

State of New Mexico

**Santa Rosa**

NEW MEXICO

**The City of Natural Lakes**



FOR YEAR ENDED JUNE 30, 2018

ANNUAL FINANCIAL REPORT

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

CITY OF SANTA ROSA

AUDIT REPORT

For The Year Ended June 30, 2018

(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, 2018

City Council

<u>Name</u>	<u>Title</u>
Mr. Nelson Kotiar	Mayor
Mr. Patrick Cordova	Mayor Pro-Tem
Mr. Harold Sexton	Council Member
Mr. Richard Muniz	Council Member
Mr. Joseph Romero	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 Johnson  
New Mexico State Auditor  
and  
Honorable Mayor Nelson Kotiar  
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, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General and Lodger's Tax Funds of the City of Santa Rosa, as of and for the year ended June 30, 2018, 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 and fiduciary 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, 2018 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Rosa, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General and Lodger's Tax 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 fiduciary funds of the City of Santa Rosa, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

##### *Adoption of New Accounting Pronouncement*

As discussed in Note 13 to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement (GASB) No 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

#### 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 and also Schedules VI and VII 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.

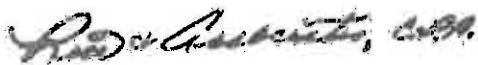
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City of Santa Rosa's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Changes in Assets and Liabilities - All Agency Funds required by Section 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities - All Agency Funds is 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 Schedule of Changes in Assets and Liabilities - All Agency Funds is 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 16, 2018 on our consideration of the City of Santa Rosa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Santa Rosa's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
December 16, 2018

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Statement of Net Position  
June 30, 2018

Statement 1  
Page 1 of 2

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 1,558,039	\$ 569,413	\$ 2,127,452
Accounts receivable (net of uncollectible accounts)	318,615	228,378	546,993
Due from grantor	-	202,176	202,176
Due from other funds	<u>2,800</u>	<u>17,898</u>	<u>20,698</u>
Total current assets	<u>1,879,454</u>	<u>1,017,865</u>	<u>2,897,319</u>
Restricted Assets (Cash)			
Customer meter deposits	-	71,876	71,876
Repair and replacement	-	393,350	393,350
Sewer asset management	-	42,940	42,940
Debt service reserve	249,875	196	250,071
Capital outlay	<u>28,830</u>	<u>-</u>	<u>28,830</u>
Total restricted assets	<u>278,705</u>	<u>508,362</u>	<u>787,067</u>
Capital Assets			
Land	1,688,145	158,559	1,846,704
Land improvements	5,694,629	-	5,694,629
Buildings and improvements	11,196,141	385,532	11,581,673
Airport	7,638,167	-	7,638,167
Infrastructure	9,816,709	-	9,816,709
Vehicles	711,939	348,063	1,060,002
Equipment	1,222,437	229,083	1,451,520
Heavy Equipment	2,113,355	1,195,056	3,308,411
Plant	<u>-</u>	<u>19,394,287</u>	<u>19,394,287</u>
Total capital assets	<u>40,081,522</u>	<u>21,710,580</u>	<u>61,792,102</u>
Less accumulated depreciation	<u>(17,488,580)</u>	<u>(8,856,592)</u>	<u>(26,345,172)</u>
Total capital assets (net of accumulated depreciation)	<u>22,592,942</u>	<u>12,853,988</u>	<u>35,446,930</u>
Deferred outflows of resources			
related to pension	756,403	-	756,403
Deferred outflows of resources related to OPEB	<u>30,773</u>	<u>-</u>	<u>30,773</u>
Total deferred outflows of resources	<u>787,176</u>	<u>-</u>	<u>787,176</u>
Total assets	<u><b>\$ 25,538,277</b></u>	<u><b>\$ 14,380,215</b></u>	<u><b>\$ 39,918,492</b></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, 2018

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts payable	\$ 142,401	\$ 30,853	\$ 173,254
Customer meter deposits (restricted)	-	69,563	69,563
Accrued interest payable	102,453	-	102,453
Revenue bonds payable - current portion	196,003	85,400	281,403
Loans payable - current portion	71,161	25,000	96,161
Due to other funds	5,792	24,257	30,049
	<u>517,810</u>	<u>235,073</u>	<u>752,883</u>
Total current liabilities			
Non-Current Liabilities			
Revenue bonds payable (less current portion)	1,875,235	4,364,100	6,239,335
Compensated absences payable	76,453	27,488	103,941
Landfill closure and post closure liability	-	674,893	674,893
Net Pension liability	2,560,440	-	2,560,440
OPEB liability	1,586,537	-	1,586,537
Loans payable (less current portion)	928,758	139,826	1,068,584
NM Environment loans	-	900,000	900,000
	<u>7,027,423</u>	<u>6,106,307</u>	<u>13,133,730</u>
Total non-current liabilities			
Total liabilities			
	<u>7,545,233</u>	<u>6,341,380</u>	<u>13,886,613</u>
Deferred Inflows of resources			
related to pension	337,459	-	337,459
Deferred Inflows of resources			
related to OPEB liability	361,092	-	361,092
	<u>698,551</u>	<u>-</u>	<u>698,551</u>
Total deferred inflows of resources			
Net Position			
Net investment			
in capital assets	19,521,785	7,339,661	26,861,446
Restricted for repair and replacement	-	283,683	283,683
Restricted for capital outlay	46,385	193	46,578
Restricted for debt service	249,875	152,610	402,485
Restricted for special grants	422,993	-	422,993
Restricted for State mandated reserves	269,022	-	269,022
Unrestricted	(3,215,567)	262,688	(2,952,879)
	<u>17,294,493</u>	<u>8,038,835</u>	<u>25,333,328</u>
Total net position			
Total liabilities and net position			
	<u>\$ 25,538,277</u>	<u>\$ 14,380,215</u>	<u>\$ 39,918,492</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, 2018

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
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,872,488	\$ 97,727	\$ 717,448	\$ 786,557	\$ (270,756)	\$ -	\$ (270,756)
Highways and streets	216,946	-	-	-	(216,946)	-	(216,946)
Public safety	1,069,605	-	271,412	-	(798,193)	-	(798,193)
Culture and recreation	1,788,461	657,350	159,175	-	(971,936)	-	(971,936)
Depreciation - unallocated	1,126,160	-	-	-	(1,126,160)	-	(1,126,160)
Interest	103,764	-	-	-	(103,764)	-	(103,764)
Total governmental activities	<u>6,177,424</u>	<u>755,077</u>	<u>1,148,035</u>	<u>786,557</u>	<u>(3,487,755)</u>	<u>-</u>	<u>(3,487,755)</u>
Business-type activities:							
Water/sewer services	1,751,992	1,148,709	84,617	27,141	-	(491,525)	(491,525)
Solid waste services	440,825	405,582	28,218	-	-	(7,025)	(7,025)
Ambulance services	267,823	288,765	-	-	-	20,942	20,942
Los Amigos	795,470	775,000	-	-	-	(20,470)	(20,470)
MVD services	37,194	39,309	-	-	-	2,115	2,115
Total business-type activities	<u>3,293,304</u>	<u>2,657,365</u>	<u>112,835</u>	<u>27,141</u>	<u>-</u>	<u>(495,963)</u>	<u>(495,963)</u>
Total all activities	<u>\$ 9,470,728</u>	<u>\$ 3,412,442</u>	<u>\$ 1,260,870</u>	<u>\$ 813,698</u>	<u>(3,487,755)</u>	<u>(495,963)</u>	<u>(3,983,718)</u>
General Revenues:							
Property taxes					241,656	-	241,656
Franchise taxes					18,017	-	18,017
Gross receipts taxes					2,093,898	43,595	2,137,493
Motor vehicle taxes					-	8,380	8,380
Gas taxes					267,076	-	267,076
Lodgers taxes					616,576	-	616,576
State aid not restricted to special purpose:							
General					90,000	-	90,000
Investment earnings					15,924	8,910	24,834
Transfers					(43,588)	(52,762)	(96,350)
Total general revenues and transfers					<u>3,299,559</u>	<u>8,123</u>	<u>3,307,682</u>
Change in net position					<u>(188,196)</u>	<u>(487,840)</u>	<u>(676,036)</u>
Net position - beginning					19,367,242	8,526,675	27,893,917
Restatement					<u>(1,884,553)</u>	<u>-</u>	<u>(1,884,553)</u>
Net position - beginning - restated					<u>17,482,689</u>	<u>8,526,675</u>	<u>26,009,364</u>
Net position - ending					<u>\$ 17,294,493</u>	<u>\$ 8,038,835</u>	<u>\$ 25,333,328</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, 2018

Statement 3

	General Fund	Lodgers Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 836,915	\$ 419,794	\$ 580,035	\$ 1,836,744
Accounts receivable	187,091	62,959	68,565	318,615
Due from other funds	<u>164,096</u>	<u>16,147</u>	<u>1,800</u>	<u>182,043</u>
Total assets	<b><u>\$ 1,188,102</u></b>	<b><u>\$ 498,900</u></b>	<b><u>\$ 650,400</u></b>	<b><u>\$ 2,337,402</u></b>
<b>LIABILITIES</b>				
Due to other funds	\$ 16,147	\$ -	\$ 168,888	\$ 185,035
Accounts payable	<u>130,267</u>	<u>-</u>	<u>12,134</u>	<u>142,401</u>
Total liabilities	<u>146,414</u>	<u>-</u>	<u>181,022</u>	<u>327,436</u>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	358,865	498,900	481,512	1,339,277
Committed	-	-	-	-
Unassigned	<u>682,823</u>	<u>-</u>	<u>(12,134)</u>	<u>670,689</u>
Total fund balance	<u>1,041,688</u>	<u>498,900</u>	<u>469,378</u>	<u>2,009,966</u>
Total liabilities and fund balance	<b><u>\$ 1,188,102</u></b>	<b><u>\$ 498,900</u></b>	<b><u>\$ 650,400</u></b>	<b><u>\$ 2,337,402</u></b>

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, 2018

Statement 4

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

Total fund balances - governmental funds		\$ 2,009,966
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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	40,081,522		
Accumulated depreciation	<u>(17,488,580)</u>		
			22,592,942

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	(76,453)		
Revenue bonds payable	(2,071,238)		
Loans payable	(999,919)		
Interest payable	<u>(102,453)</u>		
			(3,250,063)

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			(2,560,440)
OPEB liability			(1,586,537)

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			756,403
Deferred outflows of resources related to OPEB			30,773
Deferred inflows or resources related to pension			(337,459)
Deferred inflows or resources related to OPEB			<u>(361,092)</u>

Net position of governmental activities		<b><u>\$ 17,294,493</u></b>
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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, 2018

	General Fund	Lodgers Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 259,673	\$ 616,576	\$ 267,076	\$ 1,143,325
Charges for services	172,069	-	583,008	755,077
Licenses and permits	12,674	-	48,240	60,914
Fines and forfeitures	9,975	-	3,609	13,584
Local sources	704,774	-	107,563	812,337
State sources	90,000	-	825,656	915,656
Federal sources	6,052	-	216,049	222,101
State shared taxes	2,093,898	-	-	2,093,898
Earnings from investments	8,241	3,674	4,009	15,924
	<u>3,357,356</u>	<u>620,250</u>	<u>2,055,210</u>	<u>6,032,816</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,632,459	-	3,350	1,635,809
Highways and streets	-	-	216,946	216,946
Public safety	895,972	-	173,633	1,069,605
Health & welfare	-	-	-	-
Culture and recreation	567,788	140,426	1,080,247	1,788,461
Capital outlay	73,430	-	912,768	986,198
NMFA principle	149,049	-	124,805	273,854
NMFA interest	64,355	-	45,543	109,898
	<u>3,383,053</u>	<u>140,426</u>	<u>2,557,292</u>	<u>6,080,771</u>
Excess (deficiency) revenues over expenditures	(25,697)	479,824	(502,082)	(47,955)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	52,091	-	649,894	701,985
Operating transfer (out)	(211,343)	(482,139)	(52,091)	(745,573)
Loan proceeds	-	-	50,183	50,183
	<u>(159,252)</u>	<u>(482,139)</u>	<u>647,986</u>	<u>6,595</u>
Net change in fund balances	(184,949)	(2,315)	145,904	(41,360)
Fund balance beginning of year	1,226,637	501,215	323,474	2,051,326
Fund balance end of year	<b><u>\$ 1,041,688</u></b>	<b><u>\$ 498,900</u></b>	<b><u>\$ 469,378</u></b>	<b><u>\$ 2,009,966</u></b>

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, 2018

Statement 6

Net change in fund balances - total governmental funds \$ (41,360)

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  
depreciation expense exceeds capital outlay in the period.

Depreciation expense	(1,126,160)	
Capital outlays	<u>986,199</u>	
Excess of depreciation expense over capital outlay		(139,961)

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 and OPEB expense.

Pension contributions		167,760
Pension expense		(365,228)
OPEB contributions		30,773
OPEB expense		(63,076)

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		(6,909)
Accrued interest payable		6,134

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	(50,183)	
Repayment of long-term debt	<u>273,854</u>	
		<u>223,671</u>

Change in net position of governmental activities \$ (188,196)

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 213,722	\$ 244,722	\$ 240,413	\$ (4,309)
Oil and gas taxes	-	-	-	-
Franchise taxes	17,500	17,500	18,017	517
Charges for services	176,100	201,400	172,069	(29,331)
Fines and forfeits	6,500	9,500	9,975	475
Licenses and permits	7,400	7,400	12,674	5,274
Local sources	596,100	764,409	704,784	(59,625)
State sources	99,000	99,000	90,000	(9,000)
Federal sources	-	-	6,052	6,052
State shared taxes	1,840,500	2,067,700	2,084,853	17,153
Earnings from investments	4,110	4,110	8,241	4,131
<b>Total revenues</b>	<b><u>\$ 2,960,932</u></b>	<b><u>\$ 3,415,741</u></b>	<b><u>\$ 3,347,078</u></b>	<b><u>\$ (68,663)</u></b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,857,374	\$ 1,952,367	\$ 1,652,589	\$ 299,778
Public safety	832,456	915,456	895,972	19,484
Highways and streets	-	-	-	-
Culture and recreation	444,562	547,511	567,788	(20,277)
Capital outlay	-	-	67,193	(67,193)
Debt service:	-	-	-	-
Loan principle	-	-	149,049	(149,049)
Loan interest	-	-	64,355	(64,355)
<b>Total expenditures</b>	<b><u>\$ 3,134,392</u></b>	<b><u>\$ 3,415,334</u></b>	<b><u>\$ 3,396,946</u></b>	<b><u>\$ 18,388</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 45,000	\$ 97,982	\$ 76,982	\$ (21,000)
Transfers out	(150,005)	(269,997)	(236,142)	33,855
<b>Total other financing sources (uses)</b>	<b><u>\$ (105,005)</u></b>	<b><u>\$ (172,015)</u></b>	<b><u>\$ (159,160)</u></b>	<b><u>\$ 12,855</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 288,782</u></b>	<b><u>\$ 175,125</u></b>		

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 466,100	\$ 617,335	\$ 618,803	\$ 1,468
Earnings from investments	1,500	2,600	3,674	1,074
Total revenues	<u>\$ 467,600</u>	<u>\$ 619,935</u>	<u>\$ 622,477</u>	<u>\$ 2,542</u>
<b>EXPENDITURES</b>				
Culture & recreation	\$ 53,500	\$ 181,392	\$ 140,426	\$ 40,966
Total expenditures	<u>\$ 53,500</u>	<u>\$ 181,392</u>	<u>\$ 140,426</u>	<u>\$ 40,966</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (227,073)	\$ (489,424)	\$ (482,139)	\$ 7,285
Total other financing sources (uses)	<u>\$ (227,073)</u>	<u>\$ (489,424)</u>	<u>\$ (482,139)</u>	<u>\$ 7,285</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ 50,881</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, 2018

Statement 9  
Page 1 of 2

	Water/Sewer Fund	Solid Waste Fund	Los Amigos Fund	Other Enterprise Funds	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash on deposit	\$ 392,759	\$ 38,335	\$ 35,817	\$ 102,502	\$ 569,413
Accounts receivable (net)	144,166	55,880	22,746	5,586	228,378
Due from grantor	202,176	-	-	-	202,176
Due from other funds	180	17,718	1,596	-	19,494
<b>Total Current Assets</b>	<b>739,281</b>	<b>111,933</b>	<b>60,159</b>	<b>108,088</b>	<b>1,019,461</b>
<b>Non-Current Assets</b>					
Restricted Assets (Cash)	436,290	196	-	-	436,486
Customer meter deposits	71,876	-	-	-	71,876
<b>Total Non-Current Assets</b>	<b>508,166</b>	<b>196</b>	<b>-</b>	<b>-</b>	<b>508,362</b>
<b>Capital Assets</b>					
Land	158,559	-	-	-	158,559
Land improvements	-	-	-	-	-
Buildings and Improvements	171,034	148,570	-	-	319,604
Equipment	192,085	36,998	-	-	229,083
Vehicles	338,361	9,702	-	-	348,063
Heavy equipment	-	1,063,220	-	131,836	1,195,056
Plant/infrastructure	19,040,072	420,142	-	-	19,460,214
Accumulated depreciation	(7,619,568)	(1,171,106)	-	(65,918)	(8,856,592)
<b>Total Capital Assets</b>	<b>12,280,543</b>	<b>507,526</b>	<b>-</b>	<b>65,918</b>	<b>12,853,987</b>
<b>Total Assets</b>	<b>\$ 13,527,990</b>	<b>\$ 619,655</b>	<b>\$ 60,159</b>	<b>\$ 174,006</b>	<b>\$ 14,381,810</b>

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, 2018

Statement 9  
Page 2 of 2

	Water/Sewer Fund	Solid Waste Fund	Los Amigos Fund	Other Enterprise Funds	Total
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 25,889	\$ 1,700	\$ -	\$ -	\$ 27,589
Unapplied credits	3,264	-	-	-	3,264
Current portion revenue bonds payable	85,400	-	-	-	85,400
Current portion loan payable	25,000	-	-	-	25,000
Customer meter deposits					
payable from Restricted Assets	69,563	-	-	-	69,563
Due to other funds	21,456	-	2,800	1,596	25,852
	<u>230,572</u>	<u>1,700</u>	<u>2,800</u>	<u>1,596</u>	<u>236,668</u>
<b>Total Current Liabilities</b>					
<b>Long-Term Liabilities</b>					
Compensated absences payable	22,401	5,087	-	-	27,488
Revenue bonds payable	4,364,100	-	-	-	4,364,100
Landfill post closure liabilities	-	674,893	-	-	674,893
NMFA loan	-	139,826	-	-	139,826
NM Environment loans	900,000	-	-	-	900,000
	<u>5,286,501</u>	<u>819,806</u>	<u>-</u>	<u>-</u>	<u>6,106,307</u>
<b>Total Long-Term Liabilities</b>					
<b>Total Liabilities</b>					
	<u>5,517,073</u>	<u>821,506</u>	<u>2,800</u>	<u>1,596</u>	<u>6,342,975</u>
<b>NET POSITION</b>					
Net investment in capital assets	6,906,043	367,700	-	65,918	7,339,661
Restricted for debt service	152,607	3	-	-	152,610
Restricted for capital outlay	-	193	-	-	193
Restricted for repair & replacement	283,683	-	-	-	283,683
Unrestricted	668,584	(569,747)	57,359	106,492	262,688
	<u>8,010,917</u>	<u>(201,851)</u>	<u>57,359</u>	<u>172,410</u>	<u>8,038,835</u>
<b>Total Net Position</b>					
<b>Total Liabilities and Net Position</b>					
	<u>\$ 13,527,990</u>	<u>\$ 619,655</u>	<u>\$ 60,159</u>	<u>\$ 174,006</u>	<u>\$ 14,381,810</u>

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, 2018

	Water/Sewer Fund	Solid Waste Fund	Los Amigos Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES</b>					
Sales and services	\$ 1,148,709	\$ 405,582	\$ 775,000	\$ 328,074	\$ 2,657,365
Local sources	84,617	28,218	-	-	112,835
State sources	27,141	-	-	-	27,141
Federal sources	-	-	-	-	-
State shared taxes	-	43,595	-	8,380	51,975
<b>Total operating revenue</b>	<u>1,260,467</u>	<u>477,395</u>	<u>775,000</u>	<u>336,454</u>	<u>2,849,316</u>
<b>OPERATING EXPENSES</b>					
Personal services	323,925	186,031	-	190,218	700,174
Maintenance and operations	717,813	213,767	795,470	73,506	1,800,556
Major contractual services	-	-	-	28,109	28,109
Depreciation	574,918	39,825	-	13,184	627,927
<b>Total operating expenses</b>	<u>1,616,656</u>	<u>439,623</u>	<u>795,470</u>	<u>305,017</u>	<u>3,156,766</u>
Operating income (loss)	<u>(356,189)</u>	<u>37,772</u>	<u>(20,470)</u>	<u>31,437</u>	<u>(307,450)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Investment income	6,600	1,606	168	536	8,910
Investment expense	(135,336)	(1,202)	-	-	(136,538)
Transfers in	-	-	-	-	-
Transfers out	(49,774)	-	-	(2,988)	(52,762)
<b>Total Non-Operating Revenue (Expense)</b>	<u>(178,510)</u>	<u>404</u>	<u>168</u>	<u>(2,452)</u>	<u>(180,390)</u>
Change in Net Position	(534,699)	38,176	(20,302)	28,985	(487,840)
Net position, beginning of year	<u>8,545,616</u>	<u>(240,027)</u>	<u>77,661</u>	<u>143,425</u>	<u>8,526,675</u>
Net position, end of year	<u><b>\$ 8,010,917</b></u>	<u><b>\$ (201,851)</b></u>	<u><b>\$ 57,359</b></u>	<u><b>\$ 172,410</b></u>	<u><b>\$ 8,038,835</b></u>

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, 2018

Statement 11

	Water/Sewer Fund	Solid Waste Fund	Los Amigos Fund	Other Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 1,158,747	\$ 403,345	\$ 786,519	\$ 322,489	\$ 2,671,100
Cash received from local sources	84,617	28,219	-	-	112,836
Cash received from state sources	27,141	-	-	8,380	35,521
Cash received from state shared taxes	-	43,410	-	-	43,410
Cash payments to employees and to suppliers for goods and services	<u>(1,031,922)</u>	<u>(517,023)</u>	<u>(795,470)</u>	<u>(291,833)</u>	<u>(2,636,248)</u>
Net cash provided by operating activities	<u>238,583</u>	<u>(42,049)</u>	<u>(8,951)</u>	<u>39,036</u>	<u>226,619</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Loan proceeds	(399,820)	150,000	-	-	(249,820)
Principal paid	(110,400)	(10,174)	-	-	(120,574)
Acquisition of capital assets	397,825	(149,640)	-	-	248,185
Investment expense	<u>(135,336)</u>	<u>(1,202)</u>	<u>-</u>	<u>-</u>	<u>(136,538)</u>
Net cash provided (used) by capital and related financing activities	<u>(247,731)</u>	<u>(11,016)</u>	<u>-</u>	<u>-</u>	<u>(258,747)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers from other funds	-	-	-	-	-
Operating transfers to other funds	(49,774)	-	-	(2,988)	(52,762)
Change in due to/from other funds	<u>10,995</u>	<u>(7,403)</u>	<u>(1,204)</u>	<u>1,596</u>	<u>3,984</u>
Net cash provided (used) by noncapital financing activities	<u>(38,779)</u>	<u>(7,403)</u>	<u>(1,204)</u>	<u>(1,392)</u>	<u>(48,778)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	<u>6,105</u>	<u>1,606</u>	<u>168</u>	<u>536</u>	<u>8,415</u>
Net cash provided by investing activities	<u>6,105</u>	<u>1,606</u>	<u>168</u>	<u>536</u>	<u>8,415</u>
Net increase (decrease) in cash	(41,822)	(58,862)	(9,987)	38,180	(72,491)
Cash, beginning of year	<u>870,871</u>	<u>97,392</u>	<u>45,804</u>	<u>64,322</u>	<u>1,078,389</u>
Cash, end of year	<u><b>\$ 829,049</b></u>	<u><b>\$ 38,530</b></u>	<u><b>\$ 35,817</b></u>	<u><b>\$ 102,502</b></u>	<u><b>\$ 1,005,898</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (356,188)	\$ 37,772	\$ (20,470)	\$ 31,437	\$ (307,449)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	574,918	39,825	-	13,184	627,927
Changes in assets and liabilities:					
(Increase) decrease in receivables	(2,462)	(2,421)	11,519	(5,585)	1,051
Increase (decrease) in accounts payable	(1,653)	(119,555)	-	-	(121,208)
Increase (decrease) in compensated absences	6,470	2,330	-	-	8,800
Increase in allowance for doubtful accounts	<u>17,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,498</u>
Net cash provided (used) by operating activities	<u><b>\$ 238,583</b></u>	<u><b>\$ (42,049)</b></u>	<u><b>\$ (8,951)</b></u>	<u><b>\$ 39,036</b></u>	<u><b>\$ 226,619</b></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, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 17,525
Due from other funds	<u>5,793</u>
Total Assets	<u><b>\$ 23,318</b></u>
LIABILITIES	
Due to other agencies	\$ 66
Deposits held for others	<u>23,252</u>
Total Liabilities	<u><b>\$ 23,318</b></u>

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, 2018

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).

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.

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.

Notes to Financial Statements (continued)

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.

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

## Notes to Financial Statements (continued)

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.

### 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.

Notes to Financial Statements (continued)

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. 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

Notes to Financial Statements (continued)

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 non-vesting 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 1978 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.

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.

Notes to Financial Statements (continued)

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, 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 purposed 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



## Notes to Financial Statements (continued)

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.

### 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

Notes to Financial Statements (continued)

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.

5. Post Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

FNB Bank	Checking	Landfill Closure	\$	627
FNB Bank	Checking	Solid Waste		38,106
FNB Bank	Checking	Ambulance		69,110
FNB Bank	Checking	Motor Vehicle		18,940
FNB Bank	Checking	Golf Course		58
FNB Bank	Checking	Airport		7,540
FNB Bank	Checking	General		227,779
FNB Bank	Checking	Gasoline Tax		74,693
FNB Bank	Checking	LGC		5,917
FNB Bank	Checking	Convention Center		6,990
FNB Bank	Checking	El Rito Creek		497
FNB Bank	Checking	Lodgers Tax		268,406
FNB Bank	Checking	Eastside Lift		40
FNB Bank	Checking	Blue Hole Road		-
FNB Bank	Checking	Water Meter Deposit		65,664
FNB Bank	Checking	Mainstreet		9
FNB Bank	Checking	Activity		480
FNB Bank	Checking	MVD Sweep		-
FNB Bank	Checking	Sewer Reserve		152,607
FNB Bank	Checking	Sewer Asset Management		42,939
FNB Bank	Checking	Sewer Capital Reserve		140,333
FNB Bank	Checking	R & R Water		100,411
FNB Bank	Checking	Water		162,622
FNB Bank	Checking	Recreation		140,667
FNB Bank	Checking	Municipal Court		66
FNB Bank	Checking	Clean & Lien		19,842
FNB Bank	Checking	LEPF		7,342
FNB Bank	Checking	Fire		103,258
FNB Bank	Checking	EMS		1,689
FNB Bank	Checking	Library		14,908
FNB Bank	Checking	EMS/Fire/Rescue		16,316
FNB Bank	Checking	Seniors		4,364
FNB Bank	Checking	Power Dam		106,914
FNB Bank	Checking	Blue Hole Improvements		-

Notes to Financial Statements (continued)

FNB Bank	Checking	Cultural Corridors	-
FNB Bank	Checking	Downtown Improvements	-
FNB Bank	Checking	Los Amigos	34,221
FNB Bank	Checking	CDBG 2 <sup>nd</sup> Street	-
FNB Bank	Checking	Ilfeld	49,890
FNB Bank	Checking	Airport Construction	7,815
FNB Bank	Checking	Sewer	123,639
FNB Bank	Checking	CDBG 5 <sup>th</sup> Street	15,099
Wells Fargo Bank	Checking	General	111,915
Wells Fargo Bank	Certificate of Deposit	General	11,891
Wells Fargo Bank	Certificate of Deposit	Lodgers Tax	17,846
FNB Bank	Savings	General IMMA	72,717
FNB Bank	Savings	General Money Market	208,795
FNB Bank	Savings	Water/Sewer IMMA	8,794
FNB Bank	Savings	Water Meter Deposit	12,425
FNB Bank	Certificate of Deposit	Water	97,202
		<b>Total</b>	<b><u>\$2,571,383</u></b>
		NM Finance Authority	<b><u>\$ 418,666</u></b>
		Total amount on deposit	\$2,990,049
		Deposit in transit	72,076
		Petty Cash	2,700
		Outstanding checks	(132,781)
		<b>Total per financial statements</b>	<b><u>\$2,932,044</u></b>

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	\$ 141,652	\$ 2,429,731
Less FDIC	<u>(141,652)</u>	<u>(250,000)</u>
Uninsured funds	-	2,179,731
Funds needing collateralization at 50% (required by State Law)	-	1,089,866
Pledged collateral at June 30	<u>-</u>	<u>(1,386,101)</u>
(Excess) deficiency of Pledged Collateral	<u>\$ -</u>	<u>\$ (296,235)</u>

*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, \$2,179,731 of the City's bank balance of \$2,571,383 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 793,630
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the City's name	<u>1,386,101</u>
<b>Total</b>	<b><u>\$ 2,179,731</u></b>

Notes to Financial Statements (continued)

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	\$ 646,111
FHLB #3138A46Y6	1-01-41	315,105
FHLB #756874BF9	8-15-33	216,211
FHLB #83164L3J8	3-25-41	208,674
		<u>\$ 1,386,101</u>

The amount held at the New Mexico Finance Authority totaling \$418,666 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	\$ -	\$ 245,563
Less allowance for Uncollectible accounts	-	(20,798)
Subtotal	-	224,765
Property taxes receivable	8,761	-
Lodgers tax receivable	62,959	-
Gross receipts taxes receivable	178,330	3,613
Gas taxes receivable	22,781	-
Intergovernmental	45,784	-
Total	<u>\$ 318,615</u>	<u>\$ 228,378</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable are recorded in the various funds. There was \$169,990 payable to various vendors at the end of the year.

5. 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-

Notes to Financial Statements (continued)

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.

6. DEPOSITS HELD FOR OTHERS, ENTERPRISE FUND

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

Hydrant Meter deposits \$ 71,876

Water meter deposits are charged to new customers and consist of the following:

Residential properties \$ 100  
Commercial properties \$ 200

7. 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	\$ 24,900	\$ -	\$ 143,593	\$ -	\$ 67,750	\$ (236,243)
Lodgers Tax Fund	-	-	453,539	-	28,600	(482,139)
Non-Major Funds	52,091	-	-	-	-	(52,091)
Proprietary Funds	-	-	52,762	-	-	(52,762)
 Total Transfers In/Out	 <u>\$ 76,991</u>	 <u>\$ -</u>	 <u>\$ 649,894</u>	 <u>\$ -</u>	 <u>\$ 96,350</u>	 <u>\$ -</u>

Notes to Financial Statements (continued)

**Balance of Transfers**

Transfer to Non-Major Governmental Fund	\$ 52,762	From Proprietary Fund
Transfer to Activity Fund	28,600	From Lodgers Tax Fund
Transfer to Non-Major Governmental Fund	143,593	From General Fund
Transfer to Activity Fund	67,750	From General Fund
Transfer to Non-Major Governmental Fund	453,539	From Lodgers Tax Fund
Transfer to General	52,091	From Non-Major Governmental Fund
Transfer to General Fund	<u>24,900</u>	From General Fund
Total Interfund Transfers Between Governmental and Business-Type Activities and Fiduciary Funds	<b><u>\$ 823,235</u></b>	

8. **CAPITAL ASSETS**

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

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
Land	\$ 1,688,145	\$ -	\$ -	\$ 1,688,145
Total capital assets not being depreciated	<u>1,688,145</u>	<u>-</u>	<u>-</u>	<u>1,688,145</u>
Land improvements	5,424,577	270,052	-	5,694,629
Buildings & improvements	10,991,573	204,568	-	11,196,141
Infrastructure	9,644,151	172,558	-	9,816,709
Vehicles	608,224	103,715	-	711,939
Equipment	1,208,575	13,862	-	1,222,437
Heavy equipment	2,113,355	-	-	2,113,355
Airport	<u>7,416,723</u>	<u>221,444</u>	<u>-</u>	<u>7,638,167</u>
Total capital assets being depreciated	<u>37,407,178</u>	<u>986,199</u>	<u>-</u>	<u>38,393,377</u>
Less: accumulated depreciation	<u>(16,362,420)</u>	<u>(1,126,160)</u>	<u>-</u>	<u>(17,488,580)</u>
Total capital assets being depreciated	<u>21,044,758</u>	<u>(139,961)</u>	<u>-</u>	<u>20,904,797</u>
Net capital assets	<b><u>\$ 22,732,903</u></b>	<b><u>\$ (139,961)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 22,592,942</u></b>

Notes to Financial Statements (continued)

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Lard	\$ 158,559	\$ -	\$ -	\$ 158,559
Total capital assets not being depreciated	<u>158,559</u>	<u>-</u>	<u>-</u>	<u>158,559</u>
Heavy equipment	913,580	149,640	-	1,063,220
Buildings & improvements	385,532	-	-	385,532
Plant/infrastructure	18,994,467	399,820	-	19,394,287
Vehicles	348,063	-	-	348,063
Equipment	229,083	-	-	229,083
Ambulance	<u>131,836</u>	<u>-</u>	<u>-</u>	<u>131,836</u>
Total capital assets being depreciated	<u>21,002,561</u>	<u>549,460</u>	<u>-</u>	<u>21,552,021</u>
Less: accumulated depreciation	<u>(8,228,665)</u>	<u>(627,927)</u>	<u>-</u>	<u>(8,856,592)</u>
Total capital assets being depreciated	<u>12,773,896</u>	<u>(78,467)</u>	<u>-</u>	<u>12,695,429</u>
Net capital assets	<u>\$ 12,932,455</u>	<u>\$ (78,467)</u>	<u>\$ -</u>	<u>\$ 12,853,988</u>

9. 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:

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018	Due Within One Year
Revenue bonds payable	\$ 4,534,900	\$ -	\$ 85,400	\$ 4,449,500	\$ 85,400
NM Environment Loan	350,000	-	25,000	325,000	25,000
NMFA Loan	-	150,000	10,174	139,826	19,916
NM Environment Loan	-	600,000	-	600,000	-
Compensated absences payable	<u>18,687</u>	<u>8,801</u>	<u>-</u>	<u>27,488</u>	<u>-</u>
Total	<u>\$ 4,903,587</u>	<u>\$ 758,801</u>	<u>\$ 120,574</u>	<u>\$ 5,541,814</u>	<u>\$ 130,316</u>

Notes to Financial Statements (continued)

Compensated Absences

The compensated absences due by each fund are as follows:

**Solid Waste Fund      \$5,087              Water/Sewer Fund      \$22,401**

The detail by individual fund follows:

Water/Sewer Fund

	<u>Balances</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2018</u>
Revenue Bonds Series 2001A	\$ 199,300	\$ -	\$ 5,000	\$ 194,300
Revenue Bonds Series 2001B	156,000	-	4,000	152,000
Revenue Bonds Series 2006	347,000	-	6,000	341,000
NM Environment Loan	350,000	-	25,000	325,000
Revenue Bonds Series 2006	21,600	-	400	21,200
Revenue Bonds Series 2009	3,811,000	-	70,000	3,741,000
NM Environment Loan	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total	<u>\$ 4,884,900</u>	<u>\$ 600,000</u>	<u>\$ 110,400</u>	<u>\$ 5,374,500</u>

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</u> <u>June 30, 2018</u>
NMED	1/01/2039	\$ 600,000	0.00%	\$ 600,000
2001A	5/31/2041	\$ 256,300	4.50%	194,300
2001B	5/31/2041	\$ 200,000	4.50%	152,000
2006	6/23/2046	\$ 400,000	4.25%	341,000
NMED	6/30/2031	\$ 500,000	N/A	325,000
2006	6/30/2033	\$ 25,000	4.25%	21,200
2009	4/22/2050	\$ 4,201,000	2.75%	<u>3,741,000</u>
				<u>\$ 5,374,500</u>



Notes to Financial Statements (continued)

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>
2019	\$ 110,400	\$ 118,600	\$ 229,000
2020	151,400	116,300	267,700
2021	152,400	113,600	266,000
2022	153,500	111,000	264,500
2023	154,500	108,300	262,800
2024-2028	823,700	499,100	1,322,800
2029-2033	881,300	419,000	1,300,300
2034-2038	897,200	324,900	1,222,100
2039-2043	843,400	218,200	1,061,600
2044-2048	835,700	115,700	951,400
2049-2050	371,000	15,900	386,900
Total	<u>\$ 5,374,500</u>	<u>\$ 2,160,600</u>	<u>\$ 7,535,100</u>

**Solid Waste Funds**

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 \$150,000 and interest for the purpose of defraying the cost of a Trash Truck. The yearly payments are to be paid from the income from operations of the Solid Waste System. The interest rate is 0.100%. The maturity date is May 1, 2025.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,916	\$ 140	\$ 20,056
2020	19,935	120	20,055
2021	19,955	100	20,055
2022	19,975	80	20,055
2023	19,995	60	20,055
2024-2025	40,050	60	40,110
Total	<u>\$ 139,826</u>	<u>\$ 560</u>	<u>\$ 140,386</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, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2018</u>	<u>Due Within One Year</u>
Loans payable to New Mexico Finance Authority	\$ 1,034,808	\$ 50,183	\$ 85,159	\$ 999,832	\$ 71,161
Revenues Bonds Series 2006A/B	2,260,020	-	188,782	2,071,238	196,003
Compensated absences	69,544	6,910	-	76,454	-
Total	<u>\$ 3,364,372</u>	<u>\$ 57,093</u>	<u>\$ 273,941</u>	<u>\$ 3,147,524</u>	<u>\$ 267,164</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>
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	11,272	506	11,778
2024-2027	<u>46,065</u>	<u>1,049</u>	<u>47,114</u>
Total	<u>\$ 101,550</u>	<u>\$ 4,452</u>	<u>\$ 106,002</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>
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	45,503	16,037	61,540
2024-2028	239,646	68,049	307,695
2029-2033	267,913	39,782	307,695
2034-2035	<u>117,771</u>	<u>5,307</u>	<u>123,078</u>
Total	<u>\$ 848,099</u>	<u>\$ 198,065</u>	<u>\$ 1,046,164</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 Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	114,727	25,412	140,139
2024-2027	<u>507,402</u>	<u>53,274</u>	<u>560,676</u>
Total	<b><u>\$ 1,039,036</u></b>	<b><u>\$ 222,232</u></b>	<b><u>\$ 1,261,268</u></b>

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 Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	113,972	25,249	139,221
2024-2027	<u>504,073</u>	<u>52,931</u>	<u>557,004</u>
Total	<b><u>\$ 1,032,202</u></b>	<b><u>\$ 220,801</u></b>	<b><u>\$ 1,253,003</u></b>

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 \$50,183 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 0.410% to 1.720%. The maturity date is May 1, 2021.

Notes to Financial Statements (continued)

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	16,470	808	17,278
2020	16,727	551	17,278
2021	<u>16,986</u>	<u>292</u>	<u>17,728</u>
Total	<u>\$ 50,183</u>	<u>\$ 1,651</u>	<u>\$ 51,834</u>

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 2019 \$ 470

C. Short-Term Liabilities

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

10. 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, \$442,707 has been paid for post-closure costs, leaving a balance of \$674,893 to be paid over the remaining years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

11. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENT

<u>Revenues</u>	<u>General Fund</u>	<u>Lodgers Tax Fund</u>
Accrual basis	\$ 3,357,356	\$ 620,250
Budget basis	<u>3,347,078</u>	<u>622,477</u>
Increase (decrease) in receivables	<u>\$ 10,278</u>	<u>\$ (2,227)</u>
<u>Expenditures</u>		
Accrual basis	\$ 3,383,053	\$ 140,426
Budget basis	<u>3,396,946</u>	<u>140,426</u>
Increase (decrease) in payables	<u>\$ (13,893)</u>	<u>\$ -</u>

## 12. 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'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.

### **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, unless specifically excluded.

**Benefits provided** - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

**TIER II** - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of

Notes to Financial Statements (continued)

service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions** - See PERA's compressive annual financial report for Contribution provided description

Notes to Financial Statements (continued)

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/45)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC</b>						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

Municipal General Division at June 30, 2018, the City of Santa Rosa reported a liability of \$1,816,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City of Santa Rosa's proportion of the net pension liability was based on a projection of the City of Santa Rosa's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City of Santa Rosa's proportion was 0.1322%, which was increased 0.0040% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City of Santa Rosa recognized pension expense of \$256,700. At June 30, 2018 the City of Santa Rosa reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 83,769	\$ 18,771
Experience versus actual	71,378	93,038
Net difference between projected and actual earnings on pension plan investments	149,036	-
Change in proportion	70,092	-
City of Santa Rosa's contributions subsequent to the measurement date	<u>111,169</u>	<u>-</u>
Total	<u><b>\$ 485,444</b></u>	<u><b>\$ 111,809</b></u>

\$111,169 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



Notes to Financial Statements (continued)

Year ended June 30:

2019	\$ 88,413
2020	182,339
2021	35,268
2022	(43,554)
2023	-

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

Municipal Police Division at June 30, 2018, the City of Santa Rosa reported a liability of \$743,902 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The City of Santa Rosa's proportion of the net pension liability was based on a projection of the City of Santa Rosa's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City of Santa Rosa's proportion was 0.1339%, which was a decrease of 0.0176% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City of Santa Rosa recognized pension expense of \$108,528. At June 30, 2018 the City of Santa Rosa reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 44,260	\$ 17,298
Experience versus actual	45,181	138,991
Net difference between projected and actual earnings on pension plan investments	59,911	-
Change in proportion	65,016	69,361
City of Santa Rosa's contributions subsequent to the measurement date	<u>56,591</u>	<u>-</u>
Total	<u>\$ 270,959</u>	<u>\$ 225,650</u>

Notes to Financial Statements (continued)

\$56,591 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 14,216
2020	33,744
2021	(41,725)
2022	(17,517)
2023	-

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**PERA**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
- Investment rate of return	7.51% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
- Projected salary increases	2.75% to 14.00% annual rate
- Includes inflation at	2.25% annual rate first 9 years 2.75% all other years
- Mortality assumption	RP-2000 Mortality Tables

Notes to Financial Statements (continued)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**Discount rate:** A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

**Sensitivity of the City of Santa Rosa's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City of Santa Rosa's proportionate share of net pension liability calculated using the discount rate of 7.51%, as well as what the City of Santa Rosa's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51%) or 1-percentage-point higher (8.51%) than the current rate:

Notes to Financial Statements (continued)

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<u>\$ 2,847,118</u>	<u>\$ 1,816,540</u>	<u>\$ 959,471</u>
<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<u>\$ 1,186,318</u>	<u>\$ 743,902</u>	<u>\$ 380,835</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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

**General Information about the OPEB**

**Plan Description** - Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Notes to Financial Statements (continued)

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms** - At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u><b>160,035</b></u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u><b>97,349</b></u>

**Contributions** - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the City were \$30,773 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the City reported a liability of \$1,586,539 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the City's proportion was 0.03501%.

For the year ended June 30, 2018, the City recognized OPEB expense of \$63,076. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Notes to Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 60,883
Changes of assumptions	-	277,386
Differences between actual and projected earnings on OPEB plan investments	-	22,823
Contributions made after the measurement date	<u>30,773</u>	<u>-</u>
Total	<u>\$ 30,773</u>	<u>\$ 361,092</u>

Deferred outflows of resources totaling \$30,773 represent City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$ (76,771)
2020	(76,771)
2021	(76,771)
2022	(76,771)
2023	<u>(54,008)</u>
Total	<u>\$ (361,092)</u>

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

Notes to Financial Statements (continued)

Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

**Rate of Return.** The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
US core fixed income	4.1%
US equity - large cap	9.1
Non US - emerging markets	12.2
Non US - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
US equity - small/mid cap	9.1

**Discount rate.** The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

Notes to Financial Statements (continued)

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current Discount</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
\$ 1,924,447	\$ 1,586,539	\$ 1,321,420

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 134,946	\$ 1,586,539	\$ 1,771,401

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the City reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

14. LEGISLATIVE APPROPRIATIONS

The City of Santa Rosa received an appropriation of \$9,537 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	\$ 9,537	\$ -

The City of Santa Rosa received an appropriation of \$9,249 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 2016, Chapter 82 Section 10, Paragraph B (1) (a)	October 10, 2017 to June 30, 2019	\$ 9,249	\$ 9,249



Notes to Financial Statements (continued)

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	\$ 18,532

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 Extended to June 30, 2020	\$ 800,000	\$ 511,628

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	\$ -

The City of Santa Rosa received an, furnish and equip improvements to the Ilfeld Warehouse and g appropriation of \$40,000 to plan, design, construct,, landscape rounds, 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	\$ -

Notes to Financial Statements (continued)

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	\$ 9,757

15. SUBSEQUENT EVENTS

A review of subsequent events through December 16, 2018, the date the financial statements were available to be issued, indicated nothing of audit significance.

16. RESTATEMENT OF NET POSITION

The City had a prior period adjustment of \$1,884,553 of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of \$1,914,615 and a beginning deferred outflow of resources of \$30,062.

Notes to Financial Statements (continued)

17. 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>	General Fund	Lodgers Tax Fund	Other Governmental Fund	Totals
<b>Nonspendable:</b>				
Inventory	\$ -	\$ -	\$ -	\$ -
Total nonspendable	-	-	-	-
<b>Restricted for:</b>				
Health and welfare	-	-	19,842	19,842
Road improvements	-	-	97,474	97,474
Fire protection	-	-	102,055	102,055
Law enforcement	-	-	1,602	1,602
Emergency services	-	-	17,694	17,694
Local government corrections	-	-	5,917	5,917
Senior services	-	-	16,146	16,146
Debt service	249,875	-	-	249,875
Convention services	-	-	22,115	22,115
Tourism programs	-	498,900	-	498,900
Culture and recreation	7,443	-	140,148	147,591
Capital outlay	28,830	-	46,385	75,215
Cash reserves	72,717	-	-	72,717
Total restricted	358,865	498,900	469,378	1,327,143
<b>Committed to:</b>				
Other purposes	-	-	-	-
Total committed	-	-	-	-
<b>Unassigned:</b>	682,823	-	-	682,823
<b>Total Fund Balances</b>	<b>\$ 1,041,688</b>	<b>\$ 498,900</b>	<b>\$ 469,378</b>	<b>\$ 2,009,966</b>

**SUPPLEMENTARY INFORMATION**  
**NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2018

	Special Revenue Funds	Capital Project Funds	Totals
<b>ASSETS</b>			
Cash on deposit	\$ 399,820	\$ 180,215	\$ 580,035
Accounts receivable	34,843	33,722	68,565
Due from other funds	1,800	-	1,800
Total assets	<b>\$ 436,463</b>	<b>\$ 213,937</b>	<b>\$ 650,400</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 12,134	\$ 12,134
Due to other funds	13,470	155,418	168,888
Total liabilities	13,470	167,552	181,022
<b>FUND BALANCE</b>			
Nonspendable	-	-	-
Restricted	422,993	58,519	481,512
Committed	-	-	-
Unassigned	-	(12,134)	(12,134)
Total fund balance	422,993	46,385	469,378
Total liabilities and fund balance	<b>\$ 436,463</b>	<b>\$ 213,937</b>	<b>\$ 650,400</b>

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, 2018

Statement A-2

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Gas taxes	267,076	-	267,076
Charges for services	583,008	-	583,008
Licenses and permits	48,240	-	48,240
Fines and forfeitures	3,609	-	3,609
Local sources	30,063	77,500	107,563
State sources	310,920	514,736	825,656
Federal sources	21,728	194,321	216,049
State shared taxes	-	-	-
Earnings from investments	3,070	939	4,009
	<u>1,267,714</u>	<u>787,496</u>	<u>2,055,210</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	3,350	3,350
Highways and streets	216,946	-	216,946
Public safety	173,633	-	173,633
Culture and recreation	1,080,247	-	1,080,247
Capital outlay	84,116	828,652	912,768
Debt service			
Principle	124,805	-	124,805
Interest	45,543	-	45,543
	<u>1,725,290</u>	<u>832,002</u>	<u>2,557,292</u>
Excess (deficiency) of revenues over expenditures	(457,576)	(44,506)	(502,082)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	578,127	71,767	649,894
Transfer out	(1,509)	(50,582)	(52,091)
Loan proceeds	50,183	-	50,183
	<u>626,801</u>	<u>21,185</u>	<u>647,986</u>
Net change in fund balance	169,225	(23,321)	145,904
Fund balance at beginning of year	253,768	69,706	323,474
Fund balance at end of year	<u>\$ 422,993</u>	<u>\$ 46,385</u>	<u>\$ 469,378</u>

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).

**RECREATION FUND** - To account for the operations and maintenance of the parks and other recreation type activities. Resources from the Wubit sales provide the financing.

**CLEAN & LIEN** - To account for charges to property owners (located within the City limits) when the City has to intervene and clean up weeds, litter, refuse, rubbish, also, abandoned, wrecked, dismantled or inoperable motor vehicles which are determined to be hazardous to the health, safety and welfare of the community by the City.



STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2018

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund
<b>ASSETS</b>					
Cash on deposit	\$ 74,693	\$ 1,379	\$ 1,602	\$ 29,792	\$ 14,608
Accounts receivable	22,781	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b>\$ 97,474</b>	<b>\$ 1,379</b>	<b>\$ 1,602</b>	<b>\$ 29,792</b>	<b>\$ 14,608</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	7,677	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,677</b>	<b>-</b>
<b>FUND BALANCE</b>					
Restricted	97,474	1,379	1,602	22,115	14,608
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b>97,474</b>	<b>1,379</b>	<b>1,602</b>	<b>22,115</b>	<b>14,608</b>
<b>Total liabilities and fund balance</b>	<b>\$ 97,474</b>	<b>\$ 1,379</b>	<b>\$ 1,602</b>	<b>\$ 29,792</b>	<b>\$ 14,608</b>

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, 2018

	Mainstreet Fund	Corrections Fund	Lodger's Tax Promotion Fund	EMS/Fire Rescue Fund	Fire Protection Fund
<b>ASSETS</b>					
Cash on deposit	\$ -	\$ 5,917	\$ -	\$ 16,315	\$ 102,055
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 5,917</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,315</u></b>	<b><u>\$ 102,055</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCE</b>					
Restricted	-	5,917	-	16,315	102,055
Unassigned	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>5,917</u></b>	<b><u>-</u></b>	<b><u>16,315</u></b>	<b><u>102,055</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ 5,917</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,315</u></b>	<b><u>\$ 102,055</u></b>

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, 2018

	Senior Citizens Fund	Recreation Fund	Clean & Lien Fund	Totals
<b>ASSETS</b>				
Cash on deposit	\$ 4,084	\$ 129,533	\$ 19,842	\$ 399,820
Accounts receivable	12,062	-	-	34,843
Due from other funds	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Total assets	<b><u>\$ 16,146</u></b>	<b><u>\$ 131,333</u></b>	<b><u>\$ 19,842</u></b>	<b><u>\$ 436,463</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>5,793</u>	<u>-</u>	<u>13,470</u>
Total Liabilities	<u>-</u>	<u>5,793</u>	<u>-</u>	<u>13,470</u>
<b>FUND BALANCE</b>				
Restricted	16,146	125,540	19,842	422,993
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>16,146</u>	<u>125,540</u>	<u>19,842</u>	<u>422,993</u>
Total liabilities and fund balance	<b><u>\$ 16,146</u></b>	<b><u>\$ 131,333</u></b>	<b><u>\$ 19,842</u></b>	<b><u>\$ 436,463</u></b>

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, 2018

Statement B-2  
Page 1 of 3

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	267,076	-	-	-	-
Charges for services	-	-	-	12,217	-
Licenses and permits	-	-	-	48,240	-
Fines and forfeitures	-	-	-	-	-
Local sources	-	-	15,297	280	14,000
State sources	-	15,420	23,600	-	19,513
Federal sources	-	-	-	-	-
Earnings from investments	328	43	90	313	97
	<u>267,404</u>	<u>15,463</u>	<u>38,987</u>	<u>61,050</u>	<u>33,610</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Highways and streets	216,946	-	-	-	-
Public safety	-	17,286	7,688	-	-
Culture and recreation	-	-	-	206,906	22,043
Capital outlay	-	-	49,806	-	-
Debt service:					
Principle	-	-	30,727	94,078	-
Interest	-	-	450	45,093	-
	<u>216,946</u>	<u>17,286</u>	<u>88,671</u>	<u>346,077</u>	<u>22,043</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>50,458</u>	<u>(1,823)</u>	<u>(49,684)</u>	<u>(285,027)</u>	<u>11,567</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	2,988	-	306,350	-
Transfers out	-	-	-	-	-
Loan proceeds	-	-	50,183	-	-
	<u>-</u>	<u>-</u>	<u>50,183</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>2,988</u>	<u>50,183</u>	<u>306,350</u>	<u>-</u>
Net change in fund balance	50,458	1,165	499	21,323	11,567
Fund balance, beginning of year	<u>47,016</u>	<u>214</u>	<u>1,103</u>	<u>792</u>	<u>3,041</u>
Fund balance, end of year	<u><u>\$ 97,474</u></u>	<u><u>\$ 1,379</u></u>	<u><u>\$ 1,602</u></u>	<u><u>\$ 22,115</u></u>	<u><u>\$ 14,608</u></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, 2018

Statement B-2  
Page 2 of 3

	Mainstreet Fund	Corrections Fund	Lodger's Tax Promotion Fund	EMS/Fire Rescue Fund	Fire Protection Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	3,609	-	-	-
Local sources	486	-	-	-	-
State sources	-	-	-	-	197,459
Federal sources	-	-	-	-	-
Earnings from investments	10	42	-	105	584
<b>Total revenues</b>	<u>496</u>	<u>3,651</u>	<u>-</u>	<u>105</u>	<u>198,043</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Public safety	-	3,865	-	-	144,616
Culture and recreation	1,794	-	198,189	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principle	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>1,794</u>	<u>3,865</u>	<u>198,189</u>	<u>-</u>	<u>144,616</u>
Excess (deficiency) of revenues over expenditures	<u>(1,298)</u>	<u>(214)</u>	<u>(198,189)</u>	<u>105</u>	<u>53,427</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	198,189	-	-
Transfers out	(1,509)	-	-	-	-
Loan proceeds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(1,509)</u>	<u>-</u>	<u>198,189</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,807)	(214)	-	105	53,427
Fund balance, beginning of year	<u>2,807</u>	<u>6,131</u>	<u>-</u>	<u>16,210</u>	<u>48,628</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,917</u>	<u>\$ -</u>	<u>\$ 16,315</u>	<u>\$ 102,055</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, 2018

Statement B-2  
Page 3 of 3

	Senior Citizens Fund	Recreation Fund	Clean & Lien Fund	Totals
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	267,076
Charges for services	12,393	558,398	-	583,008
Licenses and permits	-	-	-	48,240
Fines and forfeitures	-	-	-	3,609
Local sources	-	-	-	30,063
State sources	54,928	-	-	310,920
Federal sources	21,728	-	-	21,728
Earnings from investments	49	1,389	20	3,070
	<u>89,098</u>	<u>559,787</u>	<u>20</u>	<u>1,267,714</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Highways and streets	-	-	-	216,946
Public safety	-	-	178	173,633
Culture and recreation	151,410	499,905	-	1,080,247
Capital outlay	-	34,310	-	84,116
Debt service:				
Principle	-	-	-	124,805
Interest	-	-	-	45,543
	<u>151,410</u>	<u>534,215</u>	<u>178</u>	<u>1,725,290</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(62,312)</u>	<u>25,572</u>	<u>(158)</u>	<u>(457,576)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,600	-	20,000	578,127
Transfers out	-	-	-	(1,509)
Loan proceeds	-	-	-	50,183
	<u>50,600</u>	<u>-</u>	<u>20,000</u>	<u>626,801</u>
Total other financing sources (uses)				
Net change in fund balance	(11,712)	25,572	19,842	169,225
Fund balance, beginning of year	<u>27,858</u>	<u>99,968</u>	<u>-</u>	<u>253,768</u>
Fund balance, end of year	<u>\$ 16,146</u>	<u>\$ 125,540</u>	<u>\$ 19,842</u>	<u>\$ 422,993</u>

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

## NON-MAJOR CAPITAL PROJECT FUNDS

**AIRPORT CONSTRUCTION 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.

**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.

**EL RITO CREEK IMPROVEMENTS** - To account for resources received from a State Grant and a transfer from the General Fund to improve the El Rito Creek area and to eventually promote tourism.

**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 2<sup>ND</sup> 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 2<sup>nd</sup> 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 5<sup>TH</sup> 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, 2018

Statement C-1  
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	<u>Airport Construction Fund</u>	<u>Blue Hole Improvement Fund</u>	<u>Power Dam Improvements Fund</u>	<u>El Rito Creek Fund</u>	<u>Blue Hole Road &amp; Drainage Improvements Fund</u>
<b>ASSETS</b>					
Cash on deposit	\$ 7,815	\$ -	\$ 106,914	\$ 497	\$ -
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,722</u>	<u>-</u>
Total assets	<b><u>\$ 7,815</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 106,914</u></b>	<b><u>\$ 34,219</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 12,134	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>99,427</u>	<u>34,219</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>99,427</u>	<u>46,353</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	7,815	-	7,487	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,134)</u>	<u>-</u>
Total fund balance	<u>7,815</u>	<u>-</u>	<u>7,487</u>	<u>(12,134)</u>	<u>-</u>
Total liabilities and fund balances	<b><u>\$ 7,815</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 106,914</u></b>	<b><u>\$ 34,219</u></b>	<b><u>\$ -</u></b>

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, 2018

Statement C-1  
Page 2 of 2

	Cultural Corridors Fund	CDGB 2nd Street	Downtown Improvements	Ilfeld Fund	CDBG 5th Street	Total
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ 49,890	\$ 15,099	\$ 180,215
Accounts receivable	-	-	-	-	-	33,722
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,890</u>	<u>\$ 15,099</u>	<u>\$ 213,937</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,134
Due to other funds	-	-	-	21,772	-	155,418
Total liabilities	-	-	-	21,772	-	167,552
<b>FUND BALANCES</b>						
Restricted	-	-	-	28,118	15,099	58,519
Unassigned	-	-	-	-	-	(12,134)
Total fund balance	-	-	-	28,118	15,099	46,385
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,890</u>	<u>\$ 15,099</u>	<u>\$ 213,937</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, 2018

	Airport Construction Fund	Blue Hole Improvement Fund	Power Dam Improvements Fund	El Rito Creek Fund	Blue Hole Road & Drainage Improvements Fund
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	18,135	-	233,889	68,613	-
Federal sources	194,321	-	-	-	-
Earnings from investments	124	-	323	53	42
	<u>212,580</u>	<u>-</u>	<u>234,212</u>	<u>68,666</u>	<u>42</u>
Total revenues					
<b>EXPENDITURES</b>					
General government	1,298	-	-	-	-
Capital outlay	221,444	-	238,372	88,790	-
	<u>222,742</u>	<u>-</u>	<u>238,372</u>	<u>88,790</u>	<u>-</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(10,162)</u>	<u>-</u>	<u>(4,160)</u>	<u>(20,124)</u>	<u>42</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	14,003	-	-	7,990	-
Transfers out	-	(407)	-	-	(11,043)
Loan proceeds	-	-	-	-	-
	<u>14,003</u>	<u>(407)</u>	<u>-</u>	<u>7,990</u>	<u>(11,043)</u>
Total other financing sources (uses)					
Net change in fund balance	3,841	(407)	(4,160)	(12,134)	(11,001)
Fund balance, beginning of year	<u>3,974</u>	<u>407</u>	<u>11,647</u>	<u>-</u>	<u>11,001</u>
Fund balance, end of year	<u><u>\$ 7,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,487</u></u>	<u><u>\$ (12,134)</u></u>	<u><u>\$ -</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, 2018

Statement C-2  
Page 2 of 2

	Cultural Corridors Fund	CDBG 2nd Street	Downtown Improvements	Ilfeld Fund	CDBG 5th Street	Totals
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	77,500	-	77,500
State sources	-	-	-	194,099	-	194,321
Federal sources	-	-	-	-	-	-
Earnings from investments	24	-	24	349	-	939
<b>Total revenues</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>271,948</b>	<b>-</b>	<b>787,496</b>
<b>EXPENDITURES</b>						
General government	-	-	-	2,052	-	3,350
Capital outlay	-	-	-	196,278	83,768	828,652
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,330</b>	<b>83,768</b>	<b>832,002</b>
Excess (deficiency) of revenues over expenditures	24	-	24	73,618	(83,768)	(44,506)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	49,774	71,767
Transfers out	(6,404)	(26,480)	(6,248)	-	-	(50,582)
Loan proceeds	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(6,404)</b>	<b>(26,480)</b>	<b>(6,248)</b>	<b>-</b>	<b>49,774</b>	<b>21,185</b>
Net change in fund balance	(6,380)	(26,480)	(6,224)	73,618	(33,994)	(23,321)
Fund balance, beginning of year	6,380	26,480	6,224	(45,500)	49,093	69,706
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,118</u>	<u>\$ 15,099</u>	<u>\$ 46,385</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  
Year Ended June 30, 2018

Statement D-1

	General Fund	Golf Fund	Airport Fund	Totals
<b>ASSETS</b>				
Cash on deposit	\$ 824,414	\$ 5,058	\$ 7,443	\$ 836,915
Accounts receivable	187,091	-	-	187,091
Due from other funds	164,096	-	-	164,096
Total assets	<b>\$ 1,175,601</b>	<b>\$ 5,058</b>	<b>\$ 7,443</b>	<b>\$ 1,188,102</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 130,267	\$ -	\$ -	\$ 130,267
Due to other funds	-	16,147	-	16,147
Total liabilities	130,267	16,147	-	146,414
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	351,422	-	7,443	358,865
Committed	-	-	-	-
Unassigned	693,912	(11,089)	-	682,823
Total fund balance	1,045,334	(11,089)	7,443	1,041,688
Total liabilities and fund balance	<b>\$ 1,175,601</b>	<b>\$ 5,058</b>	<b>\$ 7,443</b>	<b>\$ 1,188,102</b>

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, 2018

	General Fund	Golf Fund	Airport Fund	Totals
<b>REVENUES</b>				
Taxes	\$ 241,656	\$ -	\$ -	\$ 241,656
Franchise taxes	18,017	-	-	18,017
Gross receipts taxes	2,093,898	-	-	2,093,898
Charges for services	97,727	18,546	55,796	172,069
Licenses and permits	12,674	-	-	12,674
Fines and forfeits	9,975	-	-	9,975
Local sources	704,774	-	-	704,774
State sources	90,000	-	-	90,000
Federal sources	6,052	-	-	6,052
Earnings from investments	8,043	121	77	8,241
<b>Total revenues</b>	<b>3,282,816</b>	<b>18,667</b>	<b>55,873</b>	<b>3,357,356</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,632,459	-	-	1,632,459
Highways and streets	-	-	-	-
Public safety	895,972	-	-	895,972
Culture and recreation	435,634	65,836	66,318	567,788
Capital outlay	73,430	-	-	73,430
Debt service:				
Loan principle	149,049	-	-	149,049
Loan interest	64,355	-	-	64,355
<b>Total expenditures</b>	<b>3,250,899</b>	<b>65,836</b>	<b>66,318</b>	<b>3,383,053</b>
Excess (deficiency) of revenues over expenditures	31,917	(47,169)	(10,445)	(25,697)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	52,091	24,000	900	76,991
Transfers out	(236,243)	-	-	(236,243)
Loan proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(184,152)</b>	<b>24,000</b>	<b>900</b>	<b>(159,252)</b>
Net change in fund balance	(152,235)	(23,169)	(9,545)	(184,949)
Fund balance, beginning of year	1,197,569	12,080	16,988	1,226,637
Fund balance at end of year	<b>\$ 1,045,334</b>	<b>\$ (11,089)</b>	<b>\$ 7,443</b>	<b>\$ 1,041,688</b>

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

**PROPRIETARY FUND DETAIL**



**NON-MAJOR PROPRIETARY FUNDS**

**MVD (Motor Vehicle Department) FUND** - To account for the operations of the City's Motor Vehicle Department.

**AMBULANCE FUND** - To account for the operations of the City's ambulance services.

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Proprietary Funds  
Statement of Net Position  
June 30, 2018

Statement E-1

	MVD Fund	Ambulance Fund	Total
<b>ASSETS</b>			
Current Assets			
Cash on deposit	\$ 18,680	\$ 83,822	\$ 102,502
Accounts receivable (net)	-	5,586	5,586
Total Current Assets	18,680	89,408	108,088
Capital Assets			
Land	-	-	-
Land improvements	-	-	-
Buildings and Improvements	-	-	-
Equipment	-	-	-
Vehicles	-	-	-
Heavy equipment	-	131,836	131,836
Plant/infrastructure	-	-	-
Accumulated depreciation	-	(65,918)	(65,918)
Total Capital Assets	-	65,918	65,918
Total Assets	\$ 18,680	\$ 155,326	\$ 174,006
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	1,596	1,596
Current portion loan payable	-	-	-
Customer meter deposits payable from Restricted Assets	-	-	-
Total Current Liabilities	-	1,596	1,596
Long-Term Liabilities			
Compensated absences payable	-	-	-
NMFA loan payable	-	-	-
Total Long-Term Liabilities	-	-	-
Total Liabilities	-	1,596	1,596
<b>NET POSITION</b>			
Net investment in capital assets	-	65,918	65,918
Restricted for capital outlay	-	-	-
Restricted for debt service	-	-	-
Unrestricted	18,680	87,812	106,492
Total Net Position	18,680	153,730	172,410
Total Liabilities and Net Position	\$ 18,680	\$ 155,326	\$ 174,006

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

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2018

	MVD Fund	Ambulance Fund	Total
OPERATING REVENUES			
Sales and services	\$ 39,309	\$ 288,765	\$ 328,074
Local source	-	-	-
State shared taxes	8,380	-	8,380
 Total operating revenue	 47,689	 288,765	 336,454
OPERATING EXPENSES			
Personal services	32,346	157,872	190,218
Maintenance and operations	4,848	68,658	73,506
Major contractual services	-	28,109	28,109
Depreciation	-	13,184	13,184
 Total operating expenses	 37,194	 267,823	 305,017
 Operating income (loss)	 10,495	 20,942	 31,437
NON-OPERATING REVENUE (EXPENSE)			
Investment income	89	447	536
Investment expense	-	-	-
Transfers in	-	-	-
Transfers out	-	(2,988)	(2,988)
State grant	-	-	-
Federal grant	-	-	-
 Total Non-Operating Revenue (Expense)	 89	 (2,541)	 (2,452)
 Change in Net Position	 10,584	 18,401	 28,985
Total net position, beginning of year	8,096	135,329	143,425
Total net position, end of year	<u>\$ 18,680</u>	<u>\$ 153,730</u>	<u>\$ 172,410</u>

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

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Non-Major Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2018

Statement E-3

	MVD Fund	Ambulance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 39,309	\$ 283,180	\$ 322,489
Cash received from local sources	-	-	-
Cash received from state sources	8,380	-	8,380
Cash payments to employees and to suppliers for goods and services	<u>(37,194)</u>	<u>(254,639)</u>	<u>(291,833)</u>
Net cash provided by operating activities	<u>10,495</u>	<u>28,541</u>	<u>39,036</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Loan proceeds	-	-	-
Principal paid	-	-	-
Acquisition of capital assets	-	-	-
Investment expense	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash received from state sources	-	-	-
Cash received from federal sources	-	-	-
Temporary transfers	-	1,596	1,596
Operating transfers from other funds	-	-	-
Operating transfers to other funds	<u>-</u>	<u>(2,988)</u>	<u>(2,988)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,392)</u>	<u>(1,392)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	<u>89</u>	<u>447</u>	<u>536</u>
Net cash provided by investing activities	<u>89</u>	<u>447</u>	<u>536</u>
Net increase (decrease) in cash	10,584	27,596	38,180
Cash, beginning of year	<u>8,096</u>	<u>56,226</u>	<u>64,322</u>
Cash, end of year	<u><b>\$ 18,680</b></u>	<u><b>\$ 83,822</b></u>	<u><b>\$ 102,502</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 10,495	\$ 20,942	\$ 31,437
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	13,184	13,184
Changes in assets and liabilities:			
(Increase) decrease in receivables	-	(5,585)	(5,585)
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><b>\$ 10,495</b></u>	<u><b>\$ 28,541</b></u>	<u><b>\$ 39,036</b></u>

The accompanying financial statements 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\*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
City of Santa Rosa's proportion of net pension liability (asset)	0.1322%	0.1282%	0.1257%	0.1185%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 1,816,540	\$ 2,048,205	\$ 1,281,620	\$ 924,427
City of Santa Rosa's covered-employee payroll	\$ 1,164,080	\$ 1,161,121	\$ 1,097,488	\$ 1,042,204
City of Santa Rosa's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	156.04%	176.00%	117.00%	88.70%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Santa Rosa is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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\*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
City of Santa Rosa's proportion of net pension liability (asset)	0.1339%	0.1515%	0.1370%	0.1150%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 743,902	\$ 1,117,813	\$ 658,773	\$ 3,478,887
City of Santa Rosa's covered-employee payroll	\$ 299,105	\$ 276,026	\$ 301,299	\$ 268,612
City of Santa Rosa's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	402.08%	405.00%	219.00%	139.57%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Santa Rosa is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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\*

	2018	2017	2016	2015
Contractually required contribution	\$ 111,169	\$ 110,884	\$ 104,807	\$ 99,267
Contributions in relation to the contractually required contribution	<u>(111,169)</u>	<u>(110,884)</u>	<u>(104,807)</u>	<u>(99,267)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 1,164,080	\$ 1,161,121	\$ 1,097,488	\$ 1,042,204
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.55%	9.55%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Santa Rosa is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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 Police Division  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
Contractually required contribution	\$ 56,591	\$ 52,169	\$ 56,945	\$ 50,768
Contributions in relation to the contractually required contribution	<u>(56,591)</u>	<u>(52,169)</u>	<u>(56,945)</u>	<u>(50,768)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 299,105	\$ 276,026	\$ 301,299	\$ 268,612
Contributions as a percentage of covered-employee payroll	18.9%	18.9%	18.9%	18.9%

\**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City of Santa Rosa is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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, 2018

**Changes of benefit terms:** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CFAR. <http://www.saaonm.org>

**Assumptions:** The Public Employees Retirement Association of New Mexico Annual Actuarial Valuation as of June 2017 report is available at <http://www.nmpera.org/>

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

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
Retiree Health Care Authority (RHCA) OPEB Plan  
Last 10 Fiscal Years\*

	<u>2018*</u>
City of Santa Rosa's proportion of net OPEB liability (asset)	0.03501%
City of Santa Rosa's proportionate share of the net OPEB liability (asset)	\$ 1,586,539
City of Santa Rosa's covered-employee payroll	\$ 1,463,885
City of Santa Rosa's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	108.38%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

\*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 will present information for available years.

See Independent Auditor's Report

**OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CITY OF SANTA ROSA  
 SCHEDULE OF CONTRIBUTIONS  
 Retiree Health Care Authority (RHCA) OPEB Plan  
 Last 10 Fiscal Years\*

	2018*
Contractually required contributions	\$ 30,773
Contributions in relation to the contractually required contribution	(30,773)
Contribution deficiency (excess)	\$ -
City of Santa Rosa's covered-employee payroll	\$ 1,463,885
Contribution as a percentage of covered-employee payroll	2.00%

\*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 will present information for available years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2018

*Changes of assumptions:* RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2017 and 2016.

- 1) Fiscal year 2017 valuation assumptions that changed based on this study:
  - a. Lower Investment return from 7.75% to 7.25%
  - b. Lower Inflation rate from 3.00% to 2.50%
  - c. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
  - a. Population growth per year at 0.00%
  - b. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.

See also the Note IV (c) Actuarial Assumptions of the financial statement note disclosure on the OPEB Plan.

**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, 2018

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018
<b>ASSETS</b>				
Cash	\$ 10,040	\$ 230,161	\$ 222,676	\$ 17,525
Due from other funds	-	5,793	-	5,793
Total assets	<u>\$ 10,040</u>	<u>\$ 235,954</u>	<u>\$ 222,676</u>	<u>\$ 23,318</u>
<b>LIABILITIES</b>				
Deposits held for others	\$ 9,217	\$ 140,271	\$ 126,236	\$ 23,252
Due to other agencies	823	95,683	96,440	66
Total liabilities	<u>\$ 10,040</u>	<u>\$ 235,954</u>	<u>\$ 222,676</u>	<u>\$ 23,318</u>

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

*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 Johnson  
New Mexico State Auditor  
and  
Honorable Mayor Nelson Kotiar  
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 and Lodger's Tax Funds of the City of Santa Rosa, as of and for the year ended June 30, 2018 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 16, 2018.

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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

We did identify certain deficiencies in the accompanying Status of Comments and Responses that we consider to be Significant Deficiencies; Capital Asset Listing/Depreciation Schedule (2016-001) and Monies Deposited into Incorrect Bank Accounts Creating Numerous Due to/from Balances (2018-003).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Santa Rosa's 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the Accompanying Status of Comments and Responses as Water Meter Deposits (2014-016), Failure to Receipt Monies Timely (2016-002), Los Amigos Service Billings and Accounts Receivable (2018-001) and Ambulance Service Billings and Accounts Receivable (2018-002).

#### Responses to the Findings

City of Santa Rosa responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico  
December 16, 2018

## **STATUS OF FINDINGS AND RESPONSES**

### **Prior Year Audit Findings:**

1. Water Meter Deposits (2014-016) - Repeated.
2. Capital Asset Listing/Depreciation Schedule - (2016-001) - Repeated.
3. Failure to Receipt Monies Timely - (2016-002) - Repeated.
4. Court Fees Not Timely Remitted to the State - (2016-003) - Resolved.

### **Current Year Audit Findings:**

1. Los Amigos Service Billings and Accounts Receivable - (2018-001)
2. Ambulance Service Billings and Accounts Receivable - (2018-002)
3. Monies Deposited into Incorrect Bank Accounts Creating Numerous Due to/from Balances - (2018-003)

Water Meter Deposits - Other Non-Compliance  
(2014-016)

CONDITION	The City reconciled the meter deposit at the end of the fiscal year. The list only posts \$57,193 in deposits due. The trial balance on the system however, shows \$56,210 due. Neither of these amounts agrees to the \$71,876 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, 2018. 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	Management will designate the Utility Clerk to perform this duty each month, identify differences and resolve those differences by March 1, 2019.

Capital Asset Listing/Depreciation Schedule -  
Significant Deficiency  
(2016-001)

CONDITION	The City did not provide a Capital Asset Listing and Depreciation Schedule that had current year additions and current year depreciation for the fiscal year ending June 30, 2018. Management has made no progress towards preparing this list.
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 Deputy Finance Officer and Clerk/Finance Officer will update the capital asset listing including depreciation by June 30, 2019.

Failure to Receipt Monies Timely - Other Non-Compliance  
(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. The software cannot change to chronological by fund, however does by daily transaction. This process will be implemented by January 1, 2019.

Los Amigos Service Billings and Accounts Receivable -  
Other Non-Compliance  
(2018-001)

CONDITION	The City has a contract to provide nursing home services. The firm that provides the nursing home services has records showing patient receipts, charges, adjustments, etc. Management of the City however, is not 1. Reconciling the billings for each patient, 2. Receiving a list of outstanding balances or "accounts receivable" each month 3. The City is only reporting amounts received 4. This is an enterprise fund and should be reporting financial statements on an accrual basis.
CRITERIA	All enterprise funds are to be kept on an accrual basis. Also, all monies should be shown "gross" not "net" on the financial statements. Proper internal controls should be in place to account for all amounts due the City(accounts receivable).
CAUSE	Management has not taken steps to ensure all procedures are in place so that the transactions of the Los Amigos Fund are recorded and reported correctly.
EFFECT	Financial statement amounts may be understated, including accounts receivable, charges for services and expenditures.
RECOMMENDATION	Management should obtain the information from the nursing home billing service each month. After all receivables are recorded, each "patient" for the month should be reconciled to that list to ensure all patients have been billed.
RESPONSE	Management has instructed the Assisted Living staff on how to record differences in patient's receipts. The City Finance Department staff will review these monthly to ensure they are being recorded properly and will implement these procedures by January 1, 2019.

Ambulance Service Billings and Accounts Receivable -  
Other Non-Compliance  
(2018-002)

CONDITION	The City is offering ambulance services. Management has obtained a firm which performs the credential services, billings and prepares accounts receivable. Management, however, is not 1. reconciling each "run" to the patient billings, 2. receiving a list of outstanding balances or "accounts receivable" each month, 3. only amounts received are being reported, and 4. this is an enterprise fund and should be reporting financial statements on an accrual basis.
CRITERIA	All enterprise funds are to be kept on an accrual basis. Also, all monies should be shown "gross" not "net" on the financial statements. Proper internal controls should be in place to account for all amounts due the City(accounts receivable).
CAUSE	Management has not taken steps to ensure all procedures are in place so that the transactions of the Ambulance Fund are recorded and reported correctly.
EFFECT	Financial statement amounts may be understated, including accounts receivable, charges for services and expenditures.
RECOMMENDATION	Management should obtain the information from the EMS billing service each month. After all receivables are recorded, each "run" for the month should be reconciled to that list to ensure all patients have been billed.
RESPONSE	The City has hired a new employee to the EMS Department and has instructed them on how to review and reconcile all receivables. This will be implemented as of January 31, 2019 and will ensure that all billings from the billing service are recorded properly.

Monies Deposited into Incorrect Bank Accounts Creating Numerous  
Due to/from Balances -  
Significant Deficiency  
(2018-003)

CONDITION	Resources are receipted, posted to the correct fund, but deposited into the wrong bank account. This creates due to and due from balances that are not corrected until the next fiscal year.  Also, the Utility billing program is not properly posting utility payments causing due to and due from balances among the Water, Sewer and Solid Waste Funds.
CRITERIA	Effective internal controls are needed to ensure that monies received are not only posted correctly but deposited correctly.
CAUSE	Employees depositing monies are not ensuring these monies are deposited in the correct bank account.  The Utility payments received sometimes have advance payments and the Utility system is not complete to ensure these overpayments are reported in the correct fund.
EFFECT	Numerous due to and due from balances are created that are not paid back immediately. Utility payments may not be posted to the correct fund. The due to and due from balances of the Utility funds are not balancing. (Are not matching.)
RECOMMENDATION	Management should institute new procedures to ensure all bank deposits are deposited correctly. Management should also change the Utility receipting/posting controls within the accounting systems to eliminate these due to and due from accounts.
RESPONSE	Management will discuss potential software enhancements or configuration changes to the utility system to ensure funds are distributed properly. The Cash Collections Clerk and Clerk/Finance Officer will ensure that all deposits are deposited correctly and implement these procedures by January 1, 2019.



#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 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 16, 2018 to discuss the current audit report. In attendance were Mr. Nelson Kotiar, Mayor, Ms. Yolanda Garcia, City Clerk/Finance Officer and Ms. Pamela A. Rice, CPA, Contract Auditor.