

State of New Mexico

**Santa Rosa**

NEW MEXICO

**The City of Natural Lakes**



FOR YEAR ENDED JUNE 30, 2019

ANNUAL FINANCIAL REPORT

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

CITY OF SANTA ROSA

AUDIT REPORT

For The Year Ended June 30, 2019

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
TABLE OF CONTENTS  
Year Ended June 30, 2019

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Position	4
2 Statement of Activities	6
3 Balance Sheet - Governmental Funds	7
4 Governmental Funds: Reconciliation of the Balance Sheet to the Statement of Net Position	8
5 Governmental Funds: Statement of Revenues, Expenditures and Changes in Fund Balances	9
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	10
7 General Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	11
8 Lodgers Tax Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	12
9 Proprietary Funds: Statement of Net Position	13
10 Proprietary Funds: Statement of Revenues, Expenses and Changes in Fund Net Position	15

Table of Contents (continued)

	<u>Page</u>
11 Proprietary Funds: Statement of Cash Flows	16
12 Statement of Fiduciary Assets and Liabilities - Agency Funds	17
Notes to Financial Statements	18
Supplementary Information:	
Non-Major Governmental Funds:	
A-1 Combining Balance Sheet - By Fund Type	48
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	49
Non-Major Special Revenue Funds:	
B-1 Combining Balance Sheet	50
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
Non-Major Capital Project Funds:	
C-1 Combining Balance Sheet	54
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55
General Fund Detail:	
General Fund:	
D-1 Combining Balance Sheet	56
D-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57

Table of Contents (continued)

Page

Proprietary Fund Detail:

Non-Major Proprietary Funds:

E-1	Statement of Net Position	58
E-2	Statement of Revenues Expenditures and Changes in Fund Net Position	59
E-3	Statement of Cash Flows	60

Required Supplementary Information:

Schedules

I	Schedule of the Employer's Proportionate Share of the Net Pension Liability of PERA Fund Municipal General Division	61
II	Schedule of the Employer's Proportionate Share of the Net Pension Liability of PERA Fund Municipal Police Division	62
III	Schedule of Employer's Contributions - General Division	63
IV	Schedule of Employer's Contributions - Police Division	64
V	Notes of Required Supplementary Information	65
VI	Schedule of Proportionate Share Of the Net OPEB Liability	66
VII	Schedule of Contributions	67

Other Supplementary Information:

Agency Fund:

VIII	Schedule of Changes in Assets and Liabilities - All Agency Funds	68
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Table of Contents (continued)

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69
Status of Findings and Responses	71
Financial Statement Preparation and Exit Conference	83

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Official Roster  
Year Ended June 30, 2019

City Council

<u>Name</u>	<u>Title</u>
Mr. Nelson Kotiar	Mayor
Mr. Richard Muniz	Mayor Pro-Tem
Mr. Harold Sexton	Council Member
Mr. Patrick Cordova	Council Member
Mr. Joseph Romero	Council Member

City Administration

Vacant	City Manager
Ms. Yolanda Garcia	City Clerk

# Rice and Associates, C.P.A.

AUDITING  
BOOKKEEPING  
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Albuquerque, NM 87112

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TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colon  
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, 2019, 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, 2019 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, 2019, 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, 2019, 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.

#### 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, 2019 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, 2019

## **FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Statement of Net Position  
June 30, 2019

Statement 1  
Page 1 of 2

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 1,628,909	\$ 638,500	\$ 2,267,409
Accounts receivable (net of uncollectible accounts)	323,513	242,023	565,536
Inventory	29,664	-	29,664
<b>Total current assets</b>	<b>1,982,086</b>	<b>880,523</b>	<b>2,862,609</b>
<b>Restricted Assets (Cash)</b>			
Customer meter deposits	-	63,352	63,352
Repair and replacement	-	308,329	308,329
Sewer asset management	-	49,219	49,219
Debt service reserve	865,171	10	865,181
Capital outlay	21,405	197	21,602
<b>Total restricted assets</b>	<b>886,576</b>	<b>421,107</b>	<b>1,307,683</b>
<b>Capital Assets</b>			
Land	1,746,820	158,559	1,905,379
Land improvements	5,808,358	-	5,808,358
Buildings and improvements	11,196,141	385,532	11,581,673
Airport	7,665,437	-	7,665,437
Infrastructure	9,816,709	-	9,816,709
Vehicles	735,439	363,063	1,098,502
Equipment	1,254,677	229,083	1,483,760
Heavy Equipment	2,113,355	1,195,056	3,308,411
Plant	-	19,743,957	19,743,957
<b>Total capital assets</b>	<b>40,336,936</b>	<b>22,075,250</b>	<b>62,412,186</b>
Less accumulated depreciation	(18,464,382)	(9,496,597)	(27,960,979)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>21,872,554</b>	<b>12,578,653</b>	<b>34,451,207</b>
Deferred outflows of resources related to pension	956,417	-	956,417
Deferred outflows of resources related to OPEB	73,117	-	73,117
<b>Total deferred outflows of resources</b>	<b>1,029,534</b>	<b>-</b>	<b>1,029,534</b>
<b>Total assets</b>	<b>\$ 25,770,750</b>	<b>\$ 13,880,283</b>	<b>\$ 39,651,033</b>

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, 2019

Statement 1  
Page 2 of 2

	Governmental Activities	Business Type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 253,212	\$ 71,254	\$ 324,466
Customer meter deposits (restricted)	-	58,197	58,197
Accrued interest payable	94,478	-	94,478
Revenue bonds payable - current portion	203,586	96,000	299,586
Loans payable - current portion	71,827	44,935	116,762
	-	-	-
Total current liabilities	623,103	270,386	893,489
<b>Non-Current Liabilities</b>			
Revenue bonds payable (less current portion)	1,671,649	4,247,300	5,918,949
Compensated absences payable	55,340	25,861	81,201
Landfill closure and post closure liability	-	699,907	699,907
Net Pension liability	3,167,056	-	3,167,056
OPEB liability	1,564,105	-	1,564,105
Loans payable (less current portion)	856,931	99,975	956,906
NM Environment loans	-	940,309	940,309
	-	-	-
Total non-current liabilities	7,315,081	6,013,352	13,328,433
Total liabilities	7,938,184	6,283,738	14,221,922
<b>Deferred Inflows of resources</b>			
related to pension	217,359	-	217,359
Deferred Inflows of resources related to OPEB liability	404,135	-	404,135
Total deferred inflows of resources	621,494	-	621,494
<b>Net Position</b>			
Net investment in capital assets	19,068,561	7,157,004	26,225,565
Nonspendable	29,664	-	29,664
Restricted for repair and replacement	-	182,625	182,625
Restricted for capital outlay	50,687	197	50,884
Restricted for debt service	865,171	174,932	1,040,103
Restricted for special grants	1,073,937	-	1,073,937
Restricted for State mandated reserves	248,695	-	248,695
Unrestricted	(4,125,643)	81,787	(4,043,856)
	-	-	-
Total net position	17,211,072	7,596,545	24,807,617
Total liabilities and net position	<b>\$ 25,770,750</b>	<b>\$ 13,880,283</b>	<b>\$ 39,651,033</b>

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, 2019

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	\$ 1,741,352	\$ 8,796	\$ 1,212,399	\$ 128,443	\$ (391,714)	\$ -	\$ (391,714)
Highways and streets	174,953	-	-	-	(174,953)	-	(174,953)
Public safety	1,011,192	-	258,943	-	(752,249)	-	(752,249)
Culture and recreation	1,493,821	445,154	107,306	-	(941,361)	-	(941,361)
Depreciation - unallocated	975,802	-	-	-	(975,802)	-	(975,802)
Interest	94,733	-	-	-	(94,733)	-	(94,733)
Total governmental activities	<u>5,491,853</u>	<u>453,950</u>	<u>1,578,648</u>	<u>128,443</u>	<u>(3,330,812)</u>	<u>-</u>	<u>(3,330,812)</u>
Business-type activities:							
Water/sewer services	1,711,472	1,216,091	158,106	-	-	(337,275)	(337,275)
Solid waste services	536,661	397,705	29,255	-	-	(109,701)	(109,701)
Ambulance services	279,818	153,111	67,464	-	-	(59,243)	(59,243)
Los Amigos	727,802	734,144	-	-	-	6,342	6,342
MVD services	36,340	33,118	-	-	-	(3,222)	(3,222)
Total business-type activities	<u>3,292,093</u>	<u>2,534,169</u>	<u>254,825</u>	<u>-</u>	<u>-</u>	<u>(503,099)</u>	<u>(503,099)</u>
Total all activities	<u>\$ 8,783,946</u>	<u>\$ 2,988,119</u>	<u>\$ 1,833,473</u>	<u>\$ 128,443</u>	<u>(3,330,812)</u>	<u>(503,099)</u>	<u>(3,833,911)</u>
General Revenues:							
Property taxes					231,670	-	231,670
Franchise taxes					22,376	-	22,376
Gross receipts taxes					2,049,806	42,805	2,092,611
Motor vehicle taxes					-	13,806	13,806
Gas taxes					253,150	-	253,150
Lodgers taxes					607,733	-	607,733
State aid not restricted to special purpose:							
General					90,000	-	90,000
Investment earnings					18,630	8,528	27,158
Transfers					(25,969)	(4,330)	(30,299)
Total general revenues and transfers					<u>3,247,396</u>	<u>60,809</u>	<u>3,308,205</u>
Change in net position					(83,416)	(442,290)	(525,706)
Net position - beginning					<u>17,294,488</u>	<u>8,038,835</u>	<u>25,333,323</u>
Net position - ending					<u>\$ 17,211,072</u>	<u>\$ 7,596,545</u>	<u>\$ 24,807,617</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, 2019

Statement 3

	General Fund	Lodgers Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash on deposit	\$ 1,271,135	\$ 457,749	\$ 786,601	\$ 2,515,485
Accounts receivable	187,183	63,495	72,835	323,513
Inventory	-	-	29,664	29,664
Due from other funds	31,570	-	3,755	35,325
Total assets	<b><u>\$ 1,489,888</u></b>	<b><u>\$ 521,244</u></b>	<b><u>\$ 892,855</u></b>	<b><u>\$ 2,903,987</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 132,478	\$ -	\$ 120,734	\$ 253,212
Due to other funds	-	-	35,325	35,325
Total liabilities	132,478	-	156,059	288,537
<b>FUND BALANCE</b>				
Nonspendable	-	-	29,664	29,664
Restricted	1,031,519	521,244	707,132	2,259,895
Committed	-	-	-	-
Unassigned	325,891	-	-	325,891
Total fund balance	1,357,410	521,244	736,796	2,615,450
Total liabilities and fund balance	<b><u>\$ 1,489,888</u></b>	<b><u>\$ 521,244</u></b>	<b><u>\$ 892,855</u></b>	<b><u>\$ 2,903,987</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, 2019

Statement 4

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

Total fund balances - governmental funds		\$ 2,615,450
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	40,336,936	
Accumulated depreciation	<u>(18,464,382)</u>	21,872,554
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	(55,340)	
Revenue bonds payable	(1,875,235)	
Loans payable	(928,758)	
Interest payable	<u>(94,478)</u>	(2,953,811)
Some liabilities, including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds		
Net pension liability		(3,167,056)
OPEB liability		(1,564,105)
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		956,417
Deferred outflows of resources related to OPEB		73,117
Deferred inflows or resources related to pension		(217,359)
Deferred inflows or resources related to OPEB		<u>(404,135)</u>
Net position of governmental activities		<u><u>\$ 17,211,072</u></u>

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



STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2019

Statement 5

	General Fund	Lodgers Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 254,046	\$ 607,733	\$ 253,150	\$ 1,114,929
Charges for services	67,373	-	386,577	453,950
Licenses and permits	10,716	-	175,590	186,306
Fines and forfeitures	5,574	-	1,930	7,504
Local sources	1,007,058	-	32,034	1,039,092
State sources	112,472	-	402,595	515,067
Federal sources	5,376	-	43,746	49,122
State shared taxes	2,049,806	-	-	2,049,806
Earnings from investments	9,953	3,925	4,752	18,630
	<u>3,522,374</u>	<u>611,658</u>	<u>1,300,374</u>	<u>5,434,406</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,483,789	-	13,907	1,497,696
Highways and streets	-	-	174,953	174,953
Public safety	842,663	-	168,529	1,011,192
Health & welfare	-	-	-	-
Culture and recreation	542,464	60,777	890,580	1,493,821
Capital outlay	29,500	81,065	144,849	255,414
NMFA principle	153,017	-	114,147	267,164
NMFA interest	60,397	-	42,311	102,708
	<u>3,111,830</u>	<u>141,842</u>	<u>1,549,276</u>	<u>4,802,948</u>
Excess (deficiency) revenues over expenditures	410,544	469,816	(248,902)	631,458
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	38,077	-	554,348	592,425
Operating transfer (out)	(132,898)	(447,472)	(38,024)	(618,394)
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(94,821)</u>	<u>(447,472)</u>	<u>516,324</u>	<u>(25,969)</u>
Net change in fund balances	315,723	22,344	267,422	605,489
Fund balance beginning of year	<u>1,041,687</u>	<u>498,900</u>	<u>469,374</u>	<u>2,009,961</u>
Fund balance end of year	<u>\$ 1,357,410</u>	<u>\$ 521,244</u>	<u>\$ 736,796</u>	<u>\$ 2,615,450</u>

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, 2019

Statement 6

Net change in fund balances - total governmental funds \$ 605,489

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	(975,802)	
Capital outlays	255,414	
Excess of depreciation expense over capital outlay		(720,388)

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		162,523
Pension expense		(449,025)
OPEB contributions		29,049
OPEB expense		(7,316)

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		21,113
Accrued interest payable		7,975

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

Loan proceeds	-	
Repayment of long-term debt	267,164	
		267,164

Change in net position of governmental activities **\$ (83,416)**

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 213,722	\$ 213,722	\$ 236,983	\$ 23,261
Franchise taxes	18,000	18,000	15,864	(2,136)
Charges for services	71,300	71,931	65,880	(6,051)
Fines and forfeits	8,500	8,500	5,574	(2,926)
Licenses and permits	7,600	7,600	10,716	3,116
Local sources	727,100	977,100	1,004,671	27,571
State sources	252,000	256,471	112,472	(143,999)
Federal sources	-	-	5,376	5,376
State shared taxes	1,890,200	2,039,600	2,054,793	15,193
Earnings from investments	4,100	4,100	9,953	5,853
<b>Total revenues</b>	<b>\$ 3,192,522</b>	<b>\$ 3,597,024</b>	<b>\$ 3,522,282</b>	<b>\$ (74,742)</b>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 1,476,247	\$ 1,598,719	\$ 1,481,578	\$ 117,141
Public safety	1,002,720	977,720	842,663	135,057
Culture and recreation	466,971	589,401	542,464	46,937
Capital outlay	-	29,500	29,500	-
Debt service:				
Loan principle	108,906	153,017	153,017	-
Loan interest	116,480	60,397	60,397	-
<b>Total expenditures</b>	<b>\$ 3,171,324</b>	<b>\$ 3,408,754</b>	<b>\$ 3,109,619</b>	<b>\$ 299,135</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 38,077	\$ 38,077	\$ -
Transfers out	(91,578)	(132,898)	(132,898)	-
<b>Total other financing sources (uses)</b>	<b>\$ (91,578)</b>	<b>\$ (94,821)</b>	<b>\$ (94,821)</b>	<b>\$ -</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 74,068</b>	<b>\$ -</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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 491,100	\$ 606,229	\$ 607,197	\$ 968
Earnings from investments	<u>1,500</u>	<u>1,500</u>	<u>3,925</u>	<u>2,425</u>
Total revenues	<b><u>\$ 492,600</u></b>	<b><u>\$ 607,729</u></b>	<b><u>\$ 611,122</u></b>	<b><u>\$ 3,393</u></b>
EXPENDITURES				
Culture & recreation	\$ 47,500	\$ 221,404	\$ 141,842	\$ 79,562
Total expenditures	<b><u>\$ 47,500</u></b>	<b><u>\$ 221,404</u></b>	<b><u>\$ 141,842</u></b>	<b><u>\$ 79,562</u></b>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (217,000)	\$ (447,472)	\$ (447,472)	\$ -
Total other financing sources (uses)	<b><u>\$ (217,000)</u></b>	<b><u>\$ (447,472)</u></b>	<b><u>\$ (447,472)</u></b>	<b><u>\$ -</u></b>
BUDGETED CASH BALANCE	<b><u>\$ -</u></b>	<b><u>\$ 61,147</u></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, 2019

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	\$ 500,710	\$ 18,924	\$ 44,262	\$ 74,604	\$ 638,500
Accounts receivable (net)	155,422	55,940	27,658	3,003	242,023
Due from other funds	<u>27,828</u>	<u>30,730</u>	<u>-</u>	<u>-</u>	<u>58,558</u>
<b>Total Current Assets</b>	<u>683,960</u>	<u>105,594</u>	<u>71,920</u>	<u>77,607</u>	<u>939,081</u>
<b>Non-Current Assets</b>					
Restricted Assets (Cash)	357,548	207	-	-	357,755
Customer meter deposits	<u>63,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,352</u>
<b>Total Non-Current Assets</b>	<u>420,900</u>	<u>207</u>	<u>-</u>	<u>-</u>	<u>421,107</u>
<b>Capital Assets</b>					
Land	158,559	-	-	-	158,559
Land improvements	-	-	-	-	-
Buildings and Improvements	236,962	148,570	-	-	385,532
Equipment	192,085	36,998	-	-	229,083
Vehicles	338,361	24,702	-	-	363,063
Heavy equipment	-	1,063,220	-	131,836	1,195,056
Plant/infrastructure	19,323,815	420,142	-	-	19,743,957
Accumulated depreciation	<u>(8,203,565)</u>	<u>(1,213,930)</u>	<u>-</u>	<u>(79,102)</u>	<u>(9,496,597)</u>
<b>Total Capital Assets</b>	<u>12,046,217</u>	<u>479,702</u>	<u>-</u>	<u>52,734</u>	<u>12,578,653</u>
<b>Total Assets</b>	<u>\$ 13,151,077</u>	<u>\$ 585,503</u>	<u>\$ 71,920</u>	<u>\$ 130,341</u>	<u>\$ 13,938,841</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, 2019

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	\$ 30,528	\$ 29,479	\$ -	\$ 5,676	\$ 65,683
Due to state (unclaimed property)	1,846	-	-	-	1,846
Unapplied credits	3,725	-	-	-	3,725
Current portion revenue bonds payable	96,000	-	-	-	96,000
Current portion loan payable	25,000	19,935	-	-	44,935
Customer meter deposits payable from Restricted Assets	58,197	-	-	-	58,197
Due to other funds	58,558	-	-	-	58,558
<b>Total Current Liabilities</b>	<b>273,854</b>	<b>49,414</b>	<b>-</b>	<b>5,676</b>	<b>328,944</b>
<b>Long-Term Liabilities</b>					
Compensated absences payable	21,155	4,706	-	-	25,861
Revenue bonds payable	4,247,300	-	-	-	4,247,300
Landfill post closure liabilities	-	699,907	-	-	699,907
NMFA loan	-	99,975	-	-	99,975
NM Environment loans	940,309	-	-	-	940,309
<b>Total Long-Term Liabilities</b>	<b>5,208,764</b>	<b>804,588</b>	<b>-</b>	<b>-</b>	<b>6,013,352</b>
<b>Total Liabilities</b>	<b>5,482,618</b>	<b>854,002</b>	<b>-</b>	<b>5,676</b>	<b>6,342,296</b>
<b>NET POSITION</b>					
Net investment in capital assets	6,744,478	359,792	-	52,734	7,157,004
Restricted for debt service	174,922	10	-	-	174,932
Restricted for capital outlay	-	197	-	-	197
Restricted for repair & replacement	182,625	-	-	-	182,625
Unrestricted	566,434	(628,498)	71,920	71,931	81,787
<b>Total Net Position</b>	<b>7,668,459</b>	<b>(268,499)</b>	<b>71,920</b>	<b>124,665</b>	<b>7,596,545</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 13,151,077</b>	<b>\$ 585,503</b>	<b>\$ 71,920</b>	<b>\$ 130,341</b>	<b>\$ 13,938,841</b>

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, 2019

	Water/Sewer Fund	Solid Waste Fund	Los Amigos Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES</b>					
Sales and services	\$ 1,216,091	\$ 397,705	\$ 734,144	\$ 186,229	\$ 2,534,169
Local sources	59,943	29,255	-	67,464	156,662
State sources	98,163	-	-	-	98,163
Federal sources	-	-	-	-	-
State shared taxes	-	42,805	-	13,806	56,611
	<u>1,374,197</u>	<u>469,765</u>	<u>734,144</u>	<u>267,499</u>	<u>2,845,605</u>
Total operating revenue					
<b>OPERATING EXPENSES</b>					
Personal services	318,086	195,866	-	175,994	689,946
Maintenance and operations	676,438	297,830	727,802	102,013	1,804,083
Major contractual services	-	-	-	24,967	24,967
Depreciation	583,997	42,825	-	13,184	640,006
	<u>1,578,521</u>	<u>536,521</u>	<u>727,802</u>	<u>316,158</u>	<u>3,159,002</u>
Total operating expenses					
Operating income (loss)	<u>(204,324)</u>	<u>(66,756)</u>	<u>6,342</u>	<u>(48,659)</u>	<u>(313,397)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>					
Investment income	7,094	247	272	915	8,528
Investment expense	(132,951)	(140)	-	-	(133,091)
Transfers in	-	-	7,946	-	7,946
Transfers out	(12,276)	-	-	-	(12,276)
	<u>(138,133)</u>	<u>107</u>	<u>8,218</u>	<u>915</u>	<u>(128,893)</u>
Total Non-Operating Revenue (Expense)					
Change in Net Position	(342,457)	(66,649)	14,560	(47,744)	(442,290)
Net position, beginning of year	<u>8,010,916</u>	<u>(201,850)</u>	<u>57,360</u>	<u>172,409</u>	<u>8,038,835</u>
Net position, end of year	<u><b>\$ 7,668,459</b></u>	<u><b>\$ (268,499)</b></u>	<u><b>\$ 71,920</b></u>	<u><b>\$ 124,665</b></u>	<u><b>\$ 7,596,545</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, 2019

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	\$ 1,260,535	\$ 397,626	\$ 729,232	\$ 191,815	\$ 2,579,208
Cash received from local sources	54,704	29,255	-	67,464	151,423
Cash received from state sources	250,338	-	-	10,803	261,141
Cash received from state shared taxes	-	42,825	-	-	42,825
Cash payments to employees and to suppliers for goods and services	(999,679)	(441,284)	(727,802)	(297,298)	(2,466,063)
Net cash provided by operating activities	565,898	28,422	1,430	(27,216)	568,534
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Loan proceeds	65,309	-	-	-	65,309
Principal paid	(131,200)	(19,916)	-	-	(151,116)
Acquisition of capital assets	(349,671)	(15,000)	-	-	(364,671)
Investment expense	(132,950)	(140)	-	-	(133,090)
Net cash provided (used) by capital and related financing activities	(548,512)	(35,056)	-	-	(583,568)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers from other funds	8,054	-	7,946	-	16,000
Operating transfers to other funds	(12,276)	-	-	-	(12,276)
Change in due to/from other funds	9,455	(13,012)	(1,204)	(1,596)	(6,357)
Net cash provided (used) by noncapital financing activities	5,233	(13,012)	6,742	(1,596)	(2,633)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	6,591	247	272	915	8,025
Net cash provided by investing activities	6,591	247	272	915	8,025
Net increase (decrease) in cash	29,210	(19,399)	8,444	(27,897)	(9,642)
Cash, beginning of year	829,048	38,530	35,818	102,501	1,005,897
Cash, end of year	<b>\$ 858,258</b>	<b>\$ 19,131</b>	<b>\$ 44,262</b>	<b>\$ 74,604</b>	<b>\$ 996,255</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (204,324)	\$ (66,756)	\$ 6,342	\$ (48,659)	\$ (313,397)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	583,997	42,825	-	13,184	640,006
Changes in assets and liabilities:					
(Increase) decrease in receivables	190,920	(60)	(4,912)	2,583	188,531
Increase (decrease) in accounts payable	(3,908)	52,794	-	5,676	54,562
Increase (decrease) in compensated absences	(1,248)	(381)	-	-	(1,629)
Increase (decrease) in unapplied credits	461	-	-	-	461
Net cash provided (used) by operating activities	<b>\$ 565,898</b>	<b>\$ 28,422</b>	<b>\$ 1,430</b>	<b>\$ (27,216)</b>	<b>\$ 568,534</b>

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, 2019

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 33,223
Total Assets	<b>\$ 33,223</b>
<b>LIABILITIES</b>	
Due to other agencies	\$ 618
Deposits held for others	32,605
Total Liabilities	<b>\$ 33,223</b>

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, 2019

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.

## Notes to Financial Statements (continued)

### 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 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

## Notes to Financial Statements (continued)

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.

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

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.

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

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

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

The City also reports Fiduciary Funds.

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

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

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

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

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

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

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

D. Budgetary Information

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

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

E. Cash and Investments

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

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

F. Inventories

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

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

G. Deferred Inflows of Resources

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

H. Deferred Outflows of Resources

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

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated Capital Assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

J. Compensated Absences

Vested or accumulated vacation and compensation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for 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 2978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

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

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

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

M. Restricted Assets

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

N. Net Position

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

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

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

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

O. Fund Balance

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

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

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

Enabling legislation authorizes the City to assess, levy, 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 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 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.

S. 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.

Notes to Financial Statements (continued)

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	\$ -
FNB Bank	Checking	Solid Waste	22,315
FNB Bank	Checking	Ambulance	50,125
FNB Bank	Checking	Motor Vehicle	26,504
FNB Bank	Checking	Golf Course	934
FNB Bank	Checking	Airport	2,588
FNB Bank	Checking	General	235,790
FNB Bank	Checking	Gasoline Tax	145,768
FNB Bank	Checking	LGC	260
FNB Bank	Checking	Convention Center	72,342
FNB Bank	Checking	El Rito Creek	-
FNB Bank	Checking	Lodgers Tax	293,316
FNB Bank	Checking	Eastside Lift	109
FNB Bank	Checking	Water Meter Deposit	69,374
FNB Bank	Checking	Activity	17,088
FNB Bank	Checking	MVD Sweep	552
FNB Bank	Checking	Sewer Reserve	174,923
FNB Bank	Checking	Sewer Asset Management	49,218
FNB Bank	Checking	Sewer Capital Reserve	78,779
FNB Bank	Checking	R & R Water	73,739
FNB Bank	Checking	Water	247,494
FNB Bank	Checking	Recreation	182,144
FNB Bank	Checking	Municipal Court	66
FNB Bank	Checking	Clean & Lien	19,947
FNB Bank	Checking	LEPF	1,824
FNB Bank	Checking	Fire	185,859
FNB Bank	Checking	EMS	2,450
FNB Bank	Checking	Library	11,711
FNB Bank	Checking	EMS/Fire/Rescue	16,421
FNB Bank	Checking	Seniors	1,019
FNB Bank	Checking	Power Dam	7,803
FNB Bank	Checking	Los Amigos	44,262
FNB Bank	Checking	Ilfeld	-
FNB Bank	Checking	Airport Construction	3,815
FNB Bank	Checking	Sewer	163,611
FNB Bank	Checking	CDBG 5 <sup>th</sup> Street	129,996
FNB Bank	Checking	General 2	112,385
FNB Bank	Certificate of Deposit	General	11,941
FNB Bank	Certificate of Deposit	Lodgers Tax	17,922
FNB Bank	Savings	General IMMA	230,213
FNB Bank	Savings	General Money Market	467,535
FNB Bank	Savings	Water/Sewer IMMA	8,851
FNB Bank	Savings	Water Meter Deposit	12,506
FNB Bank	Certificate of Deposit	Water	98,080
		<b>Total</b>	<b><u>\$3,291,579</u></b>
NM Finance Authority			<b><u>\$ 419,249</u></b>
Total amount on deposit			\$3,710,828
Deposit in transit			98,814
Petty Cash			4,225
Outstanding checks			<u>(205,552)</u>
Total per financial statements			<b><u>\$3,608,315</u></b>

Notes to Financial Statements (continued)

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

	<u>FNB</u>
Cash on deposit at June 30	\$ 3,291,579
Less FDIC	<u>(377,943)</u>
Uninsured funds	2,913,636
Funds needing collateralization at 50% (required by State Law)	1,456,818
Pledged collateral at June 30	<u>(1,605,832)</u>
(Excess) deficiency of Pledged Collateral	<u><b>\$ (149,014)</b></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, \$2,913,636 of the City's bank balance of \$3,291,579 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$1,307,804
B. Uninsured and collateralized with securities held by the pledging banks trust department, but not in the City's name	<u>1,605,832</u>
Total	<u><b>\$2,913,636</b></u>

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

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>First National Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #54422NFA9	8-01-27	\$ 910,019
FHLB #3137B2CH1	4-15-33	85,308
FHLB #83165AXK5	9-25-28	314,825
FHLB #83164L3J8	3-25-41	<u>295,680</u>
		<u><b>\$ 1,605,832</b></u>

The amount held at the New Mexico Finance Authority totaling \$419,249 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.

Notes to Financial Statements (continued)

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	\$ 1,643	\$ 256,224
Less allowance for Uncollectible accounts	<u>-</u>	<u>(20,798)</u>
Subtotal	1,643	235,426
Property taxes receivable	3,448	-
Franchise taxes receivable	6,512	-
Lodgers tax receivable	63,495	-
MVD Fees	-	3,003
Gross receipts taxes receivable	173,343	3,594
Gas taxes receivable	20,774	-
Intergovernmental	<u>54,298</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 323,513</u></b>	<b><u>\$ 242,023</u></b>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable are recorded in the various funds. There was \$318,895 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-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

Notes to Financial Statements (continued)

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 **\$ 58,197**

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	\$ 102,502	\$ -	\$ 98,900	\$ 7,946	\$ 26,000	\$ (235,348)
Lodgers Tax Fund	-	-	443,172	-	4,300	(447,472)
Non-Major Funds	38,024	-	-	-	-	(38,024)
Proprietary Funds	-	-	12,277	-	-	(12,277)
<b>Total Transfers In/Out</b>	<b><u>\$ 140,526</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 554,349</u></b>	<b><u>\$ 7,946</u></b>	<b><u>\$ 30,300</u></b>	<b><u>\$ -</u></b>

**Balance of Transfers**

Transfer to Non-Major Governmental Fund	\$ 12,277	From Proprietary Fund
Transfer to Activity Fund	4,300	From Lodgers Tax Fund
Transfer to Non-Major Governmental Fund	98,900	From General Fund
Transfer to Activity Fund	26,000	From General Fund
Transfer to Non-Major Governmental Fund	443,172	From Lodgers Tax Fund
Transfer to General	38,024	From Non-Major Governmental Fund
Transfer to General Fund	102,502	From General Fund
Transfer to Proprietary Fund	<u>7,946</u>	From General Fund
<b>Total Interfund Transfers Between Governmental and Business-Type Activities and Fiduciary Funds</b>	<b><u>\$ 733,121</u></b>	

Notes to Financial Statements (continued)

8. CAPITAL ASSETS

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>July 1, 2019</u>
Land	\$ 1,688,145	\$ 58,675	\$ -	\$ 1,746,820
Total not being depreciated	<u>1,688,145</u>	<u>58,675</u>	<u>-</u>	<u>1,746,820</u>
Land improvements	5,694,629	113,729	-	5,808,358
Buildings and improvements	11,196,141	-	-	11,196,141
Infrastructure	9,816,709	-	-	9,816,709
Vehicles	711,939	23,500	-	735,439
Equipment	1,222,437	32,240	-	1,254,677
Heavy equipment	2,113,355	-	-	2,113,355
Airport	<u>7,638,167</u>	<u>27,270</u>	<u>-</u>	<u>7,665,437</u>
Total capital assets being depreciated	<u>38,393,377</u>	<u>196,739</u>	<u>-</u>	<u>38,590,116</u>
Less: accumulated depreciation	<u>(17,488,580)</u>	<u>(975,802)</u>	<u>-</u>	<u>(18,464,382)</u>
Total capital assets being depreciated	<u>20,904,797</u>	<u>(779,063)</u>	<u>-</u>	<u>20,125,734</u>
Net capital assets	<u><b>\$ 22,592,942</b></u>	<u><b>\$ (720,388)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 21,872,554</b></u>

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>July 1, 2019</u>
Land	\$ 158,559	\$ -	\$ -	\$ 158,559
Total not being depreciated	<u>158,559</u>	<u>-</u>	<u>-</u>	<u>158,559</u>
Heavy equipment	1,063,220	-	-	1,063,220
Buildings & improvements	385,532	-	-	385,532
Plant/infrastructure	19,394,286	349,671	-	19,743,957
Vehicles	348,063	15,000	-	363,063
Equipment	229,083	-	-	229,083
Ambulance	<u>131,836</u>	<u>-</u>	<u>-</u>	<u>131,836</u>
Total capital assets being depreciated	<u>21,552,020</u>	<u>364,671</u>	<u>-</u>	<u>21,916,691</u>
Less: accumulated depreciation	<u>(8,856,591)</u>	<u>(640,006)</u>	<u>-</u>	<u>(9,496,597)</u>
Total capital assets being depreciated	<u>12,695,429</u>	<u>(275,335)</u>	<u>-</u>	<u>12,420,094</u>
Net capital assets	<u><b>\$ 12,853,988</b></u>	<u><b>\$ (275,335)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 12,578,653</b></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:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Revenue bonds payable	\$ 4,449,500	\$ -	\$ 106,200	\$ 4,343,300	\$ 96,000
NM Environment Loan	325,000	-	25,000	300,000	25,000
NMFA Loan	139,826	-	19,916	119,910	19,935
NM Environment Loan Compensated	600,000	65,309	-	665,309	-
Absences payable	<u>27,488</u>	<u>-</u>	<u>1,627</u>	<u>25,861</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 5,541,814</u></b>	<b><u>\$ 65,309</u></b>	<b><u>\$ 152,743</u></b>	<b><u>\$ 5,454,380</u></b>	<b><u>\$ 140,935</u></b>

Compensated Absences

The compensated absences due by each fund are as follows:

**Solid Waste Fund      \$4,706                      Water/Sewer Fund      \$21,155**

The detail by individual fund follows:

**Water/Sewer Fund**

<u>June 30, 2018</u>	<u>Balances</u> <u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Balances</u>
Revenue Bonds Series 2001A	\$ 194,300	\$ -	\$ 5,000	\$ 189,300
Revenue Bonds Series 2001B	152,000	-	4,000	148,000
Revenue Bonds Series 2006	341,000	-	6,000	335,000
NM Environment Loan	325,000	-	25,000	300,000
Revenue Bonds Series 2006	21,200	-	21,200	-
Revenue Bonds Series 2009	3,741,000	-	70,000	3,671,000
NM Environment Loan	<u>600,000</u>	<u>65,309</u>	<u>-</u>	<u>665,309</u>
<b>Total</b>	<b><u>\$ 5,374,500</u></b>	<b><u>\$ 65,309</u></b>	<b><u>\$ 131,200</u></b>	<b><u>\$ 5,308,609</u></b>

Notes to Financial Statements (continued)

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

<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2019</u>
NMED	1/01/2039	\$ 665,309	0.00%	\$ 665,309
2001A	5/31/2041	\$ 256,300	4.50%	189,300
2001B	5/31/2041	\$ 200,000	4.50%	148,000
2006	6/23/2046	\$ 400,000	4.25%	335,000
NMED	6/30/2031	\$ 500,000	N/A	300,000
2009	4/22/2050	\$ 4,201,000	2.75%	<u>3,671,000</u>
				<b><u>\$ 5,308,609</u></b>

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>
2020	\$ 121,000	\$ 116,300	\$ 237,300
2021	155,265	113,600	268,865
2022	156,266	111,000	267,266
2023	157,265	108,300	265,565
2024	157,266	105,600	262,866
2025-2029	862,327	484,200	1,346,527
2030-2034	885,327	401,200	1,286,527
2035-2039	936,327	304,500	1,240,827
2040-2044	842,566	197,100	1,039,666
2045-2049	834,000	94,600	928,600
2050	<u>201,000</u>	<u>5,600</u>	<u>206,600</u>
Total	<b><u>\$ 5,308,609</u></b>	<b><u>\$ 2,042,000</u></b>	<b><u>\$ 7,350,609</u></b>

**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>
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	20,015	40	20,055
2025	<u>20,035</u>	<u>20</u>	<u>20,055</u>
Total	<b><u>\$ 119,910</u></b>	<b><u>\$ 420</u></b>	<b><u>\$ 120,330</u></b>



**Governmental Funds**

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Loans payable to					
New Mexico Finance Authority	\$ 999,832	\$ -	\$ 71,161	\$ 928,671	\$ 71,827
Revenue Bonds					
Series 2006 A/B	2,071,238	-	196,003	1,875,235	203,586
Compensated absences	<u>76,454</u>	<u>-</u>	<u>21,113</u>	<u>55,341</u>	<u>-</u>
Total	<u>\$ 3,147,524</u>	<u>\$ -</u>	<u>\$ 288,277</u>	<u>\$ 2,859,247</u>	<u>\$ 275,413</u>

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>
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	11,366	412	11,778
2025-2027	<u>34,699</u>	<u>637</u>	<u>35,336</u>
Total	<u>\$ 90,622</u>	<u>\$ 3,603</u>	<u>\$ 94,225</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 restructured to reflect an interest rate of 0.250% to 3.610%. The maturity date is still May 1, 2035.

Notes to Financial Statements (continued)

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	46,186	15,353	61,539
2025-2029	244,419	52,696	297,115
2030-2034	274,981	29,202	304,183
2035	<u>59,744</u>	<u>1,795</u>	<u>61,539</u>
<b>Total</b>	<b><u>\$ 804,336</u></b>	<b><u>\$ 166,197</u></b>	<b><u>\$ 970,533</u></b>

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>
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	119,344	20,807	140,151
2025-2027	<u>388,058</u>	<u>32,467</u>	<u>420,525</u>
<b>Total</b>	<b><u>\$ 940,710</u></b>	<b><u>\$ 180,460</u></b>	<b><u>\$1,121,170</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>
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	118,559	20,673	139,232
2025-2027	<u>385,514</u>	<u>32,258</u>	<u>417,772</u>
<b>Total</b>	<b><u>\$ 934,525</u></b>	<b><u>\$ 179,298</u></b>	<b><u>\$1,113,823</u></b>

Notes to Financial Statements (continued)

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.

<u>Due Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,727	\$ 551	\$ 17,278
2021	<u>16,986</u>	<u>292</u>	<u>17,278</u>
Total	<u>\$ 33,713</u>	<u>\$ 843</u>	<u>\$ 34,556</u>

B. Short-Term Liabilities

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

C. Operating Leases

The City did not have any operating leases 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, \$417,693 has been paid for post-closure costs, leaving a balance of \$699,907 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>Lodger's Tax Fund</u>
Accrual basis	\$ 3,522,374	\$ 611,658
Budget basis	<u>3,522,282</u>	<u>611,122</u>
Increase (decrease) in receivables/allowance for doubtful accounts	<u>\$ 92</u>	<u>\$ 536</u>
<u>Expenditures</u>		
Accrual basis	\$ 3,111,830	\$ 141,842
Budget basis	<u>3,109,619</u>	<u>141,842</u>
Increase (decrease) in compensated absences/payables	<u>\$ 2,211</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. 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 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

PERA Contribution Rages and Pension Factors in effect during FY18						
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%	8.5%	7.4%	2.0%	2.0%	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 6/95)	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%	10.4%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.4%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.9%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.9%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.9%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.4%	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, 2019, the City of Santa Rosa reported a liability of \$2,200,231 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the City of Santa Rosa's proportion was 0.1380%, which was increased 0.0058% from its proportion measured as of June 30, 2017.

Notes to Financial Statements (continued)

For the year ended June 30, 2019, the City of Santa Rosa recognized pension expense of \$314,656. At June 30, 2019 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	\$ 199,482	\$ 12,650
Experience versus actual	63,591	57,767
Difference between projected and actual earnings on pension plan investments	163,180	-
Change in proportion	86,860	-
City of Santa Rosa's contributions subsequent to the measurement date	<u>101,861</u>	<u>-</u>
Total	<u>\$ 614,974</u>	<u>\$ 70,417</u>

\$101,861 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:

2020	\$ 274,055
2021	121,040
2022	39,237
2023	8,364
2024	-

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*** Municipal Police Division at June 30, 2019, the City of Santa Rosa reported a liability of \$966,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the City of Santa Rosa's proportion was 0.1417%, which was increased 0.0078% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City of Santa Rosa recognized pension expense of \$134,369. At June 30, 2019 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	\$ 110,316	\$ 5,911
Experience versus actual	47,332	95,837
Difference between projected and actual earnings on pension plan investments	66,531	-
Change in proportion	56,602	45,194
City of Santa Rosa's contributions subsequent to the measurement date	<u>60,662</u>	<u>-</u>
Total	<u>\$ 341,443</u>	<u>\$ 146,942</u>

\$60,662 reported as deferred outflows of resources related to pensions resulting from City of Santa Rosa contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:

2020	\$ 87,815
2021	8,978
2022	33,458
2023	3,588
2024	-

**Actuarial assumptions.** The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

#### PERA

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	3%
- Projected salary increases	3.25% to 13.50% annual rate
- Includes inflation at	2.50% - 2.75% all other years
- Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be

-Experience Study Dates

duty related and 35% are assumed to be duty-related for public safety groups.  
 July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include		
Real Estate Equity	<u>20.00%</u>	6.48%
Total	<u>100.00%</u>	

**Discount rate:** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:



Notes to Financial Statements (continued)

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<b><u>\$ 3,390,408</u></b>	<b><u>\$ 2,200,231</u></b>	<b><u>\$ 1,216,359</u></b>
<b>PERA Fund Municipal Police Division</b>	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
	<hr/>	<hr/>	<hr/>
City of Santa Rosa's proportionate share of the net pension liability	<b><u>\$ 1,486,580</u></b>	<b><u>\$ 966,825</u></b>	<b><u>\$ 543,101</u></b>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued 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.

***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, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>

**\$156,025**

Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>

**\$ 93,349**

**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 \$29,049 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$1,564,103 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30. At June 30, 2018, the City's proportion was 0.03597%.

For the year ended June 30, 2019, the City recognized OPEB expense of \$7,316. At June 30, 2019 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	\$ -	\$ 92,605
Changes of assumptions	-	292,011
Differences between actual and projected earnings on OPEB plan investments	-	19,519
Changes in proportion and differences between contributions and proportionate share of contributions	44,068	-
Contributions made after the measurement date	<u>29,049</u>	<u>-</u>
Total	<u><b>\$ 73,117</b></u>	<u><b>\$ 404,135</b></u>

Deferred outflows of resources totaling \$29,409 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**Year ended June 30:**

2020	\$ (93,346)
2021	(93,346)
2022	(93,346)
2023	(69,961)
2024	<u>(10,068)</u>
Total	<u><b>\$ (360,067)</b></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 members

**Projected payroll increases**

3.25% to 12.50% based on years of service, including inflation

**Investment rate of return**

7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

**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 years for Medicare medical plan costs

**Mortality**

ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

**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>Long-Term Asset Class</u>	<u>Rate of Return</u>
US core fixed income	2.1%
US equity - large cap	7.1
Non US - emerging markets	10.2
Non US - developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3

Notes to Financial Statements (continued)

Real estate	4.9
Absolute return	4.1
US equity - small/mid cap	7.1

**Discount rate.** The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% 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 (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

<u>1% Decrease</u> <u>(3.08%)</u>	<u>Current Discount</u> <u>(4.08%)</u>	<u>1% Increase</u> <u>(5.08%)</u>
\$ 1,892,933	\$ 1,564,103	\$ 1,304,912

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</u> <u>Rates</u>	<u>1% Increase</u>
\$ 1,322,216	\$ 1,564,103	\$ 1,753,749

**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, 2018.

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the City reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

Notes to Financial Statements (continued)

14. LEGISLATIVE APPROPRIATIONS

The City of Santa Rosa received an appropriation of \$9,249 to purchase library resource acquisitions, including print, non-print and electronic resources.

<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	\$ -

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	\$ 428,133

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 appropriation of \$18,000 to purchase and equip a computer-aided dispatch system for the Santa Rosa police department in Guadalupe County.

<u>Appropriation</u>	<u>Term</u>	<u>Appropriation Amount</u>	<u>Remaining Balance</u>
Laws of 2018, Chapter 80 Section 26, Paragraph 112	August, 2018 to June 30, 2020	\$ 18,000	\$ -

15. SUBSEQUENT EVENTS

A review of subsequent events through December 16, 2019, the date the financial statements were available to be issued, indicated nothing of audit significance.

16. TAX ABATEMENTS

The City of Santa Rosa has evaluated GASB 77 with regard to tax abatements and has determined that the City is not a party to any agreements that abate taxes.

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
<u>Nonspendable:</u>				
Inventory	\$ -	\$ -	\$ 29,664	\$ 29,664
Total nonspendable	-	-	29,664	29,664
<u>Restricted for:</u>				
Health and welfare	-	-	19,947	19,947
Road improvements	-	-	166,542	166,542
Fire protection	-	-	174,699	174,699
Law enforcement	-	-	1,824	1,824
Emergency services	-	-	17,940	17,940
Local government corrections	-	-	236	236
Senior services	-	-	16,609	16,609
Debt service	744,308	141,986	282	886,576
Convention services	-	-	72,816	72,816
Tourism programs	-	379,258	-	379,258
Culture and recreation	17,111	-	206,955	224,066
Capital outlay	21,405	-	29,282	50,687
Cash reserves	248,695	-	-	248,695
Total restricted	1,031,519	521,244	707,132	2,259,895
<u>Committed to:</u>				
Other purposes	-	-	-	-
Total committed	-	-	-	-
<u>Unassigned:</u>	325,891	-	-	325,891
<b>Total Fund Balances</b>	<b>\$ 1,357,410</b>	<b>\$ 521,244</b>	<b>\$ 736,796</b>	<b>\$ 2,615,450</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, 2019

	Special Revenue Funds	Capital Project Funds	Totals
<b>ASSETS</b>			
Cash on deposit	\$ 640,637	\$ 145,964	\$ 786,601
Accounts receivable	45,565	27,270	72,835
Inventory	29,664	-	29,664
Due from other funds	<u>3,755</u>	<u>-</u>	<u>3,755</u>
Total assets	<b><u>\$ 719,621</u></b>	<b><u>\$ 173,234</u></b>	<b><u>\$ 892,855</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,107	\$ 112,627	\$ 120,734
Due to other funds	<u>4,000</u>	<u>31,325</u>	<u>35,325</u>
Total liabilities	<u>12,107</u>	<u>143,952</u>	<u>156,059</u>
<b>FUND BALANCE</b>			
Nonspendable	29,664	-	29,664
Restricted	677,850	29,282	707,132
Committed	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>707,514</u>	<u>29,282</u>	<u>736,796</u>
Total liabilities and fund balance	<b><u>\$ 719,621</u></b>	<b><u>\$ 173,234</u></b>	<b><u>\$ 892,855</u></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, 2019

Statement A-2

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Gas taxes	253,150	-	253,150
Charges for services	386,577	-	386,577
Licenses and permits	175,590	-	175,590
Fines and forfeitures	1,930	-	1,930
Local sources	32,034	-	32,034
State sources	300,809	101,786	402,595
Federal sources	20,526	23,220	43,746
State shared taxes	-	-	-
Earnings from investments	4,038	714	4,752
	<u>1,174,654</u>	<u>125,720</u>	<u>1,300,374</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
General government	-	13,907	13,907
Highways and streets	174,953	-	174,953
Public safety	168,529	-	168,529
Culture and recreation	890,580	-	890,580
Capital outlay	29,600	115,249	144,849
Debt service			
Principle	114,147	-	114,147
Interest	42,311	-	42,311
	<u>1,420,120</u>	<u>129,156</u>	<u>1,549,276</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(245,466)	(3,436)	(248,902)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	529,991	24,357	554,348
Transfer out	-	(38,024)	(38,024)
Loan proceeds	-	-	-
	<u>529,991</u>	<u>(13,667)</u>	<u>516,324</u>
Total other financing sources (uses)			
Net change in fund balance	284,525	(17,103)	267,422
Fund balance at beginning of year	422,989	46,385	469,374
Fund balance at end of year	<u>\$ 707,514</u>	<u>\$ 29,282</u>	<u>\$ 736,796</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)

**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, 2019

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund	Corrections Fund	Lodger's Tax Promotion Fund
<b>ASSETS</b>							
Cash on deposit	\$ 145,768	\$ 1,519	\$ 2,106	\$ 72,816	\$ 11,411	\$ 4,236	\$ -
Accounts receivable	20,774	-	-	-	12,000	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	3,755	-	-
<b>Total assets</b>	<b>\$ 166,542</b>	<b>\$ 1,519</b>	<b>\$ 2,106</b>	<b>\$ 72,816</b>	<b>\$ 27,166</b>	<b>\$ 4,236</b>	<b>\$ -</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	4,000	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>-</b>
<b>FUND BALANCE</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted	166,542	1,519	2,106	72,816	27,166	236	-
Unassigned	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>166,542</b>	<b>1,519</b>	<b>2,106</b>	<b>72,816</b>	<b>27,166</b>	<b>236</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 166,542</b>	<b>\$ 1,519</b>	<b>\$ 2,106</b>	<b>\$ 72,816</b>	<b>\$ 27,166</b>	<b>\$ 4,236</b>	<b>\$ -</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, 2019

	EMS/Fire Rescue Fund	Fire Protection Fund	Senior Citizens Fund	Recreation Fund	Clean & Lien Fund	Totals
<b>ASSETS</b>						
Cash on deposit	\$ 16,421	\$ 182,177	\$ 4,447	\$ 179,789	\$ 19,947	\$ 640,637
Accounts receivable	-	-	12,791	-	-	45,565
Inventory	-	-	29,664	-	-	29,664
Due from other funds	-	-	-	-	-	3,755
<b>Total assets</b>	<b>\$ 16,421</b>	<b>\$ 182,177</b>	<b>\$ 46,902</b>	<b>\$ 179,789</b>	<b>\$ 19,947</b>	<b>\$ 719,621</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 7,478	\$ 629	\$ -	\$ -	\$ 8,107
Due to other funds	-	-	-	-	-	4,000
<b>Total Liabilities</b>	<b>-</b>	<b>7,478</b>	<b>629</b>	<b>-</b>	<b>-</b>	<b>12,107</b>
<b>FUND BALANCE</b>						
Non-spendable	-	-	29,664	-	-	29,664
Restricted	16,421	174,699	16,609	179,789	19,947	677,850
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>16,421</b>	<b>174,699</b>	<b>46,273</b>	<b>179,789</b>	<b>19,947</b>	<b>707,514</b>
<b>Total liabilities and fund balance</b>	<b>\$ 16,421</b>	<b>\$ 182,177</b>	<b>\$ 46,902</b>	<b>\$ 179,789</b>	<b>\$ 19,947</b>	<b>\$ 719,621</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, 2019

Statement B-2  
Page 1 of 2

	Gas Tax Fund	EMS Fund	Law Enforcement Protection Fund	Convention and Visitors Center Fund	Library Fund	Corrections Fund	Lodger's Tax Promotion Fund
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	253,150	-	-	-	-	-	-
Charges for services	-	-	-	7,488	-	-	-
Licenses and permits	-	-	-	53,990	-	-	-
Fines and forfeitures	-	-	-	-	-	1,930	-
Local sources	-	-	-	450	25,305	-	-
State sources	-	16,213	24,200	-	7,510	-	-
Federal sources	-	-	-	-	-	-	-
Earnings from investments	722	61	289	199	81	14	-
<b>Total revenues</b>	<b>253,872</b>	<b>16,274</b>	<b>24,489</b>	<b>62,127</b>	<b>32,896</b>	<b>1,944</b>	<b>-</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	-	-	-	-	-	-	-
Highways and streets	174,953	-	-	-	-	-	-
Public safety	-	16,133	6,707	-	-	11,625	-
Culture and recreation	-	-	-	115,372	20,338	-	200,045
Capital outlay	9,850	-	-	-	-	-	-
Debt service:							
Principle	-	-	16,470	97,677	-	-	-
Interest	-	-	808	41,503	-	-	-
<b>Total expenditures</b>	<b>184,803</b>	<b>16,133</b>	<b>23,985</b>	<b>254,552</b>	<b>20,338</b>	<b>11,625</b>	<b>200,045</b>
Excess (deficiency) of revenues over expenditures	69,069	141	504	(192,425)	12,558	(9,681)	(200,045)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	243,127	-	4,000	200,045
Transfers out	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>243,127</b>	<b>-</b>	<b>4,000</b>	<b>200,045</b>
Net change in fund balance	69,069	141	504	50,702	12,558	(5,681)	-
Fund balance, beginning of year	97,473	1,378	1,602	22,114	14,608	5,917	-
<b>Fund balance, end of year</b>	<b>\$ 166,542</b>	<b>\$ 1,519</b>	<b>\$ 2,106</b>	<b>\$ 72,816</b>	<b>\$ 27,166</b>	<b>\$ 236</b>	<b>\$ -</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, 2019

Statement B-2  
Page 2 of 2

	EMS/Fire Rescue Fund	Fire Protection Fund	Senior Citizens Fund	Recreation Fund	Clean & Lien Fund	Totals
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes	-	-	-	-	-	253,150
Charges for services	-	-	10,178	368,911	-	386,577
Licenses and permits	-	-	-	121,600	-	175,590
Fines and forfeitures	-	-	-	-	-	1,930
Local sources	-	668	611	5,000	-	32,034
State sources	-	204,982	47,904	-	-	300,809
Federal sources	-	-	20,526	-	-	20,526
Earnings from investments	106	1,058	20	1,383	105	4,038
<b>Total revenues</b>	<u>106</u>	<u>206,708</u>	<u>79,239</u>	<u>496,894</u>	<u>105</u>	<u>1,174,654</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	174,953
Public safety	-	134,064	-	-	-	168,529
Culture and recreation	-	-	131,930	422,895	-	890,580
Capital outlay	-	-	-	19,750	-	29,600
Debt service:						
Principle	-	-	-	-	-	114,147
Interest	-	-	-	-	-	42,311
<b>Total expenditures</b>	<u>-</u>	<u>134,064</u>	<u>131,930</u>	<u>442,645</u>	<u>-</u>	<u>1,420,120</u>
Excess (deficiency) of revenues over expenditures	<u>106</u>	<u>72,644</u>	<u>(52,691)</u>	<u>54,249</u>	<u>105</u>	<u>(245,466)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	82,819	-	-	529,991
Transfers out	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>82,819</u>	<u>-</u>	<u>-</u>	<u>529,991</u>
Net change in fund balance	106	72,644	30,128	54,249	105	284,525
Fund balance, beginning of year	<u>16,315</u>	<u>102,055</u>	<u>16,145</u>	<u>125,540</u>	<u>19,842</u>	<u>422,989</u>
Fund balance, end of year	<u>\$ 16,421</u>	<u>\$ 174,699</u>	<u>\$ 46,273</u>	<u>\$ 179,789</u>	<u>\$ 19,947</u>	<u>\$ 707,514</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.

**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.

**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, 2019

Statement C-1

	Airport Construction Fund	Power Dam Improvements Fund	El Rito Creek Fund	Ilfeld Fund	CDBG 5th Street	Total
<b>ASSETS</b>						
Cash on deposit	\$ 8,165	\$ 7,803	\$ -	\$ -	\$ 129,996	\$ 145,964
Accounts receivable	<u>27,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,270</u>
Total assets	<b><u>\$ 35,435</u></b>	<b><u>\$ 7,803</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 129,996</u></b>	<b><u>\$ 173,234</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 112,627	\$ 112,627
Due to other funds	<u>27,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,755</u>	<u>31,325</u>
Total liabilities	<u>27,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,382</u>	<u>143,952</u>
<b>FUND BALANCES</b>						
Restricted	7,865	7,803	-	-	13,614	29,282
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>7,865</u>	<u>7,803</u>	<u>-</u>	<u>-</u>	<u>13,614</u>	<u>29,282</u>
Total liabilities and fund balances	<b><u>\$ 35,435</u></b>	<b><u>\$ 7,803</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 129,996</u></b>	<b><u>\$ 173,234</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 Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2019

	Airport Construction Fund	Dam Improvements Fund	El Rito Creek Fund	Ilfeld Fund	CDBG 5th Street	Totals
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	4,050	87,979	-	9,757	-	101,786
Federal sources	23,220	-	-	-	-	23,220
Earnings from investments	50	316	53	149	146	714
	<u>27,320</u>	<u>88,295</u>	<u>53</u>	<u>9,906</u>	<u>146</u>	<u>125,720</u>
Total revenues						
<b>EXPENDITURES</b>						
General government	-	-	-	-	13,907	13,907
Capital outlay	27,270	87,979	-	-	-	115,249
	<u>27,270</u>	<u>87,979</u>	<u>-</u>	<u>-</u>	<u>13,907</u>	<u>129,156</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>50</u>	<u>316</u>	<u>53</u>	<u>9,906</u>	<u>(13,761)</u>	<u>(3,436)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	12,081	-	12,276	24,357
Transfers out	-	-	-	(38,024)	-	(38,024)
Loan proceeds	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)						
Net change in fund balance	50	316	12,134	(28,118)	(1,485)	(17,103)
Fund balance, beginning of year	<u>7,815</u>	<u>7,487</u>	<u>(12,134)</u>	<u>28,118</u>	<u>15,099</u>	<u>46,385</u>
Fund balance, end of year	<u>\$ 7,865</u>	<u>\$ 7,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,614</u>	<u>\$ 29,282</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, 2019

Statement D-1

	General Fund	Golf Fund	Airport Fund	Totals
<b>ASSETS</b>				
Cash on deposit	\$ 1,249,017	\$ 15,599	\$ 6,519	\$ 1,271,135
Accounts receivable	185,690	-	1,493	187,183
Due from other funds	38,070	-	-	38,070
<b>Total assets</b>	<b><u>\$ 1,472,777</u></b>	<b><u>\$ 15,599</u></b>	<b><u>\$ 8,012</u></b>	<b><u>\$ 1,496,388</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 132,478	\$ -	\$ -	\$ 132,478
Due to other funds	-	-	6,500	6,500
<b>Total liabilities</b>	<b><u>132,478</u></b>	<b><u>-</u></b>	<b><u>6,500</u></b>	<b><u>138,978</u></b>
<b>FUND BALANCE</b>				
Nonspendable	-	-	-	-
Restricted	744,308	15,599	1,512	761,419
Committed	-	-	-	-
Unassigned	595,991	-	-	595,991
<b>Total fund balance</b>	<b><u>1,340,299</u></b>	<b><u>15,599</u></b>	<b><u>1,512</u></b>	<b><u>1,357,410</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 1,472,777</u></b>	<b><u>\$ 15,599</u></b>	<b><u>\$ 8,012</u></b>	<b><u>\$ 1,496,388</u></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, 2019

	General Fund	Golf Fund	Airport Fund	Totals
<b>REVENUES</b>				
Taxes	\$ 231,670	\$ -	\$ -	\$ 231,670
Franchise taxes	22,376	-	-	22,376
Gross receipts taxes	2,049,806	-	-	2,049,806
Charges for services	8,796	15,658	42,919	67,373
Licenses and permits	10,716	-	-	10,716
Fines and forfeits	5,574	-	-	5,574
Local sources	1,007,058	-	-	1,007,058
State sources	109,035	-	3,437	112,472
Federal sources	5,376	-	-	5,376
Earnings from investments	9,889	29	35	9,953
	<u>3,460,296</u>	<u>15,687</u>	<u>46,391</u>	<u>3,522,374</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	1,483,789	-	-	1,483,789
Highways and streets	-	-	-	-
Public safety	842,663	-	-	842,663
Culture and recreation	398,641	74,965	68,858	542,464
Capital outlay	29,500	-	-	29,500
Debt service:				
Loan principle	153,017	-	-	153,017
Loan interest	60,397	-	-	60,397
	<u>2,968,007</u>	<u>74,965</u>	<u>68,858</u>	<u>3,111,830</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	492,289	(59,278)	(22,467)	410,544
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	38,077	85,967	16,535	140,579
Transfers out	(235,400)	-	-	(235,400)
Loan proceeds	-	-	-	-
	<u>(197,323)</u>	<u>85,967</u>	<u>16,535</u>	<u>(94,821)</u>
Total other financing sources (uses)				
Net change in fund balance	294,966	26,689	(5,932)	315,723
Fund balance, beginning of year	1,045,333	(11,090)	7,444	1,041,687
Fund balance at end of year	<u>\$ 1,340,299</u>	<u>\$ 15,599</u>	<u>\$ 1,512</u>	<u>\$ 1,357,410</u>

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, 2019

Statement E-1

	MVD Fund	Ambulance Fund	Total
<b>ASSETS</b>			
Current Assets			
Cash on deposit	\$ 26,504	\$ 48,100	\$ 74,604
Accounts receivable (net)	3,003	-	3,003
Total Current Assets	29,507	48,100	77,607
Capital Assets			
Land	-	-	-
Land improvements	-	-	-
Buildings and Improvements	-	-	-
Equipment	-	-	-
Vehicles	-	-	-
Heavy equipment	-	131,836	131,836
Plant/infrastructure	-	-	-
Accumulated depreciation	-	(79,102)	(79,102)
Total Capital Assets	-	52,734	52,734
Total Assets	<b>\$ 29,507</b>	<b>\$ 100,834</b>	<b>\$ 130,341</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ -	\$ 5,676	\$ 5,676
Due to other funds	-	-	-
Current portion loan payable	-	-	-
Customer meter deposits payable from Restricted Assets	-	-	-
Total Current Liabilities	-	5,676	5,676
Long-Term Liabilities			
Compensated absences payable	-	-	-
NMFA loan payable	-	-	-
Total Long-Term Liabilities	-	-	-
Total Liabilities	-	5,676	5,676
<b>NET POSITION</b>			
Net investment in capital assets	-	52,734	52,734
Restricted for capital outlay	-	-	-
Restricted for debt service	-	-	-
Unrestricted	29,507	42,424	71,931
Total Net Position	29,507	95,158	124,665
Total Liabilities and Net Position	<b>\$ 29,507</b>	<b>\$ 100,834</b>	<b>\$ 130,341</b>

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, 2019

	MVD Fund	Ambulance Fund	Total
<b>OPERATING REVENUES</b>			
Sales and services	\$ 33,118	\$ 153,111	\$ 186,229
Local source	-	67,464	67,464
State shared taxes	13,806	-	13,806
Total operating revenue	<u>46,924</u>	<u>220,575</u>	<u>267,499</u>
<b>OPERATING EXPENSES</b>			
Personal services	32,700	143,294	175,994
Maintenance and operations	3,640	98,373	102,013
Major contractual services	-	24,967	24,967
Depreciation	-	13,184	13,184
Total operating expenses	<u>36,340</u>	<u>279,818</u>	<u>316,158</u>
Operating income (loss)	<u>10,584</u>	<u>(59,243)</u>	<u>(48,659)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Investment income	243	672	915
Investment expense	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
State grant	-	-	-
Federal grant	-	-	-
Total Non-Operating Revenue (Expense)	<u>243</u>	<u>672</u>	<u>915</u>
Change in Net Position	10,827	(58,571)	(47,744)
Total net position, beginning of year	<u>18,680</u>	<u>153,729</u>	<u>172,409</u>
Total net position, end of year	<u><b>\$ 29,507</b></u>	<u><b>\$ 95,158</b></u>	<u><b>\$ 124,665</b></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, 2019

Statement E-3

	MVD Fund	Ambulance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 33,118	\$ 158,697	\$ 191,815
Cash received from local sources	-	67,464	67,464
Cash received from state sources	10,803	-	10,803
Cash payments to employees and to suppliers for goods and services	<u>(36,340)</u>	<u>(260,958)</u>	<u>(297,298)</u>
Net cash provided by operating activities	<u>7,581</u>	<u>(34,797)</u>	<u>(27,216)</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 grants	-	-	-
Cash received from federal grants	-	-	-
Temporary transfers	-	(1,596)	(1,596)
Operating transfers from other funds	-	-	-
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(1,596)</u>	<u>(1,596)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	<u>243</u>	<u>672</u>	<u>915</u>
Net cash provided by investing activities	<u>243</u>	<u>672</u>	<u>915</u>
Net increase (decrease) in cash	7,824	(35,721)	(27,897)
Cash, beginning of year	<u>18,680</u>	<u>83,821</u>	<u>102,501</u>
Cash, end of year	<u><b>\$ 26,504</b></u>	<u><b>\$ 48,100</b></u>	<u><b>\$ 74,604</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 10,584	\$ (59,243)	\$ (48,659)
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	(3,003)	5,586	2,583
Increase (decrease) in accounts payable	-	5,676	5,676
Increase (decrease) in compensated absences	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><b>\$ 7,581</b></u>	<u><b>\$ (34,797)</b></u>	<u><b>\$ (27,216)</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	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
City of Santa Rosa's proportion of net pension liability (asset)	0.1380%	0.1322%	0.1282%	0.1257%	0.1185%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 2,200,231	\$ 1,816,540	\$ 2,048,205	\$ 1,281,620	\$ 924,427
City of Santa Rosa's covered-employee payroll	\$ 1,066,612	\$ 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	206.28%	156.04%	176.00%	117.00%	88.70%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
City of Santa Rosa's proportion of net pension liability (asset)	0.1417%	0.1339%	0.1515%	0.1370%	0.1150%
City of Santa Rosa's proportionate share of the net pension liability (asset)	\$ 966,825	\$ 743,902	\$ 1,117,813	\$ 658,773	\$ 3,478,887
City of Santa Rosa's covered-employee payroll	\$ 320,966	\$ 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	331.98%	402.08%	405.00%	219.00%	139.57%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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\*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 101,861	\$ 111,169	\$ 110,884	\$ 104,807	\$ 99,267
Contributions in relation to the contractually required contribution	<u>(101,861)</u>	<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>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 1,066,612	\$ 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%	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\*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 60,662	\$ 56,591	\$ 52,169	\$ 56,945	\$ 50,768
Contributions in relation to the contractually required contribution	<u>(60,662)</u>	<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>	<u>\$ -</u>
City of Santa Rosa's covered-employee payroll	\$ 320,966	\$ 299,105	\$ 276,026	\$ 301,299	\$ 268,612
Contributions as a percentage of covered-employee payroll	18.9%	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  
Year Ended June 30, 2019

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

*Assumptions.* The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>.

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>2019</u>	<u>2018</u>
City of Santa Rosa's proportion of net OPEB liability (asset)	0.03597%	0.03501%
City of Santa Rosa's proportionate share of the net OPEB liability (asset)	\$ 1,564,103	\$ 1,586,539
City of Santa Rosa's covered-employee payroll	\$ 1,372,387	\$ 1,463,885
City of Santa Rosa's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	113.97%	108.38%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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

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

	2019	2018
Contractually required contributions	\$ 30,715	\$ 30,773
Contributions in relation to the contractually required contribution	30,715	30,773
Contribution deficiency (excess)	\$ -	\$ -
City of Santa Rosa's covered-employee payroll	\$ 1,372,387	\$ 1,463,885
Contribution as a percentage of covered-employee payroll	2.00%	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

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 year 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.

See Independent Auditor's Report

### **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. Also, to account for Motor Vehicle Department fees that are charged and remitted to the State.

STATE OF NEW MEXICO  
CITY OF SANTA ROSA  
Schedule of Changes in Assets  
and Liabilities - All Agency Funds  
Year Ended June 30, 2019

	Balances June 30, 2018	Additions	Deletions	Balances June 30, 2019
<b>ASSETS</b>				
Cash	\$ 17,525	\$ 170,297	\$ 154,599	\$ 33,223
Due from other funds	<u>5,793</u>	<u>-</u>	<u>5,793</u>	<u>-</u>
Total assets	<b><u>\$ 23,318</u></b>	<b><u>\$ 170,297</u></b>	<b><u>\$ 160,392</u></b>	<b><u>\$ 33,223</u></b>
<b>LIABILITIES</b>				
Deposits held for others	\$ 23,252	\$ 86,203	\$ 76,850	\$ 32,605
Due to other agencies	<u>66</u>	<u>84,094</u>	<u>83,542</u>	<u>618</u>
Total liabilities	<b><u>\$ 23,318</u></b>	<b><u>\$ 170,297</u></b>	<b><u>\$ 160,392</u></b>	<b><u>\$ 33,223</u></b>

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. Brian Colon  
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, 2019 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, 2019.

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), Monies Deposited into Incorrect Bank Accounts Creating Numerous Due to/from Balances (2018-003) and Loss of CDBG Grant Monies (2019-005).

### 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), Los Amigos Service Billings and Accounts Receivable (2018-001), Ambulance Service Billings and Accounts Receivable (2018-002), Travel Policy (2019-001), Purchase Orders Required (2019-002), Board Duties Concerning the Budget (2019-003), Policy for Use of Employee Vehicles (2019-004) and Aging Accounts Receivable Reports and Turnoffs (2019-006).

### 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, 2019



## 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) - Resolved.
4. Los Amigos Service Billings and Accounts Receivable - (2018-001) – Repeated.
5. Ambulance Service Billings and Accounts Receivable - (2018-002) – Repeated.
6. Monies Deposited into Incorrect Bank Accounts Creating Numerous Due to/from Balances - (2018-003) – Repeated.

### Current Year Audit Findings:

1. Travel Policy – (2019-001)
2. Purchase Orders Required – (2019-002)
3. Board Duties Concerning the Budget – (2019-003)
4. Policy for Use of Employee Vehicles – (2019-004)
5. Loss of CDBG Grant Monies – (2019-005)
6. Aging Accounts Receivable Reports and Turnoffs – (2019-006)

### Summary of Audit Results:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"><li>• Material weakness(es) identified</li><li>• Significant deficiency(ies) identified that are not considered to be material weaknesses</li></ul>	None  Capital Asset/Depreciation Schedule (2016-001), Monies Deposited into Incorrect Bank Accounts Creating Numerous Due to/from Balances (2018-003), Loss of CDBG Monies (2019-005)
<ul style="list-style-type: none"><li>• Noncompliance material to financial statements noted</li></ul>	None

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 \$63,412 in deposits due. The trial balance on the system however, shows \$58,197 due. Neither of these amounts agrees to the \$63,352 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	Staff has designated and successfully identified the overage. Overage of resources will be sent to the State of NM Unclaimed Property Division. The Utility Clerk & Clerk/Finance Officer will have this completed by March 2020.

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

CONDITION	The City's Capital Asset Listing and Depreciation Schedule had to be adjusted by a total of \$432,831 for assets that were booked as additions in the fiscal year that were not actually an asset. The City has made no progress in this area.
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 outsourced the preparation of the fixed assets and they were not prepared correctly.
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 and ensure that all assets being booked are actually a fixed asset.
RESPONSE	The Schedule was prepared, however the schedule had errors. Staff will implement new procedures to ensure the schedule is accurate. This will be assigned to the Deputy Finance Officer/Clerk-Finance Officer and Accounts Payable Clerk and will be completed by June 30, 2020.

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. The City has made no progress in this area.
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	Los Amigos staff are not employees of the City, therefore making it difficult to have internal controls with an outside source. The contract needs to be reviewed and updated to resolve this finding. Assisted Living Management and the Governing Body and City Administrator will ensure that this is completed by June 1, 2020.

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. The City has made no progress in this area.
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	Staff have been instructed to review and reconcile all billing procedures. This shall ensure all billings from the billing service are recorded properly. Ambulance Director and billing clerk shall work directly with billing service to ensure this process is complete by February 28, 2020.

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

CONDITION	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. The City has made no progress in this area.
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	Changes to the utility system were made by the software company, however this did not correct the overpayment of accounts which is still causing some issues. Cash collection clerk and Finance Department will work with the software company to look at possible changes to the cash collection process to ensure that it is accurate by March 31, 2020.

Travel Policy - Other Matter  
(2019-001)

CONDITION	The City is providing 100% of travel expenses to employees before the travel is taken.
CRITERIA	According to 2.42.2.10 NMAC, travel advances can be approved “up to 80 percent of per diem rates and mileage costs or for the actual cost of lodging and meals.”
CAUSE	Management is not following 2.42.2.10 NMAC.
EFFECT	Twenty percent of travel expenses are being paid before the travel is taken.
RECOMMENDATION	Management should follow 2.42.2.10 NMAC from now on.
RESPONSE	The Finance Department will update travel forms and implement a new policy. However, employees required to travel for city business may refuse to attend due to a personal financial impact of not receiving full travel advance. The new forms will be implemented by January, 2020.

Purchase Orders Required - Other Matter  
(2019-002)

CONDITION	Management of the City prepared a purchase order after the item/service was purchased three out of three times totaling \$25,094 for purchase orders reviewed.
CRITERIA	The New Mexico Procurement Code (13-1-28 to 13-1-199) NMSA 1978 require a purchase order to initiate a purchase and it should be approved by management prior to any purchases. This document is used to ensure the Town not only has budget or budget authority, but cash to purchase the item. This document is also used to provide guidance as to which fund and account can and will be used.
CAUSE	A new employee was in the position for processing invoices.
EFFECT	NM Procurement Code is not being followed. Also, the lack of enforcing this requirement may result in non-authorized purchases and/or purchases that exceed available resources.
RECOMMENDATION	Management should implement controls to ensure purchase orders are issued before an item/service is purchased.
RESPONSE	The procurement policy is being followed, however, a delay in processing of purchase orders is conflicting with invoice dates. Staff will add additional procedures to prevent this from occurring. This will be implemented by January 15, 2020.



Board Duties Concerning the Budget – Other Non-Compliance  
(2019-003)

CONDITION	The 2019-2020 budget was submitted but did not include the requisite fourth quarter and final budget resolutions.
CRITERIA	All budgets are subject to DFA regulations which require budget resolutions and quarterly reports.
CAUSE	The Governing Body and Mayor could not meet at a council meeting to provide a quorum so the budget could be approved along with any resolutions or reports.
EFFECT	The City did not comply with DFA regulations. It became so critical that the State Auditor's Office became involved.
RECOMMENDATION	Governing Body and the Mayor should ensure that they follow the City's Ordinance #429 which states "All members of the City of Santa Rosa Governing Body shall attend every regularly scheduled City council meeting". By complying with this Ordinance, all budget reports can be voted on and DFA regulations can be complied with.
RESPONSE	Mayor and Staff scheduled numerous meetings on beginning on July 25th, July 29, July 30, and July 31 which were advertised with more than 72 hours notice for approval of 2019-2020 Budget, 4th Qtr Report, and Final Budget Adjustment Resolution. Governing Body failed to approve these required items in a timely manner. Mayor and staff also scheduled special meetings through September 30, 2020 on a weekly basis as well as the regularly scheduled monthly meeting there after as recommended by DFA in an attempt to comply. The meeting minutes of all meetings will show that Councilman Cordova and Councilman Sexton worked together till September 30th to prevent the Governing Body to have a full quorum for a majority vote of the specified items. DFA analyst and DFA Director were kept fully informed as to what was transpiring. State Auditor Brian Colon was also informed. This will be implemented by January 1, 2020.

Policy for Use of Employee Vehicles – Other Non-Compliance  
(2019-004)

CONDITION	While on a bank run an employees windshield of their personal vehicle became damaged. The City Manager at the time authorized the City to pay for a new windshield for the employee’s vehicle. The windshield cost the City \$781.
CRITERIA	The City should have a policy on how to repair employee vehicles when damaged during use for City business. The City should also ensure that the lower of the repair or the deductible of the employee’s insurance is paid.
CAUSE	The City does not have a policy on how to repair employee vehicles when damaged during use for City business. This is due to the fact that the City does not have a City vehicle for employees to use.
EFFECT	Employees may not have the same guidelines used without a policy in place.
RECOMMENDATION	The City should pass a policy immediately so the employees know their rights concerning using their personal vehicle for business purposes.
RESPONSE	The City will develop a policy for use of employee vehicles to address this issue. This will be implemented by February, 2020.

Loss of CDBG Grant Monies – Significant Deficiency  
(2019-005)

CONDITION	The City had to revert a CDBG grant in the amount of \$750,000.
CRITERIA	All grants were awarded have a specific set of requirements that include a deadline for completion of the project.
CAUSE	As stated in the letter provided by DFA “poor communication and turnover at the local level have resulted in insufficient progress during the thirteen months that this project has been open”.
EFFECT	The City lost \$750,000 in grant monies.
RECOMMENDATION	Management and the Board should fill existing positions so the loss of grant monies does not continue.
RESPONSE	The City has recently filled the vacant position that works to administer these grants. The Mayor and staff attended a meeting with DFA CDBG Staff on January 22, 2019, DFA stated all issues had been completed by the project staff. DFA and the City were ready to move on with construction. Another meeting was held on February 7, 2019 to update DFA on staffing issues. DFA stated the grant was able to move forward if the City contracted with EPCOG to administer the grant. This process was finally approved with EPCOG, then the grant was pulled by DFA.

Aging Accounts Receivable Reports and Turnoffs – Other Non-Compliance  
(2019-006)

CONDITION	<p>The Utilities department is not printing the aged accounts receivable reports monthly so the finance department can reconcile the balances to the trial balances. This report also provides information concerning those that should be “turned off”. Even when this report is used, however, staff are sometimes overridden and told they cannot turn off overdue water bills (people).</p>
CRITERIA	<p>The Utilities department is to produce the aged accounts receivable report so the finance department can reconcile it to the trial balances.</p> <p>Also, this report is used so staff can comply with their policy concerning “turn offs”.</p> <p>Management has a policy concerning “turn offs”.</p>
CAUSE	<p>The Utility department is not ensuring these reports are run each month. The finance department is not reconciling these reports to the trial balances. Management is being told by the Mayor to “not” perform any “turn offs”.</p>
EFFECT	<p>The Finance department trial balances may not match the aged accounts receivable reports. The finance department cannot determine if the allowance for doubtful accounts is adequate. Staff are not complying with their own “turn off” policy.</p>
RECOMMENDATION	<p>The Utility department should start printing this report as soon as possible. The finance department should start reconciling it as soon as possible to the trial balances. Staff should start complying with the “turn off” policy as soon as possible.</p>
RESPONSE	<p>Procedures have already been implemented to ensure all reports are printed as of June 30, 2019. The Water Supervisor will ensure this process is completed. Turn offs will be done on a monthly basis to ensure allowance is not exceeded. The Finance department will balance on a quarterly and monthly basis. This will be implemented by March 31, 2020.</p>

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2019 were prepared by Rice & Associates, CPA, based on management's 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, 2019 to discuss the current audit report. In attendance were Mr. Nelson Kotiar, Mayor, Ms. Yolanda Garcia, City Clerk/Finance Officer, Mr. Richard Muniz, Mayor Pro-Tem and Ms. Pamela A. Rice, CPA, Contract Auditor.