Type Activities consists of the following:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Land	\$ 1,688,145	\$ -	\$ -	\$ 1,688,145
Land Improvements	5,285,615	138,962	-	5,424,577
Buildings & improvements	10,871,538	120,035	-	10,991,573
Airport	7,207,479	209,244	-	7,416,723
Street improvements	8,202,898	1,441,253	-	9,644,151
Equipment	1,104,079	104,496	-	1,208,575
Heavy equipment	2,101,516	11,839	-	2,113,355
Vehicles	<u>608,224</u>	<u>-</u>	<u>-</u>	<u>608,224</u>
Sub-total	<u>37,069,494</u>	<u>2,025,829</u>	<u>-</u>	<u>39,095,323</u>
Less: Accumulated Depreciation	<u>(15,523,296)</u>	<u>(839,124)</u>	<u>-</u>	<u>(16,362,420)</u>
Total Capital Assets	<u>\$21,546,198</u>	<u>\$ 1,186,705</u>	<u>\$ -</u>	<u>\$22,732,903</u>

The amount of property, plant and equipment in the Business-Type Activities consists of the following:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Land	\$ 158,559	\$ -	\$ -	\$ 158,559
Buildings	385,532	-	-	385,532
Equipment	218,966	10,117	-	229,083
Heavy Equipment	1,040,307	5,109	-	1,045,416
Vehicles	303,334	44,729	-	348,063
Plant	<u>18,987,909</u>	<u>31,557</u>	<u>(25,000)</u>	<u>18,994,466</u>
Sub-total	<u>21,094,607</u>	<u>91,512</u>	<u>(25,000)</u>	<u>21,161,119</u>
Less: Accumulated Depreciation	<u>(7,626,030)</u>	<u>(602,635)</u>	<u>-</u>	<u>(8,228,665)</u>
Total Capital Assets	<u>\$13,468,577</u>	<u>\$ (511,123)</u>	<u>\$ (25,000)</u>	<u>\$12,932,454</u>

Notes to Financial Statements (continued)

8. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Enterprise Fund

During the fiscal year ended June 30, the following changes occurred in certain long-term liabilities reported in the Enterprise Fund:

	<u>Balances</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds payable	\$ 4,620,300	\$ -	\$ 85,400	\$ 4,534,900	\$ 85,400
NM Environment Loan	375,000	-	25,000	350,000	25,000
Compensated absences payable	<u>24,602</u>	<u>-</u>	<u>5,915</u>	<u>18,687</u>	<u>-</u>
Total	<u>\$ 5,019,902</u>	<u>\$ -</u>	<u>\$ 116,315</u>	<u>\$ 4,903,587</u>	<u>\$ 110,400</u>

Compensated Absences

The compensated absences due by each fund are as follows:

Solid Waste Fund \$2,756 Water/Sewer Fund \$15,931

The detail by individual fund follows:

Water/Sewer Fund

	<u>Balances</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2017</u>
Revenue Bonds Series 2001A	\$ 204,300	\$ -	\$ 5,000	\$ 199,300
Revenue Bonds Series 2001B	160,000	-	4,000	156,000
Revenue Bonds Series 2006	353,000	-	6,000	347,000
NMEnvironment Loan	375,000	-	25,000	350,000
Revenue Bonds Series 2006	22,000	-	400	21,600
Revenue Bonds Series 2009	<u>3,881,000</u>	<u>-</u>	<u>70,000</u>	<u>3,811,000</u>
Total	<u>\$ 4,995,300</u>	<u>\$ -</u>	<u>\$ 110,400</u>	<u>\$ 4,884,900</u>

Notes to Financial Statements (continued)

The Water and Sewer Enterprise Fund has several Revenue Bond Issues. These bonds were issued for the purpose of constructing and renovating the City's water and sewer system. Following details the various bonds owed by the City:

<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>
2001A	5/31/2041	\$ 256,300	4.50%	\$ 199,300
2001B	5/31/2041	\$ 200,000	4.50%	156,000
2006	6/23/2046	\$ 400,000	4.25%	347,000
NMED	6/30/2031	\$ 500,000	N/A	350,000
2006	6/30/2033	\$ 25,000	4.25%	21,600
2009	4/22/2050	\$ 4,201,000	2.75%	<u>3,811,000</u>
				<u>\$ 4,884,900</u>

The annual requirements to amortize the business-type bonds as of June 30 including interest payments are as follows:

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 110,400	\$ 121,000	\$ 231,400
2019	110,400	118,600	229,000
2020	121,400	116,300	237,700
2021	122,400	113,600	236,000
2022	123,500	111,000	234,500
2023-2027	659,600	513,600	1,173,200
2028-2032	729,200	436,200	1,165,400
2033-2037	732,000	344,700	1,076,700
2038-2042	810,200	239,700	1,049,900
2043-2047	834,800	136,300	971,100
2048	<u>531,000</u>	<u>30,600</u>	<u>561,600</u>
Total	<u>\$ 4,884,900</u>	<u>\$ 2,281,600</u>	<u>\$ 7,166,500</u>

Governmental Funds

During the fiscal year ended June 30, the following changes occurred in certain long-term liabilities reported in the Governmental Fund:

	<u>Balances June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2017</u>	<u>Due Within One Year</u>
Loans payable to New Mexico Finance Authority	\$ 1,154,712	\$ -	\$ 119,904	\$ 1,034,808	\$ 69,744
Revenues Bonds Series 2006A/B	2,441,924	-	181,904	2,260,020	188,782
Compensated absences	<u>57,710</u>	<u>11,834</u>	<u>-</u>	<u>69,544</u>	<u>-</u>
Total	<u>\$ 3,654,346</u>	<u>\$ 11,834</u>	<u>\$ 301,808</u>	<u>\$ 3,364,372</u>	<u>\$ 258,526</u>

Notes to Financial Statements (continued)

The City entered into a loan agreement with the New Mexico Finance Authority evidencing another special limited obligation of the City to pay a principal amount of \$226,775 and interest for the purpose of defraying the cost of infrastructure improvements for the City owned golf course, including, but not limited to, improvements to the irrigation and sprinkler system. The interest rate is 3.42% to 4.22%.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,850	\$ 927	\$ 11,777
2019	10,928	849	11,777
2020	11,010	768	11,778
2021	11,094	684	11,778
2022	11,181	596	11,777
2023-2027	<u>57,337</u>	<u>1,555</u>	<u>58,892</u>
Total	<u>\$ 112,400</u>	<u>\$ 5,379</u>	<u>\$ 117,779</u>

The City also entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the City to pay a principal amount of \$915,538 and interest for the purpose of defraying the cost of purchasing an Assisted Living Facility. The yearly payments are to be redirected from the City's one-eighth of one percent of municipal infrastructure gross receipts tax revenues imposed by the City Ordinance to the NMFA. Variable interest rates range from 3.20% to 6.600%. The maturity date is May 1, 2035.

The City added \$212,236 to the current loan for a new total of \$975,268. It was re-structured to reflect an interest rate of 0.250% to 3.610%. The maturity date is still May 1, 2035.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 43,495	\$ 18,044	\$ 61,539
2019	43,763	17,776	61,539
2020	44,090	17,449	61,539
2021	44,480	17,059	61,539
2022	44,933	16,606	61,539
2023-2027	235,315	72,381	307,696
2028-2032	261,342	46,352	307,694
2033-2035	<u>174,176</u>	<u>10,441</u>	<u>184,617</u>
Total	<u>\$ 891,594</u>	<u>\$ 216,108</u>	<u>\$ 1,107,702</u>

Notes to Financial Statements (continued)

The City issued revenue bonds during the year, to be paid from the General Fund. The bonds are to be repaid from the Gross Receipts Tax distributed to the City pursuant to Section 7-1-6.4 NMSA 1978 and Section 7-1-6.12 NMSA 1978. The total Bond issue was for \$1,942,085. The purpose of this issuance is to defray the cost of demolishing, acquiring or condemnation of property for the urban renewal, public buildings, parking facilities, roads, streets, bridges, public parks or sanitary sewer, sewage treatment, storm sewer, drainage and water utilities. The interest rate is 3.20% to 4.15%. The maturity date is May 1, 2027.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 94,704	\$ 45,385	\$ 140,089
2019	98,326	41,772	140,098
2020	102,130	37,978	140,108
2021	106,126	33,992	140,118
2022	110,325	29,804	140,129
2023-2027	<u>622,129</u>	<u>78,686</u>	<u>700,815</u>
Total	<u>\$ 1,133,740</u>	<u>\$ 267,617</u>	<u>\$ 1,401,357</u>

The City issued revenue bonds during the year, to be paid from the Lodgers Tax Fund. The bonds are to be repaid from the Gross Receipts Tax distributed to the City pursuant to Section 7-1-6.4 NMSA 1978 and Section 7-1-6.12 NMSA 1978, and from Lodgers' Tax imposed by City ordinance No. 324 pursuant to the Lodgers Tax Act Sections 3-38-13 to 3-38-24 NMSA 1978. The total Bond issue was for \$1,943,951. The purpose of this issuance is to defray the cost of demolishing, acquiring or condemnation of property for the urban renewal, public buildings, parking facilities, roads, streets, bridges, public parks. The interest rate is 3.21% to 4.15%. The maturity date is May 1, 2027.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 94,078	\$ 45,092	\$ 139,170
2019	97,677	41,503	139,180
2020	101,456	37,733	139,189
2021	105,426	33,773	139,199
2022	109,598	29,612	139,210
2023-2027	<u>618,045</u>	<u>78,181</u>	<u>696,226</u>
Total	<u>\$ 1,126,280</u>	<u>\$ 265,894</u>	<u>\$ 1,392,174</u>

The City entered into a loan agreement with the New Mexico Finance Authority evidencing a special limited obligation of the City to pay a principal amount of \$61,534 and interest for the purpose of defraying the cost of purchasing three police vehicles. The yearly payments are to be redirected from the City's Law Enforcement Protection Funds allotted each year. The interest rate is 0.100%. The maturity date is May 1, 2019.

<u>Due Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	15,399	31	15,430
2019	<u>15,415</u>	<u>15</u>	<u>15,430</u>
Total	<u>\$ 30,814</u>	<u>\$ 46</u>	<u>\$ 30,860</u>

Notes to Financial Statements (continued)

B. Operating Leases

The City of Santa Rosa leases copiers on monthly long-term contracts. The leases provide for monthly lease payments until October, 2019. The property may be purchased at the fair market value upon expiration of the lease. The following yearly payments will be due:

Fiscal year 2018	\$ 1,409
Fiscal year 2019	<u>470</u>
Total	<u>\$ 1,879</u>

C. Short-Term Liabilities

The City did not have any short-term liabilities during the fiscal year.

9. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill was closed on November 4, 2011. As of that date, post-closure costs were estimated to be \$1,117,600. Since that date, \$325,397 has been paid for post-closure costs, leaving a balance of \$792,203 to be paid over the remaining years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

10. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENT

<u>Revenues</u>	<u>General Fund</u>	<u>Lodgers Tax Fund</u>	<u>Recreation Fund</u>
Accrual basis	\$ 3,312,322	\$ 624,815	\$ 444,209
Budget basis	<u>3,340,514</u>	<u>630,277</u>	<u>444,209</u>
Increase (decrease) in receivables	<u>\$ (28,192)</u>	<u>\$ (5,462)</u>	<u>\$ -</u>
<u>Expenditures</u>			
Accrual basis	\$ 3,181,247	\$ 94,544	\$ 266,170
Budget basis	<u>3,174,540</u>	<u>94,544</u>	<u>266,170</u>
Increase (decrease) in payables	<u>\$ 6,707</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

<u>Revenues</u>	Riverroad Drainage Fund	Airport Construction Fund	Other Governmental Funds	Proprietary Fund
Accrual basis	\$ 923,177	\$ 178,182	\$ 1,004,936	\$ 2,260,169
Budget basis	<u>923,177</u>	<u>201,009</u>	<u>1,113,098</u>	<u>2,235,690</u>
Increase (decrease) in receivables	<u>\$ -</u>	<u>\$ (22,827)</u>	<u>\$ 108,162</u>	<u>\$ 24,479</u>
 <u>Expenditures</u>				
Accrual basis	\$ 1,224,681	\$ 213,312	\$ 1,757,756	\$ 2,644,293
Budget basis	1,224,681	213,312	1,757,756	2,519,848
Depreciation	-	-	-	(606,212)
Principal paid	-	-	-	110,400
Interest paid	-	-	-	137,695
Capital acquisitions	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,285</u>
(Increase) decrease in compensated absences/ accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,387)</u>

11. RETIREMENT PLAN

Summary of Significant Accounting Policies

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' 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.

General Information about the Pension Plan

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

Notes to Financial Statements (continued)

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf.

Contributions. The contribution requirements of defined benefit plan members and the City of Santa Rosa are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf.

The PERA coverage options that apply to the City of Santa Rosa are: Municipal General Division and Police Division. Statutorily required contributions to the pension plan from the City of Santa Rosa were \$110,884 and \$52,169 and there were NO employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2017.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Santa Rosa's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015

Notes to Financial Statements (continued)

were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the un-remitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division, at June 30, 2017, the City of Santa Rosa reported a liability of \$2,048,205 for its proportionate share of the net pension liability. At June 30, 2016, the City of Santa Rosa's proportion was 0.1282%, which was increased 0.0025% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City of Santa Rosa recognized PERA Fund Municipal General Division pension expense of \$241,399. At June 30, 2017, the City of Santa Rosa reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 120,103	\$ 341
Experience versus actual	102,337	19,989
Net difference between projected and actual earnings on pension plan investments	376,866	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	60,969	-
City of Santa Rosa's contributions subsequent to the measurement date	<u>110,884</u>	<u>-</u>
Total	<u>\$ 771,159</u>	<u>\$ 20,330</u>

Notes to Financial Statements (continued)

\$110,887 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	151,119
2019		151,119
2020		241,773
2021		95,934
2022		-
		<u>639,945</u>

For PERA Fund Municipal Police Division, at June 30, 2017, the City of Santa Rosa reported a liability of \$1,117,813 for its proportionate share of the net pension liability. At June 30, 2016, the City of Santa Rosa's proportion was 0.1515%, which increased 0.0145% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City of Santa Rosa recognized PERA Fund Municipal Police Division pension expense of \$168,706. At June 30, 2017, the City of Santa Rosa reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 74,038	\$ 20,159
Experience versus actual	82,064	-
Net difference between projected and actual earnings on pension plan investments	176,788	-
Changes in proportion and differences between the City contributions and proportionate share of contributions	106,261	-
City of Santa Rosa's contributions subsequent to the measurement date	<u>52,169</u>	<u>-</u>
Total	<u>\$ 491,320</u>	<u>\$ 20,159</u>

Notes to Financial Statements (continued)

\$52,169 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 115,893
2019	115,893
2020	140,481
2021	46,725
2022	<u>-</u>
	<u>\$ 418,992</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, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

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

Notes to Financial Statements (continued)

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

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

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed longterm 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 City of Santa Rosa's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City of Santa Rosa's net pension liability in each PERA Fund Division that City of Santa Rosa participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Notes to Financial Statements (continued)

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<u>\$ 3,053,691</u>	<u>\$ 2,048,205</u>	<u>\$ 1,214,204</u>
PERA Fund Municipal Police Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<u>\$ 1,644,579</u>	<u>\$ 1,117,813</u>	<u>\$ 686,979</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

12. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

Notes to Financial Statements (continued)

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$23,205, \$21,950 and \$27,225, respectively, which equal the required contributions for each year.

Notes to Financial Statements (continued)

13. LEGISLATIVE APPROPRIATIONS

The City of Santa Rosa received an appropriation of \$953,684 to purchase library resource acquisitions, including print, non-print and electronic resources. This appropriation has not been completed.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 65 Section 10, Paragraph B (1)(a)	March 30, 2015 to June 30, 2018	\$ 953,684	\$ 953,684

The City of Santa Rosa received an appropriation of \$41,470 to purchase and install equipment to serve meals for the Senior Center.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2012, Chapter 54 Section 10A, Paragraph 37	April 12, 2016 to June 30, 2016	\$ 41,470	\$ 2,099

The City of Santa Rosa received an appropriation of \$7,920 to plan, design, renovate and equip the Campos Senior Center.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 65 Section 10.A, Paragraph 45	April 19, 2016 to June 30, 2018	\$ 7,920	\$ -

The City of Santa Rosa received an appropriation of \$173,835 to design and construct projects that improve surface water or river habitat.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 66 Section 16	May 14, 2015 to June 30, 2018	\$ 173,835	\$ 68,612

The City of Santa Rosa received an appropriation of \$800,000 to plan, design, renovate and construct improvements to Power Lake Dam.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2014, Chapter 66 Section 15, Paragraph 6	October 7, 2014 to June 30, 2018	\$ 800,000	\$ 750,000

Notes to Financial Statements (continued)

The City of Santa Rosa received an appropriation of \$120,000 to plan, design, construct, renovate, landscape, furnish and equip improvements to the Ilfeld Warehouse and grounds, including the parking lot.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2016, Chapter 81 Section 22, Paragraph 113	August, 2016 to June 30, 2020	\$ 120,000	\$ 63,856

The City of Santa Rosa received an appropriation of \$40,000 to plan, design, construct, renovate, landscape, furnish and equip improvements to the Ilfeld Warehouse and grounds, including the parking lot.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2016, Chapter 83 Section 45, Paragraph 45	August, 2016 to June 30, 2018	\$ 40,000	\$ 40,000

The City of Santa Rosa received an appropriation of \$100,000 to plan, design, construct, renovate, furnish and landscape facilities and a parking lot at the Ilfeld Warehouse.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2016, Chapter 83 Section 47, Paragraph 47	August, 2016 to June 30, 2018	\$ 100,000	\$ 100,000

Notes to Financial Statements (continued)

14. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Lodgers Tax Fund</u>	<u>Recreation Fund</u>	<u>River Road Drainage Fund</u>	<u>Airport Construction Fund</u>	<u>Other Governmental Fund</u>	<u>Totals</u>
<u>Nonspendable:</u>							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total nonspendable	-	-	-	-	-	-	-
<u>Restricted for:</u>							
Road improvements	-	-	-	-	-	47,015	47,015
Fire protection	-	-	-	-	-	48,628	48,628
Law enforcement	-	-	-	-	-	1,103	1,103
Emergency services	-	-	-	-	-	16,424	16,424
Local government corrections	-	-	-	-	-	6,131	6,131
Senior services	-	-	-	-	-	27,857	27,857
Debt service	240,690	-	-	-	-	-	240,690
Convention services	-	-	-	-	-	792	792
Tourism programs	-	501,215	-	-	-	-	501,215
Culture and recreation	29,070	-	99,969	-	-	5,848	134,887
Capital outlay	396,077	-	-	-	3,975	65,733	465,785
Total restricted	665,837	501,215	99,969	-	3,975	219,531	1,490,527
<u>Committed to:</u>							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
<u>Unassigned:</u>	561,073	-	-	-	-	-	561,073
Total Fund Balances	\$ 1,226,910	\$ 501,215	\$ 99,969	\$ -	\$ 3,975	\$ 219,531	\$ 2,051,600

NON-MAJOR FUNDS

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Governmental Funds
Combining Balance Sheet - By Fund Type
June 30, 2017

	Special Revenue Funds	Capital Project Funds	Totals
ASSETS			
Cash on deposit	\$ 117,806	\$ 114,852	\$ 232,658
Accounts receivable	35,992	-	35,992
Total assets	<u>\$ 153,798</u>	<u>\$ 114,852</u>	<u>\$ 268,650</u>
LIABILITIES			
Cash overdraft	\$ -	\$ -	\$ -
Due to other funds	-	49,119	49,119
Total liabilities	<u>-</u>	<u>49,119</u>	<u>49,119</u>
FUND BALANCE			
Nonspendable	-	-	-
Restricted	153,798	65,733	219,531
Committed	-	-	-
Unassigned	-	-	-
Total fund balance	<u>153,798</u>	<u>65,733</u>	<u>219,531</u>
Total liabilities and fund balance	<u>\$ 153,798</u>	<u>\$ 114,852</u>	<u>\$ 268,650</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - By Fund Type
Year Ended June 30, 2017

Statement A-2

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Gas taxes	244,809	-	244,809
Charges for services	70,221	-	70,221
Licenses and permits	-	-	-
Fines and forfeitures	1,500	-	1,500
Local sources	13,700	-	13,700
State sources	300,163	333,647	633,810
Federal sources	36,264	-	36,264
State shared taxes	-	-	-
Earnings from investments	4,021	611	4,632
	670,678	334,258	1,004,936
EXPENDITURES			
Current:			
General government	-	50,000	50,000
Highways and streets	266,597	-	266,597
Public safety	121,692	-	121,692
Culture and recreation	587,474	-	587,474
Capital outlay	221,997	303,083	525,080
Debt service			
Principle	157,098	-	157,098
Interest	49,815	-	49,815
	1,404,673	353,083	1,757,756
Excess (deficiency) of revenues over expenditures	(733,995)	(18,825)	(752,820)
OTHER FINANCING SOURCES (USES)			
Transfers in	663,233	20,312	683,545
Transfer out	-	(1,702)	(1,702)
	663,233	18,610	681,843
Net change in fund balance	(70,762)	(215)	(70,977)
Fund balance at beginning of year	224,560	65,948	290,508
Fund balance at end of year	\$ 153,798	\$ 65,733	\$ 219,531

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

GAS TAX FUND - To account for the receipt of the statewide increase of two cents per gallon of gasoline tax, which one cent is redistributed, to municipalities for highway and street maintenance. (Authority is NMSA 7-24A-3)

EMERGENCY MEDICAL SERVICES FUND - To account for grant funds received from state sources for development of an EMS system within the City. (Authority DOH 7 NMAC 27.4)

LAW ENFORCEMENT PROTECTION FUND - To account for grants received from state sources for the purpose of buying equipment for the City Police department. (Authority is NMSA 29-13-3)

CONVENTION AND VISITORS CENTER - To account for the 2% increase imposed on Lodgers Tax for the construction and operations of a new convention/visitors information center. (Authority is City Council and NMSA 3-38-13)

LIBRARY FUND - To account for the operations and maintenance of the Moise Memorial Library. Financing is provided by donations. The donations provide for payment of all current operating costs and may be used only for that purpose. Also, financing is provided by the New Mexico State Library GO Bonds for Public Library Resources, Laws of New Mexico 2002, Chapter 93. Also, a grant from Bill and Melinda Gates Foundation Matching Computer Grant was received for the year. (Authority is City Council)

MAIN STREET FUND - To account for annual Route 66 Festivals and their operations. Funding is from yearly transfers and fees charged during the Festivals.

CORRECTIONS FUND - To account for the fines collected on local violations by the City Court to be used for the costs associated with housing City prisoners. (Authority is NMSA 35-14-11)

LODGERS TAX PROMOTION - To account for funds received for the purpose of advertising, publishing and promoting the City's image. Source of funds are from a lodgers tax appropriation. (Authority is City Council and NMSA 3-38-13)

EMS FIRE AND RESCUE FUND - To account for the operations of the City's Emergency Medical Services Unit. Sources of funds are the State of New Mexico Health and Environmental Department and the Emergency Medical Services Bureau. (Authority is NMSA 24-10A-6 & 24-10B-1 & 2)

FIRE PROTECTION FUND - To account for the operations and maintenance of the fire department. Contributions and grants from the state fire allotment provides financing. (Authority is NMSA 59A-53-1)

NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

SENIOR CITIZENS FUND - To account for funds received from the U.S. Department of Agriculture through the Eastern New Mexico Area Agency on Aging, Inc. to be used solely for the purchase of United States Agriculture Commodities and other foods produced in the United States for the use in the food operations at the Senior Center. Also, to account for funds received from the U.S. Department of Health and Human Services passed through the Eastern New Mexico Area Agency on Aging, Inc. and State General Funds as authorized by the New Mexico General Appropriations Act (Chapter 4, 2002 Laws of New Mexico) to provide services such as information and assistance; outreach/client finding; transportation; telephone reassurance; recreation and screening. Authority is a combination of the Older Americans Act of 1965 and the New Mexico General Appropriations Act (Chapter 4, 2002 Laws of New Mexico).

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund	Mainstreet Fund
ASSETS						
Cash on deposit	\$ 26,730	\$ 214	\$ 1,103	\$ 792	\$ 3,041	\$ 2,807
Accounts receivable	<u>20,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 47,015</u>	<u>\$ 214</u>	<u>\$ 1,103</u>	<u>\$ 792</u>	<u>\$ 3,041</u>	<u>\$ 2,807</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted	47,015	214	1,103	792	3,041	2,807
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>47,015</u>	<u>214</u>	<u>1,103</u>	<u>792</u>	<u>3,041</u>	<u>2,807</u>
Total liabilities and fund balance	<u>\$ 47,015</u>	<u>\$ 214</u>	<u>\$ 1,103</u>	<u>\$ 792</u>	<u>\$ 3,041</u>	<u>\$ 2,807</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2017

	Corrections Fund	Lodger's Tax Promotion Fund	EMS/Fire Rescue Fund	Fire Protection Fund	Senior Citizens Fund	Totals
ASSETS						
Cash on deposit	\$ 6,131	\$ -	\$ 16,210	\$ 48,628	\$ 12,150	\$ 117,806
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,707</u>	<u>35,992</u>
Total assets	<u>\$ 6,131</u>	<u>\$ -</u>	<u>\$ 16,210</u>	<u>\$ 48,628</u>	<u>\$ 27,857</u>	<u>\$ 153,798</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted	6,131	-	16,210	48,628	27,857	153,798
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>6,131</u>	<u>-</u>	<u>16,210</u>	<u>48,628</u>	<u>27,857</u>	<u>153,798</u>
Total liabilities and fund balance	<u>\$ 6,131</u>	<u>\$ -</u>	<u>\$ 16,210</u>	<u>\$ 48,628</u>	<u>\$ 27,857</u>	<u>\$ 153,798</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2017

Statement B-2
Page 1 of 2

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund	Mainstreet Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	244,809	-	-	-	-	-
Charges for services	-	-	-	56,531	-	-
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Local sources	-	-	-	-	13,000	700
State sources	-	21,043	24,200	-	7,733	-
Federal sources	-	-	-	-	-	-
Earnings from investments	233	57	80	2,650	136	22
Total revenues	<u>245,042</u>	<u>21,100</u>	<u>24,280</u>	<u>59,181</u>	<u>20,869</u>	<u>722</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Highways and streets	266,597	-	-	-	-	-
Public safety	-	21,449	8,743	-	-	-
Culture and recreation	-	-	-	176,749	34,912	2,284
Capital outlay	15,984	-	-	194,174	-	-
Debt service:						
Principle	-	-	15,384	90,650	-	-
Interest	-	-	46	48,512	-	-
Total expenditures	<u>282,581</u>	<u>21,449</u>	<u>24,173</u>	<u>510,085</u>	<u>34,912</u>	<u>2,284</u>
Excess (deficiency) of revenues over expenditures	<u>(37,539)</u>	<u>(349)</u>	<u>107</u>	<u>(450,904)</u>	<u>(14,043)</u>	<u>(1,562)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	563	300	381,709	-	-
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>563</u>	<u>300</u>	<u>381,709</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(37,539)	214	407	(69,195)	(14,043)	(1,562)
Fund balance, beginning of year	<u>84,554</u>	<u>-</u>	<u>696</u>	<u>69,987</u>	<u>17,084</u>	<u>4,369</u>
Fund balance, end of year	<u>\$ 47,015</u>	<u>\$ 214</u>	<u>\$ 1,103</u>	<u>\$ 792</u>	<u>\$ 3,041</u>	<u>\$ 2,807</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2017

Statement B-2
Page 2 of 2

	Corrections Fund	Lodger's Tax Promotion Fund	EMS/Fire Rescue Fund	Fire Protection Fund	Senior Citizens Fund	Totals
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-	-	244,809
Charges for services	-	-	-	-	13,690	70,221
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	1,500	-	-	-	-	1,500
Local sources	-	-	-	-	-	13,700
State sources	-	-	-	188,506	58,681	300,163
Federal sources	-	-	-	-	36,264	36,264
Earnings from investments	9	-	107	691	36	4,021
Total revenues	<u>1,509</u>	<u>-</u>	<u>107</u>	<u>189,197</u>	<u>108,671</u>	<u>670,678</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	266,597
Public safety	6,825	-	-	84,675	-	121,692
Culture and recreation	-	212,361	-	-	161,168	587,474
Capital outlay	-	-	-	11,839	-	221,997
Debt service:						
Principle	-	-	-	51,064	-	157,098
Interest	-	-	-	1,257	-	49,815
Total expenditures	<u>6,825</u>	<u>212,361</u>	<u>-</u>	<u>148,835</u>	<u>161,168</u>	<u>1,404,673</u>
Excess (deficiency) of revenues over expenditures	<u>(5,316)</u>	<u>(212,361)</u>	<u>107</u>	<u>40,362</u>	<u>(52,497)</u>	<u>(733,995)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	7,500	212,361	-	-	60,800	663,233
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>7,500</u>	<u>212,361</u>	<u>-</u>	<u>-</u>	<u>60,800</u>	<u>663,233</u>
Net change in fund balance	2,184	-	107	40,362	8,303	(70,762)
Fund balance, beginning of year	3,947	-	16,103	8,266	19,554	224,560
Fund balance, end of year	<u>\$ 6,131</u>	<u>\$ -</u>	<u>\$ 16,210</u>	<u>\$ 48,628</u>	<u>\$ 27,857</u>	<u>\$ 153,798</u>

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

NON-MAJOR CAPITAL PROJECT FUNDS

SAFE ROUTES TO SCHOOL - To account for funds received to construct pedestrian facilities on designated streets located within City limits.

BLUE HOLE IMPROVEMENTS - To account for improvements to include under water cleanup (dredging) spring investigation and work and immediate site improvements. Funding to be provided by a Special Appropriations Severance Tax.

POWER DAM IMPROVEMENTS FUND - To account for resources received to make repairs to the dam. Initial funds are from transfers out of the General Fund.

YCC GRANT - To account for funds received for the purpose of promoting the education, success and well being of youth in the City. Funding and authority are dictated by the grant received.

BLUE HOLE ROAD AND DRAINAGE IMPROVEMENTS - To account for funds received from grants and matching from other funds to upgrade the road and drainage system at the Blue Hole Park.

CULTURAL CORRIDORS FUND - To account for a transfer from the General Fund to improve areas of the City to eventually promote tourism.

CDBG 2ND STREET - To account for funds received from New Mexico Department of Transportation grants and matching resources from other funds to account for the improvements of infrastructure and utilities along 2nd Street.

DOWNTOWN IMPROVEMENTS - To account for a transfer from the General Fund to improve the Downtown area and to eventually promote tourism.

ILFELD - To account for funds received to restore and renovate the Ilfeld building.

CDBG 5TH STREET - To account for funds received from a NM Department of Transportation Cooperative Grant to plan and design, construction management, construction, reconstruction, pavement rehab, drainage improvements and miscellaneous construction to various streets.

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Capital Projects Fund
Combining Balance Sheet
June 30, 2017

Statement C-1
Page 1 of 2

	Safe Routes to School Fund	Blue Hole Improvement Fund	Power Dam Improvements Fund	YCC Grant Fund	Blue Hole Road & Drainage Improvements Fund
ASSETS					
Cash on deposit	\$ -	\$ 407	\$ 11,647	\$ -	\$ 11,001
Accounts receivable	-	-	-	-	-
Total assets	\$ -	\$ 407	\$ 11,647	\$ -	\$ 11,001
LIABILITIES					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
FUND BALANCES					
Restricted	-	407	11,647	-	11,001
Unassigned	-	-	-	-	-
Total fund balance	-	407	11,647	-	11,001
Total liabilities and fund balances	\$ -	\$ 407	\$ 11,647	\$ -	\$ 11,001

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Capital Projects Fund
Combining Balance Sheet
June 30, 2017

Statement C-1
Page 2 of 2

	Cultural Corridors Fund	CDGB 2nd Street	Downtown Improvements	Ilfeld Fund	CDBG 5th Street	Total
ASSETS						
Cash on deposit	\$ 6,380	\$ 26,480	\$ 6,224	\$ 3,620	\$ 49,093	\$ 114,852
Accounts receivable	-	-	-	-	-	-
Total assets	<u>\$ 6,380</u>	<u>\$ 26,480</u>	<u>\$ 6,224</u>	<u>\$ 3,620</u>	<u>\$ 49,093</u>	<u>\$ 114,852</u>
LIABILITIES						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	49,119	-	49,119
Total liabilities	-	-	-	49,119	-	49,119
FUND BALANCES						
Restricted	6,380	26,480	6,224	(45,499)	49,093	65,733
Unassigned	-	-	-	-	-	-
Total fund balance	<u>6,380</u>	<u>26,480</u>	<u>6,224</u>	<u>(45,499)</u>	<u>49,093</u>	<u>65,733</u>
Total liabilities and fund balances	<u>\$ 6,380</u>	<u>\$ 26,480</u>	<u>\$ 6,224</u>	<u>\$ 3,620</u>	<u>\$ 49,093</u>	<u>\$ 114,852</u>

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

STATE OF NEW MEXICO
 CITY OF SANTA ROSA
 Non-Major Capital Projects Fund
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2017

	Safe Routes to School Fund	Blue Hole Improvement Fund	Power Dam Improvements Fund	YCC Grant Fund	Blue Hole Road & Drainage Improvements Fund
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	190,683	-	50,000	-	-
Federal sources	-	-	-	-	-
Earnings from investments	175	2	75	-	71
Total revenues	<u>190,858</u>	<u>2</u>	<u>50,075</u>	<u>-</u>	<u>71</u>
EXPENDITURES					
General government	-	-	50,000	-	-
Capital outlay	200,588	-	-	-	-
Total expenditures	<u>200,588</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(9,730)</u>	<u>2</u>	<u>75</u>	<u>-</u>	<u>71</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,039	-	-	-	-
Transfers out	-	-	-	(1,702)	-
Loan proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>8,039</u>	<u>-</u>	<u>-</u>	<u>(1,702)</u>	<u>-</u>
Net change in fund balance	(1,691)	2	75	(1,702)	71
Fund balance, beginning of year	<u>1,691</u>	<u>405</u>	<u>11,572</u>	<u>1,702</u>	<u>10,930</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ 407</u></u>	<u><u>\$ 11,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,001</u></u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Non-Major Capital Projects Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2017

Statement C-2
Page 2 of 2

	Cultural Corridors Fund	CDBG 2nd Street	Downtown Improvements	Ilfeld Fund	CDBG 5th Street	Totals
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	56,144	36,820	333,647
Federal sources	-	-	-	-	-	-
Earnings from investments	42	-	41	205	-	611
	<u>42</u>	<u>-</u>	<u>41</u>	<u>205</u>	<u>-</u>	<u>611</u>
Total revenues	42	-	41	56,349	36,820	334,258
EXPENDITURES						
General government	-	-	-	-	-	50,000
Capital outlay	-	-	-	102,495	-	303,083
	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,495</u>	<u>-</u>	<u>353,083</u>
Total expenditures	-	-	-	102,495	-	353,083
Excess (deficiency) of revenues over expenditures	42	-	41	(46,146)	36,820	(18,825)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	12,273	20,312
Transfers out	-	-	-	-	-	(1,702)
Loan proceeds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-	12,273	18,610
Net change in fund balance	42	-	41	(46,146)	49,093	(215)
Fund balance, beginning of year	6,338	26,480	6,183	647	-	65,948
	<u>6,338</u>	<u>26,480</u>	<u>6,183</u>	<u>647</u>	<u>-</u>	<u>65,948</u>
Fund balance, end of year	<u>\$ 6,380</u>	<u>\$ 26,480</u>	<u>\$ 6,224</u>	<u>\$ (45,499)</u>	<u>\$ 49,093</u>	<u>\$ 65,733</u>

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

GENERAL FUND DETAIL

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund. This fund includes the Operations Accounts, the Airport Account which is the operations of the airport and the Golf Account which is the operations of the golf course. The Airport Account and the Golf Account are subsidized by the City for any operating deficits.

STATE OF NEW MEXICO
CITY OF SANTA ROSA
General Fund
Combining Balance Sheet
June 30, 2017

Statement D-1

	Operational Fund	Golf Fund	Airport Fund	Totals
ASSETS				
Cash on deposit	\$ 1,115,808	\$ 28,228	\$ 16,989	\$ 1,161,025
Accounts receivable	176,803	-	-	176,803
Due from other funds	49,119	-	-	49,119
Total assets	\$ 1,341,730	\$ 28,228	\$ 16,989	\$ 1,386,947
LIABILITIES				
Accounts payable	\$ 144,160	\$ -	\$ -	\$ 144,160
Due to other funds	-	16,147	-	16,147
Total liabilities	144,160	16,147	-	160,307
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted	636,767	12,081	16,989	665,837
Committed	-	-	-	-
Unassigned	560,803	-	-	560,803
Total fund balance	1,197,570	12,081	16,989	1,226,640
Total liabilities and fund balance	\$ 1,341,730	\$ 28,228	\$ 16,989	\$ 1,386,947

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
General Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2017

	Operational Fund	Golf Fund	Airport Fund	Totals
REVENUES				
Taxes	\$ 230,215	\$ -	\$ -	\$ 230,215
Franchise taxes	17,530	-	-	17,530
Gross receipts taxes	2,099,142	-	-	2,099,142
Charges for services	5,907	19,189	34,058	59,154
Licenses and permits	9,745	-	-	9,745
Fines and forfeits	5,252	-	-	5,252
Local sources	762,401	15,000	5	777,406
State sources	96,660	-	-	96,660
Federal sources	9,305	-	-	9,305
Earnings from investments	7,846	28	39	7,913
Total revenues	3,244,003	34,217	34,102	3,312,322
EXPENDITURES				
Current:				
General government	1,656,325	-	-	1,656,325
Highways and streets	-	-	-	-
Public safety	731,543	-	-	731,543
Culture and recreation	402,224	63,419	47,516	513,159
Capital outlay	40,677	26,147	-	66,824
Debt service:				
Loan principle	145,325	-	-	145,325
Loan interest	68,071	-	-	68,071
Total expenditures	3,044,165	89,566	47,516	3,181,247
Excess (deficiency) of revenues over expenditures	199,838	(55,349)	(13,414)	131,075
OTHER FINANCING SOURCES (USES)				
Transfers in	1,703	56,981	24,000	82,684
Transfers out	(272,775)	-	-	(272,775)
Loan proceeds	-	-	-	-
Total other financing sources (uses)	(271,072)	56,981	24,000	(190,091)
Net change in fund balance	(71,234)	1,632	10,586	(59,016)
Fund balance, beginning of year	1,268,804	10,449	6,403	1,285,656
Fund balance at end of year	\$ 1,197,570	\$ 12,081	\$ 16,989	\$ 1,226,640

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF SANTA ROSA
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND MUNICIPAL GENERAL DIVISION
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2015	2016	2017
City of Santa Rosa's proportion of net pension liability (asset)	0.1185%	0.1257%	0.1282%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 924,427	\$ 1,281,620	\$ 2,048,205
City of Santa Rosa's covered-employee payroll	\$ 1,042,204	\$ 1,097,488	\$ 1,161,121
City of Santa Rosa's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.70%	117.00%	176.00%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF SANTA ROSA
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND MUNICIPAL POLICE DIVISION
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2015	2016	2017
City of Santa Rosa's proportion of net pension liability (asset)	0.1150%	0.1370%	0.1515%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 3,748,887	\$ 658,773	\$ 1,117,813
City of Santa Rosa's covered-employee payroll	\$ 268,612	\$ 301,299	\$ 276,026
City of Santa Rosa's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.57%	219.00%	405.00%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF SANTA ROSA
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 99,267	\$ 104,807	\$ 110,884
Contributions in relation to the contractually required contribution	<u>(99,267)</u>	<u>(104,807)</u>	<u>(110,884)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 1,042,204	\$ 1,097,488	\$ 1,161,121
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.55%

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF SANTA ROA
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 50,768	\$ 56,945	\$ 52,169
Contributions in relation to the contractually required contribution	<u>(50,768)</u>	<u>(56,945)</u>	<u>(52,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 268,612	\$ 301,299	\$ 276,026
Contributions as a percentage of covered-employee payroll	18.9%	18.9%	18.9%

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

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf

See Independent Auditor's Report
See notes to required supplementary information

SUPPLEMENTARY INFORMATION

AGENCY FUND

ACTIVITY FUND - To account for resources received from a General Fund transfer and from entry fees for events so that prizes and awards can be provided to the event participants.

AGENCY FUND - To account for Judicial Education Center fees and Administrative Office of the Courts fees that are charges from traffic and non-traffic citations issued by the police department of the City of Santa Rosa.

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Schedule of Changes in Assets
and Liabilities - All Agency Funds
Year Ended June 30, 2017

	Balances June 30, 2016	Additions	Deletions	Balances June 30, 2017
ASSETS				
Cash	\$ 2,243	\$ 227,442	\$ 219,645	\$ 10,040
Total assets	<u>\$ 2,243</u>	<u>\$ 227,442</u>	<u>\$ 219,645</u>	<u>\$ 10,040</u>
LIABILITIES				
Deposits held for others	\$ 2,189	\$ 148,655	\$ 141,627	\$ 9,217
Due to other agencies	54	78,787	78,018	823
Total liabilities	<u>\$ 2,243</u>	<u>\$ 227,442</u>	<u>\$ 219,645</u>	<u>\$ 10,040</u>

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

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Originating Funding Source and Program</u>	<u>Pass Through Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through Eastern New Mexico Area on Aging, Inc. Cash in Lieu of Commodities	N/A	10.570	<u>12,060</u>
Total U.S. Department of Agriculture			<u>12,060</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration	3-35-0038-013-2015	20.106	75,678
Federal Aviation Administration	3-35-0038-015-2016	20.106	112,948
Passed through NM State Highway and Transportation Department:			
100 Days/Nights	16-DS-PT-092	20.600	2,172
STEP	16-ST-05d-092	20.600	5,702
BLKUP	16-OP-RF-092	20.600	1,431
Safe Routes to School	N/A	20.205	<u>132,968</u>
Total Department of Transportation			<u>330,899</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Eastern New Mexico Area Agency on Aging, Inc.			
Title III B	N/A	93.044	5,489
Title III C1	N/A	93.045	13,930
Title III C2	N/A	93.045	<u>2,235</u>
Total Department of Health and Human Services			<u>21,654</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Department of Finance and Administration			
*CDBG	14-C-RS-1-01-G-10	14.228	<u>454,663</u>
Total Department of Homeland Security			<u>454,663</u>
Total Expenditures of Federal Awards			<u><u>\$ 819,276</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Santa Rosa and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

2. Non-Cash Assistance

NONE

3. Subrecipients

The City did not provide any federal awards to subrecipients during the year.

4. Federal Awards Receivable

There are federal programs that have not received reimbursement for expenditures made within those programs. Those receivables are expected to be received in the following year. Those programs include:

Title III B	CFDA#93.044	\$	1,433
Title III C1	CFDA#93.045	\$	2,472
Cash in Lieu of Commodities	CFDA#10.570	\$	2,551

*Treated as a Major Program

Rice and Associates, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne A. Johnson
New Mexico State Auditor
and
Honorable Mayor Joseph Campos
and City Council
City of Santa Rosa
Santa Rosa, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Lodgers Tax and Recreation Funds of the City of Santa Rosa, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Santa Rosa's basic financial statements, and the combining and individual funds, presented as supplemental information, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Santa Rosa's internal control over financial reporting as a basis for designing our auditing procedures 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 of Santa Rosa internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Santa Rosa internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

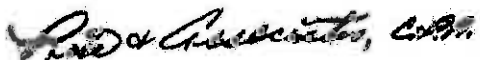
As part of obtaining reasonable assurance about whether the City of Santa Rosa financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and 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 under Government Auditing Standards, which are described in the accompanying Status of Findings and Responses as Water Meter Deposits (2014-016), Capital Asset Listing/Depreciation Schedule (2016-001), Failure to Receipt Monies Timely (2016-002) and Court Fees Not Timely Remitted to the State (2016-003).

Responses to the Findings

City of Santa Rosa responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Status of Findings and Responses. The City of Santa Rosa's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Albuquerque, New Mexico
December 11, 2017

Rice and Associates, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Wayne A. Johnson
New Mexico State Auditor
and
Honorable Mayor Joseph Campos
and City Council
City of Santa Rosa
Santa Rosa, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Rosa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Santa Rosa's major federal programs for the year ended June 30, 2017. The City of Santa Rosa's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Santa Rosa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those Standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Santa Rosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Santa Rosa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Santa Rosa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Santa Rosa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Santa Rosa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Santa Rosa's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rid & Associates, CPA

Albuquerque, New Mexico
December 11, 2017

STATE OF NEW MEXICO
CITY OF SANTA ROSA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Part 1 - Summary of Auditor Results

Financial Statements

1. Type of Report - Unmodified
2. Internal Control Over Financial Reporting:
 - a. Material Weaknesses - NONE
 - b. Significant Deficiencies - NONE
 - c. Material Non-Compliance - NONE

Federal Awards

3. Internal Control Over Major Federal Programs:
 - a. Material Weaknesses - NONE
 - b. Significant Deficiencies - NONE
4. Type of Report Issued on Compliance with the Major Program - Unmodified
5. Section 200.516 of the Uniform Guidance Audit Findings - NONE
6. Major Programs - Community Development Block Grant CFDA #14.218
7. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$750,000
8. The City of Santa Rosa did not qualify as a low-risk auditee

Part 2 - Findings Related to Financial Statements

Water Meter deposits (2014-016)
Capital Asset Listing/Depreciation Schedule (2016-001)
Failure to Receipt Monies Timely (2016-002)
and
Court Fees Not timely Remitted to the State (2016-003)

Part 3 - Findings Related to Federal Award Programs

NONE

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

1. Deposits in Transit (2014-003) - Resolved.
2. Transactions Made by Third Parties Not Recorded on Books of Record (2014-005)- Resolved.
3. Water Meter Deposits (2014-016) - Repeated.
4. Budget Overruns (2014-018) - Resolved.
5. Capital Asset Listing/Depreciation Schedule - (2016-001) - Repeated.
6. Failure to Receipt Monies Timely - (2016-002) - Repeated.
7. Court Fees Not Timely Remitted to the State - (2016-003) - Repeated.
8. Debt Collection Policy - (2016-004) - Resolved.
9. Receipts not Deposited within Twenty Four Hours - (2016-005) - Resolved.
10. Pre-Numbered Checks - (2016-006) - Resolved.

Current Year Audit Findings:

NONE

Water Meter Deposits - Other Matter
(2014-016)

CONDITION	The City reconciled the meter deposit at the end of the fiscal year. The list only posts \$55,873 in deposits due. The trial balance on the system however, still shows \$68,278 due. Neither of these amounts agrees to the \$70,096 shown as cash in bank for customer meter deposits in the audit report. The City has made some progress as stated above.
CRITERIA	The monthly meter deposit list should be reconciled and agreed to the reconciled bank account each month. This complies with good accounting practices.
CAUSE	Management is aware of this situation and has completed an accurate meter deposit list and reconciled it to the reconciled bank account at June 30, 2017. The City has still not changed the books of record.
EFFECT	Available resources could not be budgeted for and used in the Water Fund.
RECOMMENDATION	Management should designate an employee to perform this duty each month, identify differences and resolve those differences.
RESPONSE	The Clerk/Finance Officer will designate an employee to perform this duty each month, identify any differences and resolve those differences. This will be completed by March 1, 2018.

Capital Asset Listing/Depreciation Schedule -
Other Matter
(2016-001)

CONDITION	The City provided a Capital Asset Listing and Depreciation Schedule that had current year additions and current year depreciation for the fiscal year ending June 30, 2017, however it was not complete as to additions and some of the depreciation calculations were incorrect.
CRITERIA	A complete clear capital asset listing segregated by fund by major class needs to be prepared annually. A depreciation schedule should be maintained. The depreciation schedule should be separated by each major class of asset to comply with GASB 34.177a. Also, a depreciation schedule is required to comply with 2.20.1.12 NMAC.
CAUSE	Management of the City is relying on a consultant to prepare this schedule.
EFFECT	Management is not complying with Generally Accepted Accounting Principles.
RECOMMENDATION	Management should update their capital asset list including depreciation based on the policy approved by the Board.
RESPONSE	The Clerk/Finance Officer will update the capital asset listing and current year depreciation for the fiscal year 2017-2018 by June 30, 2018.

Failure to Receipt Monies Timely - Other Matter
(2016-002)

CONDITION	In 6 of 12 tested, the City receipted monies over 30 days past the date deposited. The City also did not receipt all monies in chronological order. The City has not made any progress in this area.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements.
CAUSE	Management is not ensuring proper internal controls are being performed to ensure that all monies are being receipted timely and in the same order the monies are received.
EFFECT	Management is not complying with Generally Accepted Accounting Principles.
RECOMMENDATION	Management should ensure all monies being deposited are receipted, receipted timely as monies are received, and in chronological order.
RESPONSE	The Cash Collection Clerk will ensure all monies that are being deposited are receipted timely as monies are received and in chronological order. This will be done by January 1, 2018.

Court Fees Not Timely Remitted to the State - Other Matter

(2016-003)

CONDITION	The City Court is not remitting the \$6 Automation Fee or \$3 Education Fee timely. Three of the twelve months tested were remitted to the State over 30 days past the end of the reporting month.
CRITERIA	All automation and education fees should be remitted to the State within 30 days after the end of each month.
CAUSE	The previous employee in charge of these reports left and a replacement was not hired right away.
EFFECT	The Court is not complying with the required filing deadline.
RECOMMENDATION	Management needs to ensure these reports and fees are remitted within 30 days of the end of each reporting month.
RESPONSE	The Court Clerk and Deputy Finance Officer will ensure these reports and fees are remitted within 30 days after each reporting month. This will be done by January 1, 2018.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2017 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the City on December 11, 2017 to discuss the current audit report. In attendance were Mr. Joseph Campos, Mayor, Mr. Tim Dodge, City Manager, Ms. Yolanda Garcia, City Clerk/Finance Officer and Ms. Pamela A. Rice, CPA, Contract Auditor.