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CERTIFIED PUBLIC ACCOUNTANTS
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STATE OF NEW MEXICO

CITY OF RUIDOSO DOWNS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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CITY OF RUIDOSO DOWNS
OFFICIAL ROSTER
JUNE 30, 2020

CITY COUNCIL

Name	**Title**
Dean Holman	*Mayor*
James Romero	*Mayor Pro-Tem*
Sebrina Lundquinst	*Councilor*
Judy R. Miller	*Councilor*
Shane Walker	*Councilor*

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, State Auditor and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Ruidoso Downs (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2020, 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 from material misstatement.

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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 Ruidoso Downs, as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund 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 nonmajor governmental fund of the City as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by that missing information.

Accounting principles generally accepted in the United States of America require that the pension liability schedules on pages 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Brian S. Colón, State Auditor and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico
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Other Information

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

The *other supplementary information required by 2.2.2 NMAC* is the responsibility of management and was 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 basic 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 *other supplementary information required by 2.2.2 NMAC* 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 June 7, 2021 on our consideration of the City of Ruidoso Downs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw + Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

June 7, 2021

CITY OF RUIDOSO DOWNS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$4,450,946	$3,385,682	$7,836,628
Restricted cash held by trustee	881,169	24,877	906,046
Accounts receivable, net	0	103,017	103,017
Taxes receivable			
Gross Receipts	526,144	121,904	648,048
Franchise	13,879	0	13,879
Property	60,280	0	60,280
Lodgers	15,136	0	15,136
Gasoline	1,244	0	1,244
Due from other governments	10,000	0	10,000
Internal balances	35,079	0	35,079
Inventory	36,762	160,533	197,295
Total current assets	6,030,639	3,796,013	9,826,652
Noncurrent Assets			
Restricted cash and cash equivalents	94,647	91,018	185,665
Capital assets, net	11,607,240	13,162,032	24,769,272
Total assets	11,701,887	13,253,050	24,954,937
Deferred outflows of resources			
Pensions	574,966	74,414	649,380
Total assets and deferred outflows	**$18,307,492**	**$17,123,477**	**$35,430,969**
Current Liablilities			
Accounts payable	$40,842	$0	$40,842
Accrued payroll liabilities	0	0	0
Accrued payroll	95,325	11,780	107,105
Accrued compensated absences	0	0	0
Accrued interest	15,168	0	15,168
Current portion of long-term debt	104,907	62,276	167,183
Total Current Liabilities	256,242	74,056	330,298
Noncurrent Liabilities			
Customer deposits	0	73,512	73,512
Accrued compensated absences	67,590	25,366	92,956
Long-term debt, net of current portion	944,614	799,038	1,743,652
Net pension liabilities	2,800,525	392,388	3,192,913
Total Noncurrent Liabilites	3,812,729	1,290,304	5,103,033
Deferred Inflows of Resources			
Prepaid services	0	59,000	59,000
Net pension liability deferred inflows	529,407	69,247	598,654
Total Liabilities and Deferred Inflows	**$4,598,378**	**$1,492,607**	**$6,090,985**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	$10,557,719	$12,300,318	$22,858,037
Restricted for:			
Special revenue funds	1,645,811	0	1,645,811
Capital projects	891,350	0	891,350
Debt service	98,586	24,877	123,463
Unrestricted (deficit)	515,648	3,305,675	3,821,323
Total Net Position	13,709,114	15,630,870	29,339,984
Total Liabilities, Deferred Inflows and Net Position	**$18,307,492**	**$17,123,477**	**$35,430,969**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary Government		
		Charges for	Grants and	Grants and	Governmental	Business-type	
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Primary Government							
Governmental Activities:							
General government	$1,651,575	$9,651	$90,000	$0	($1,551,924)	$0	($1,551,924)
Public safety	1,466,886	0	177,445	0	(1,289,441)	0	(1,289,441)
Public works	638,319	0	320,000	1,599,472	1,281,153	0	1,281,153
Culture and recreation	520,246	135,089	0	0	(385,157)	0	(385,157)
Health amd welfare	73,814	0	0	10,000	(63,814)	0	(63,814)
Interest and admin fees	40,416	0	0	0	(40,416)	0	(40,416)
Total governmental activities	4,391,256	144,740	587,445	1,609,472	(2,049,599)	0	(2,049,599)
Business-Type Activities:							
Sewer fund	693,032	430,106	0	0	0	(262,926)	(262,926)
Sanitation fund	311,008	204,720	0	0	0	(106,288)	(106,288)
Water fund	549,965	490,964	0	0	0	(59,001)	(59,001)
Improvements fund	151,368	0	0	0	0	(151,368)	(151,368)
Total business-type activities	1,705,373	1,125,790	0	0	0	(579,583)	(579,583)
Total primary government	**$6,096,629**	**$1,270,530**	**$587,445**	**$1,609,472**	**($2,049,599)**	**($579,583)**	**($2,629,182)**

	Governmental Activities	Business-type Activities	Total
General Revenues			
Taxes:			
Gross receipts tax	$3,123,070	$799,342	$3,922,412
Franchise tax	71,632	0	71,632
Property tax	482,967	0	482,967
Gas tax and MVD	29,640	0	29,640
Lodgers tax	212,983	0	212,983
Other taxes	31,006	0	31,006
License and permits	9,434	0	9,434
Fines and forfeitures	45,639	0	45,639
Miscellaneous	57,384	0	57,384
Net transfers	(317,851)	317,851	0
Total general revenues and transfers	3,745,904	1,117,193	4,863,097
Change in net position	1,696,305	537,610	2,233,915
Net position (deficit), beginning of year, as previously stated	11,956,015	15,093,260	27,049,275
Restatement	56,794	0	56,794
Net position (deficit), beginning of year, as restated	12,012,809	15,093,260	27,106,069
Net position (deficit), end of year	**$13,709,114**	**$15,630,870**	**$29,339,984**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2020

	Major Funds			
	General Fund	Colonias Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents				
Unrestricted	$2,829,651	$0	$1,621,295	$4,450,946
Restricted - held by trustee	0	881,169	94,647	975,816
Accounts receivable	0	0	0	0
Taxes receivable:				
Gross receipts	496,879	0	29,265	526,144
Franchise	13,879	0	0	13,879
Property	43,317	0	16,963	60,280
Lodgers	0	0	15,136	15,136
Gasoline and MVD	1,244	0	0	1,244
Due from other governments	10,000	0	0	10,000
Due from other funds	55,376	0	0	55,376
Inventory	0	0	36,762	36,762
Total assets	**$3,450,346**	**$881,169**	**$1,814,068**	**$6,145,583**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$36,426	$0	$4,416	$40,842
Accrued payroll	54,958	0	40,367	95,325
Due to other funds	0	20,297	0	20,297
Total liabilities	91,384	20,297	44,783	156,464
Deferred inflows of resources:				
Deferred inflows - property taxes	33,443	0	13,024	46,467
Fund Balances:				
Nonspendable	0	0	36,762	36,762
Restricted				
Special revenue	0	0	1,645,811	1,645,811
Capital projects	0	881,169	10,181	891,350
Debt service	0	0	98,586	98,586
Assigned	0	0	0	0
Unassigned	3,325,519	(20,297)	(35,079)	3,270,143
Total fund balance	3,325,519	860,872	1,756,261	5,942,652
Total liabilities, deferred inflows of resources, and fund balances	**$3,450,346**	**$881,169**	**$1,814,068**	**$6,145,583**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES NET POSITION

JUNE 30, 2020

FUND BALANCE of Governmental Funds	$5,942,652
Amounts reported for governmental activities in the statement of net position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,607,240
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are reported as deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities.	46,467
Certain liabilities are not due and payable in the current period and therefore, are not reported in the Governmental Funds. Those long-term liabilities include:	
Accrued Compensated Absences	(67,590)
Notes and Bonds Payable	(1,049,521)
Accrued Interest	(15,168)
Net pension liability and deferred outflows and inflows of resources related to the pension are applicable to future periods, and therefore are not included in the Governmental Funds.	
NPL Deferred Outflows	574,966
NPL Deferred Inflows	(529,407)
Net Pension Liability	(2,800,525)
Net position of governmental activities	**$13,709,114**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Major Funds			
	General Fund	Colonias Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Gross receipts	$2,975,805	$0	$147,265	$3,123,070
Franchise	71,632	0	0	71,632
Property	326,994	0	125,400	452,394
Gasoline and MVD	6,877	0	22,763	29,640
Lodgers	0	0	212,983	212,983
Other	31,006	0	0	31,006
Charges for service/sales	2,348	0	79,932	82,280
Intergovernmental				
Federal operating grants	0	0	0	0
Federal capital grants	0	0	303,199	303,199
State operating grants	136,798	0	450,647	587,445
State capital grants	10,000	846,000	450,273	1,306,273
Memberships and contributions	0	0	62,460	62,460
Licenses and permits	9,434	0	0	9,434
Fines and forfeitures	45,639	0	0	45,639
Miscellaneous	55,603	0	1,781	57,384
Total revenues	3,672,136	846,000	1,856,703	6,374,839
EXPENDITURES				
Current:				
General government	1,318,325	0	11,676	1,330,001
Public safety	1,244,252	0	68,979	1,313,231
Public works	453,818	0	0	453,818
Culture and recreation	143,121	0	348,185	491,306
Health and welfare	73,814	0	0	73,814
Debt Service				
Principal and interest	30,519	0	108,888	139,407
Capital outlay	45,948	78,917	1,145,153	1,270,018
Total expenditures	3,309,797	78,917	1,682,881	5,071,595

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Major Funds			
	General Fund	Colonias Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Excess (Deficiency) of revenues over Expenditures before transfers	362,339	767,083	173,822	1,303,244
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	94,000	0	94,000
Transfers in	78,861	0	173,621	252,482
Transfers out	(76,006)	(22,488)	(195,577)	(294,071)
Total Other Financing Sources (Uses)	2,855	71,512	(21,956)	52,411
Net change in fund balances	365,194	838,595	151,866	1,355,655
Fund balance, beginning of year, as previously stated	2,906,539	22,277	1,604,395	4,533,211
Restatement	53,786	0	0	53,786
Fund balance, beginning of year, as restated	2,960,325	22,277	1,604,395	4,586,997
Fund balance, end of year	**$3,325,519**	**$860,872**	**$1,756,261**	**$5,942,652**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - Governmental Funds	$1,355,655
Amounts reported for governmental activities in the statement of activities are different because:	
Property tax levied but not collected within 60 days	30,573
Governmental funds report capital outlays over $5,000 as expenditures in the Governmental Funds, but the cost of those assets is reported as capital assets in the Statement of Net Position.	928,023
Depreciation expense allocates the cost of capital assets over their useful lives in the Statement of Activities, but the cost if the capital assets has already been expended in prior periods in the Governmental Funds.	(361,766)
Changes in long-term liabilities are reported as expenditures in the Governmental Funds but as changes in liabilities in the Statement of Activities. Those changes in long-term liabilities include:	
Change in Accrued Compensated Absences	2,141
Loan Proceeds	(94,000)
Long-Term Obligations Principal Payments	98,991
Changes in Net Pension liability and deferred outflows and inflows of resources related to the pension are expended in the Statement of Activities but applicable to future periods in the Governmental Funds, and therefore are not included in the Governmental Funds.	
Change in Net Pension Liability	(263,312)
Change in net position of governmental activities	**$1,696,305**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes				
Gross receipts	$2,917,143	$2,917,143	$3,118,035	$200,892
Franchise	78,156	78,156	71,176	(6,980)
Property	369,379	369,379	333,169	(36,210)
Gasoline and MVD	6,828	6,828	6,807	(21)
Lodgers	0	0	0	0
Other	9,600	9,600	25,838	16,238
Charges for service/sales	4,020	4,020	2,348	(1,672)
Intergovernmental				0
Federal operating grants	0	0	0	0
Federal capital grants	0	0	0	0
State operating grants	90,000	90,000	136,798	46,798
State capital grants	0	0	0	0
Memberships	0	0	0	0
Licenses and permits	10,525	10,525	9,434	(1,091)
Fines and forfeitures	89,800	89,800	47,880	(41,920)
Miscellaneous	44,912	44,912	56,969	12,057
Total revenues	3,620,363	3,620,363	3,808,454	188,091
EXPENDITURES				
Current:				
General government	1,465,063	1,431,747	1,294,044	137,703
Public safety	1,628,127	1,632,063	1,237,907	394,156
Public works	429,031	466,314	452,356	13,958
Culture and recreation	150,531	150,531	142,467	8,064
Health and welfare	115,456	115,456	73,813	41,643
Debt Service				0
Principal and interest	38,131	35,540	30,519	5,021
Capital outlay	62,098	60,786	39,502	21,284
Total expenditures	3,888,437	3,892,437	3,270,608	621,829
Excess (deficiency) of revenues over expenditures	(268,074)	(272,074)	537,846	809,920
Other Financing Sources (Uses):				
Operating transfers in	55,100	62,600	78,861	16,261
Operating transfers (out)	(106,553)	(142,708)	(76,006)	66,702
Total other financing sources (uses)	(51,453)	(80,108)	2,855	82,963
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(319,527)	(352,182)	**$540,701**	**$892,883**
Budgeted cash carryover	**$319,527**	**$352,182**		

Budgetary - GAAP Reporting Reconciliation:	
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$540,701
Adjustments for revenue accruals	(136,318)
Adjustments for expenditure accruals	(39,189)
Net changes in fund balance (GAAP Basis)	**$365,194**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

PROPRIETARY FUNDS

STATEMENT OF FUND NET POSITION

JUNE 30, 2020

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Fund
ASSETS					
Current Assets:					
Cash and cash equivalents	$1,886,933	$67,064	$404,224	$1,027,461	$3,385,682
Restricted cash - held by trustee	0	0	0	24,877	24,877
Accounts receivable, net of allowance for doubtful accounts	41,515	14,612	46,890	0	103,017
Infrastructure gross receipts tax receivable	97,523	0	0	24,381	121,904
Inventory	0	0	160,533	0	160,533
Total current assets	2,025,971	81,676	611,647	1,076,719	3,796,013
Non-Current Assets					
Restricted cash - customer deposits	0	0	91,018	0	91,018
Capital assets, Net	4,316,913	0	5,529,638	3,315,481	13,162,032
Total noncurrent assets	4,316,913	0	5,620,656	3,315,481	13,253,050
Total assets	6,342,884	81,676	6,232,303	4,392,200	17,049,063
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	24,019	0	50,395	0	74,414
Total Deferred Outflows of Resources	24,019	0	50,395	0	74,414
Total Assets and Deferred Outflows of Resources	**$6,366,903**	**$81,676**	**$6,282,698**	**$4,392,200**	**$17,123,477**
LIABILITIES					
Current Liabilities:					
Accounts payable	$0	$0	$0	$0	$0
Accrued payroll	3,361	0	8,419	0	11,780
Current portion of long-term debt	17,066	0	27,991	17,219	62,276
Total current liabilities	20,427	0	36,410	17,219	74,056
Non-Current Liabilities:					
Customer deposits	0	0	73,512	0	73,512
Accrued compensated absences	13,137	0	12,229	0	25,366
Long-term debt, net of current position	259,550	0	290,980	248,508	799,038
Net pension liability	123,912	0	268,476	0	392,388
Total noncurrent liabilities	396,599	0	645,197	248,508	1,290,304
Total liabilities	417,026	0	681,607	265,727	1,364,360
DEFERRED INFLOWS OF RESOURCES					
Prepaid services	59,000	0	0	0	59,000
Pensions	21,868	0	47,379	0	69,247
Total Deferred Inflows of Resources	80,868	0	47,379	0	128,247
Net Position:					
Net investment in capital assets	4,039,897	0	5,210,667	3,049,754	12,300,318
Restricted	0	0	0	24,877	24,877
Unrestricted	1,829,112	81,676	343,045	1,051,842	3,305,675
Total net position	5,869,009	81,676	5,553,712	4,126,473	15,630,870
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$6,366,903**	**$81,676**	**$6,282,698**	**$4,392,200**	**$17,123,477**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Fund
OPERATING REVENUES					
Charges for services	$427,656	$204,720	$475,234	$0	$1,107,610
Tap and reconnect fees	2,450	0	5,421	0	7,871
Late fees	0	0	9,599	0	9,599
Other income	0	0	710	0	710
Total operating revenues	430,106	204,720	490,964	0	1,125,790
OPERATING EXPENSES					
Sewer	655,249	0	0	0	655,249
Sanitation	0	311,008	0	0	311,008
Water	0	0	418,810	0	418,810
Other expenditures	0	0	0	86,898	86,898
Depreciation	23,902	0	128,359	62,276	214,537
Total operating expenses	679,151	311,008	547,169	149,174	1,686,502
Net income (loss) from operations	(249,045)	(106,288)	(56,205)	(149,174)	(560,712)
NON-OPERATING REVENUES (EXPENSES)					
Infastructure gross receipts tax	588,600	63,476	0	147,266	799,342
Grant proceeds	0	0	0	0	0
Interest expense	(13,881)	0	(2,796)	(2,194)	(18,871)
Total non-operating revenues (expenses)	574,719	63,476	(2,796)	145,072	780,471
Change in net position before transfers	325,674	(42,812)	(59,001)	(4,102)	219,759
TRANSFERS					
Transfers in	0	39,851	0	28,605	68,456
Transfers out	(12,484)	0	(14,383)	0	(26,867)
Capital transfers in	276,262	0	0	0	276,262
Net Transfers	263,778	39,851	(14,383)	28,605	317,851
Change in net position	589,452	(2,961)	(73,384)	24,503	537,610
Net position, beginning of year, as previously stated	5,279,557	84,637	5,627,096	4,101,970	15,093,260
Net position, end of year	**$5,869,009**	**$81,676**	**$5,553,712**	**$4,126,473**	**$15,630,870**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Sewer Fund	Sanitation Fund	Water Fund	Improvements Fund	Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$510,763	$225,025	$464,646	$57,949	$1,258,383
Payments to and on behalf of employees	(84,472)	0	(253,396)	0	(337,868)
Payments to suppliers and contractors	(602,279)	(311,008)	(126,482)	(86,898)	(1,126,667)
Other receipts and payments, net	0	0	0	0	0
Net cash provided (used) by operating activities	(175,988)	(85,983)	84,768	(28,949)	(206,152)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Infrastructure gross receipts tax	588,600	63,476	0	147,266	799,342
Transfers in	0	39,851	0	28,605	68,456
Transfers out	(12,484)	0	(14,383)	0	(26,867)
Net cash provided (used) by non-capital financing activities	576,116	103,327	(14,383)	175,871	840,931
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Purchase of capital assets	(100,972)	0	0	(720,093)	(821,065)
Loan proceeds	0	0	0	0	0
Grant proceeds	0	0	0	0	0
Interest paid on debt	(13,881)	0	(2,796)	(2,194)	(18,871)
Principal paid on debt	(17,066)	0	(27,501)	(21,598)	(66,165)
Net cash provided (used) by capital financing activities	(131,919)	0	(30,297)	(743,885)	(906,101)
Net change in cash	268,209	17,344	40,088	(596,963)	(271,322)
Cash, beginning of year	1,618,724	49,720	455,154	1,649,301	3,772,899
Cash, end of year	**$1,886,933**	**$67,064**	**$495,242**	**$1,052,338**	**$3,501,577**
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	($249,045)	($106,288)	($56,205)	($149,174)	($560,712)
Adjustments to reconcile operating loss to cash provided (used) by operating activities:					
Depreciation	23,902	0	128,359	62,276	214,537
Changes in:					
Accounts receivable	21,657	20,305	(9,416)	57,949	90,495
Inventory	0	0	(16,902)	0	(16,902)
Accounts payable	0	0	(159)	0	(159)
Note payable	0	0	0	0	0
Accrued payroll	1,595	0	3,744	0	5,339
Accrued compensated absences	5,677	0	3,308	0	8,985
Unearned revenue	59,000	0	0	0	59,000
Net pension liability	(38,774)	0	32,039	0	(6,735)
Customer deposits	0	0	0	0	0
Net cash provided (used) by operating activities	**($175,988)**	**($85,983)**	**$84,768**	**($28,949)**	**($206,152)**
					0
Reconciliation to the Balance Sheet					
Unrestricted	$1,886,993	$67,064	$404,224	$1,027,461	$3,385,742
Restricted	0	0	91,018	24,877	115,895
	$1,886,993	**$67,064**	**$495,242**	**$1,052,338**	**$3,501,637**

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity-

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

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

Based upon the GASB 14 criteria above, there are no component units of the City, nor is the City considered a component unit of another governmental agency during the fiscal year ended June 30, 2020.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements-

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

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

- Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction occurs, and the resources are available. Derived tax revenues include gross receipts, gasoline, and cigarette taxes.

- Imposed non-exchange revenue other than property taxes are recognized in the period when an enforceable legal claim arises, and the resources are available.

- Property tax revenue is recorded, and the revenue is recognized in the fiscal year for which the taxes are levied, subject to the sixty-day availability criteria.

- Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

The City considers expenditures generally to be recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity.

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

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

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

Governmental Fund Financial Statements –

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

The ***General Fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The ***Colonias Grant Fund*** is a capital projects fund which accounts for state approved capital projects funded by special appropriation.

Business-type Activities –

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

- The ***Water Fund*** is used to account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

- The ***Sanitation Fund*** accounts for refuse collection and disposal services, including yard waste, provided to City residents including administration, operations, maintenance, debt service, and billing and collection.

- The ***Sewer Fund*** was established from a joint-powers agreement (JPA) between the City and the Village of Ruidoso. The JP A created a Joint Use Board for the implementation of planning, construction, and maintenance control of the regional wastewater treatment facilities. This fund accounts for the wastewater services provided to residents of the City, including the City's allocation of administration, operations, maintenance, debt service, and billing and collection.

- The ***Improvements Fund*** is used to record the receipts of state grants and designated infrastructure environmental gross receipts tax for the debt service and capital outlay of the water and sewer infrastructure system.

Budgetary Information –

Budgetary basis of accounting annual budgets are prepared and adopted on a cash basis of accounting, which is consistent with generally accepted accounting principles, for the general fund, special revenue funds, debt services funds, and enterprise funds. Capital project funds adopt project-length budgets. Any agency funds in the City's custody are not budgeted. Appropriated budgets are prepared by fund, department, and functional category (i.e., personnel, operations, and capital outlay). The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the fund level.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to June 1st, budgets are prepared, balanced, and approved by resolution by the City Council and submitted to the State of New Mexico's Department of Finance and Administration (DFA) for oversight approval. Once the budget has been formally approved, amendments (increases, decreases to the overall amounts) must be approved by the Mayor and the City Council and DFA.

All annual appropriations lapse at fiscal year-end even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Valid outstanding encumbrances (performance under the executory contract is expected in the next year) are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

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

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

Cash and Investments

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

Cash Flow Liquidity

For purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Cash

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

Use of Restricted Cash

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

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

Utility Receivables

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

Allowance for Doubtful Accounts

Management reviews the accounts receivable periodically to determine which accounts may not be collectible and adjusts the reserve account accordingly.

Customer Deposits

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

Concentration of Credit Risk

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

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and materials. The consumption accounting method is used to record the City's inventories. An asset is recorded when the supplies are purchased, and the recognition of the expenditure is deferred to the period in which the inventories are actually used.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when used rather than purchased.

Capital Assets

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Analysis of Impairments

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2020.

Long-Term Obligations

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

Compensated Absences

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

- ***Government-Wide Statements*** -Unearned revenues represent the prepaid revenues advanced to the City. Such advances are reported as unearned revenue until the earnings process is complete, and PERA pension deferred inflows and grant and loan proceeds appropriated and available for use during a future period.

- ***Fund Financial Statements*** -Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as unearned revenues if they are not available in the current period, which the City has established as sixty days after year end.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the New Mexico PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

Deficit Fund Balance/Net Position

The CDBG Grant fund had a deficit fund balance of $35,079 at the end of the fiscal year. The deficit will be funded by future revenues.

Revenues

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

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

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

Interfund Activity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures

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

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

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

Encumbrances

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

Use of Estimates

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

Risk Management

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

Subsequent Events

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

NOTE 2. CASH AND CASH EQUIVALENTS

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

At June 30, 2020, the City had cash and cash equivalents on deposit with local financial institutions, consisting of checking and money market accounts. Checking accounts required for debt service or for grant purposes are prohibited from accruing interest.

State statutes 2-60-2 NMSA, 1978 authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or credit union associations within the geographical boundaries of the City, or the County if no institutions are available within the city limits. All invested fund of the City properly followed State investment and depository requirements as of June 30, 2020.

Restricted Cash - The City has restricted $94,647 in the Debt Service Fund for debt service payments, $91,018 for customer deposits in the Water Fund and various grant project funding of $906,046 held by trustee.

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

	BBVA Compass Bank
Total deposit in bank	$8,195,597
Less: FDIC Coverage	250,000
Uninsured public funds	7,945,597
Pledged Standby Letter of Credit	8,700,000
Uninsured and Uncollateralized	**($754,403)**
50% Pledged Collateral Requirement per State Statute	$3,972,799
Total Pledged Collateral	8,700,000
(Over) Under Collateralized	**($4,727,201)**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to them. The City does not have a deposit policy for custodial credit risk other than state statutes. As of June 30, 2020, $7,945,597 of the City's bank deposit balance of $8,195,597 was exposed to custodial credit risk before applying the pledged collateral. The Federal Home Loan Bank, Atlanta, Georgia, holds the lines of credit pledged toward the City.

BBVA Compass Bank Pledged Collateral:	Letter Number	Maturity	Market Value	Par Value
Standby Letter of Credit	151675	3/10/2021	$8,700,000	$8,700,000

NOTE 3. RECEIVABLES

Government Activities

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

Business-type Activities

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

	Sewer	Sanitation	Water	Total
Gross Accounts Receivable	$66,352	$30,711	$93,053	$190,116
Less Allowance for Doubtful Accounts	24,837	16,099	46,163	87,099
Net Accounts Receivable	**$41,515**	**$14,612**	**$46,890**	**$103,017**

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

Concentrations of Risk

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

NOTE 4. INTER-FUND ACTIVITY

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

Inter-fund balances at June 30, 2020, consisted of the following:

	Inter-Fund Payable			
Inter-Fund Receivable	General	Colonias Grant Fund	Non-Major Governmental Funds	Total
General Fund	$0	$20,297	$35,079	$55,376

These amounts are expected to be repaid within one year, and the advances were made to meet operating expenses, or fund projects.

Interfund transfers are as follows:

	Transfers Out					
Transfers In	General	Colonias Grant Fund	Other Governmental Funds	Sewer Fund	Water Fund	Total
General Fund	$0	$0	$51,994	$12,484	$14,383	$78,861
Governmental Funds	36,155	0	137,466	0	0	173,621
Sanitiation Fund	39,851	0	0	0	0	39,851
Improvements Fund	0	22,488	6,117	0	0	28,605
	$76,006	$22,488	$195,577	$12,484	$14,383	$320,938

The transfers were made to fund debt service payments, fund construction projects and provide operating funds.

NOTE 5. CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Restatements	Adjusted Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Governmental Activities:							
Capital Assets, Not Being Depreciated:							
Museum Artifacts and Collections	$5,501,635	$0	$5,501,635	$0	$0	$0	$5,501,635
Land	226,634	0	226,634	0	0	0	226,634
Construction in progress	34,595	3,008	37,603	886,159	0	(303,199)	620,563
Total capital assets, not being depreciated	5,762,864	3,008	5,765,872	886,159	0	(303,199)	6,348,832
Depreciable capital assets:							
Buildings and improvements	3,485,085	0	3,485,085	0	0	0	3,485,085
Streets and Other Infrastructure	3,735,430	528,056	4,263,486	0	0	303,199	4,566,685
Vehicles, Machinery and Equipment	3,454,210	(528,056)	2,926,154	318,126	0	(276,262)	2,968,018
Total depreciable capital assets	10,674,725	0	10,674,725	318,126	0	26,937	11,019,788
Less accumulated depreciation:							
Buildings and improvements	(1,416,131)	0	(1,416,131)	(96,188)	0	0	(1,512,319)
Streets and Other Infrastructure	(1,458,626)	(212,960)	(1,671,586)	(169,167)	0	0	(1,840,753)
Vehicles, Machinery and Equipment	(2,524,857)	212,960	(2,311,897)	(96,411)	0	0	(2,408,308)
Total accumulated depreciation	(5,399,614)	0	(5,399,614)	(361,766)	0	0	(5,761,380)
Depreciable capital assets, net	5,275,111	0	5,275,111	(43,640)	0	26,937	5,258,408
Total capital assets, net	**$11,037,975**	**$3,008**	**$11,040,983**	**$842,519**	**$0**	**($276,262)**	**$11,607,240**

Depreciation has been charged to the following functions:

General Government	$79,589
Public Safety	68,736
Public Works	184,501
Culture and Recreation	28,940
Total	**$361,766**

CITY OF RUIDOSO DOWNS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2019	Restatements	Adjusted Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Business-Type Activities:							
Construction in progress	$4,930,823	$0	$4,930,823	$720,092	$0	($4,836,559)	$814,356
Land and w ater rights	1,194,275	0	1,194,275	0	0	0	1,194,275
Total business-type activities, not being depreciated	6,125,098	0	6,125,098	720,092	0	(4,836,559)	2,008,631
Depreciable capital assets:							
Buildings and improvements	1,321,113	0	1,321,113	0	0	0	1,321,113
Distribution systems	7,318,104	0	7,318,104	59,000	0	4,836,559	12,213,663
Vehicles, Machinery and Equipment	1,494,158	0	1,494,158	41,972	0	276,262	1,812,392
Total depreciable capital assets	10,133,375	0	10,133,375	100,972	0	5,112,821	15,347,168
Less accumulated depreciation:							
Buildings and improvements	(337,201)	0	(337,201)	(13,535)	0	0	(350,736)
Distribution systems	(2,893,280)	0	(2,893,280)	(140,946)	0	0	(3,034,226)
Vehicles, Machinery and Equipment	(748,749)	0	(748,749)	(60,056)	0	0	(808,805)
Total accumulated depreciation	(3,979,230)	0	(3,979,230)	(214,537)	0	0	(4,193,767)
Depreciable capital assets, net	6,154,145	0	6,154,145	(113,565)	0	5,112,821	11,153,401
Total capital assets, net	**$12,279,243**	**$0**	**$12,279,243**	**$606,527**	**$0**	**$276,262**	**$13,162,032**

Depreciation by fund:

Sewer	$23,902
Water	128,359
Improvement	62,276
Total	**$214,537**

NOTE 6. COMPENSATED ABSENCES

Vacation and sick leave hours are earned by employees during the year based on position and seniority with the City, is non-cumulative and considered to be a long-term liability for both Governmental Activities and Proprietary Funds. Vacation leave due, if any, is paid upon an employee's termination. Compensation for sick leave is limited to time off and is not monetarily compensated. The activity of the vacation time due to employees as of June 30, 2020 is detailed below. Vacation for the governmental activities are paid by the General Fund or special revenue funds, respectively. Proprietary funds incur the expenditures for the Business-type activities for the employees assigned to the respective funds.

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amount Due Within One Year
Governmental Activities	$78,502	$34,279	$45,191	$67,590	$0
Business-Type Activities	16,381	20,092	11,107	25,366	0
Total	**$94,883**	**$54,371**	**$56,298**	**$92,956**	**$0**

NOTE 7. LONG-TERM DEBT

The City had the following long-term debt obligations as of June 30, 2020:

Governmental Activities:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
NMFA - 2090-PP	$866,000	$0	$74,000	$792,000	$78,000
NMFA - 4922-CIF	0	94,000	0	94,000	0
Caterpillar Lease	188,512	0	24,991	163,521	26,907
	$1,054,512	**$94,000**	**$98,991**	**$1,049,521**	**$104,907**

NMFA 2090-PP - Regional Wastewater Treatment Plant

The City entered into an agreement with NMFA in July 2007 to purchase the City's general obligation bonds and to administer a project to fund the City's portion of the construction of the regional wastewater treatment plant. Initial principal was $1,400,000 with repayment terms of 20 annual payments ranging from $81,233 to $127,260, bearing interest of 3.6% to 4.3% with interest paid semi-annually and maturing in August 2027.

The future revenue pledged for this note payable totals $937,899 at June 30, 2020. During the year ended June 30, 2020, the City recognized $108,919 in pledged revenues, and retired $108,919 in principal and interest.

NMFA 4922-CIF

The City entered into a loan/grant agreement with the Colonias Infrastructure Board and the New Mexico Finance Authority (NMFA) for the design and construction of Phase III of the street and drainage improvements in the Agua Fria area. The initial principal was $94,000 (grant of $846,000) with repayment terms of 20 annual payments of $4,700 at 0% interest. The loan will start amortizing 24 months after the closing date of December 6, 2019.

NOTE 7. LONG-TERM DEBT (CONTINUED)

The future revenue pledged for this note payable totals $94,000 at June 30, 2020. During the year ended June 30, 2020, the City recognized $0 in pledged revenue and retired $0 in principal and interest.

Caterpillar Lease

The City entered into a lease for the purchase of an asphalt paver for $192,500 in April 2019. The lease requires monthly payments of $3,178 for 60 months with a balloon payment of $48,930 at maturity (May 2, 2024). The calculated nominal annual interest rate is 7.415%.

Business-type Activities:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year
USDA-RUS	$271,000	$0	$11,000	$260,000	$11,000
JCB Finance	75,472	0	16,501	58,971	16,991
NMED ARRA CWSRF 02	64,674	0	4,635	60,039	4,918
NMFA 3514-CIF	129,449	0	6,473	122,976	6,473
NMFA 0347-WTB	146,929	0	16,963	129,966	8,514
NMFA 3358-CIF	98,392	0	6,150	92,242	6,150
NMFA 2718-CIF	11,158	0	797	10,361	797
NMFA 2975-CIF	54,683	0	3,646	51,037	3,646
NMFA 4628-CIF	75,722	0	0	75,722	3,787
	$927,479	$0	$66,165	$861,314	$62,276

USDA-RUS

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

The future pledged revenue (water sales) totals $399,000 at June 30, 2020. During the year ended June 30, 2020 the City recognized $410,442 in pledged revenues and retired $22,825 in principal and interest.

JCB Finance - Backhoe Capital Lease

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

NOTE 7. LONG-TERM DEBT (CONTINUED)

NMED ARRA CWSRF 02

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

The future pledged revenue (Infrastructure Water and Sewer 1/8% GRT) totals $67,272 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $6,115 in principal and interest.

NMFA 0347-WTB

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

The future pledged revenue (Infrastructure Water and Sewer 1/8% GRT) totals $132,581 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $17,676 in principal and interest.

NMFA 3514-CIF

Wastewater System Improvements Phase III Colonias Grant-The City entered into an agreement with NMFA in February 2016 to administer approximately a $1,294.485 Grant/Loan project to the wastewater infrastructure of the City. Initial principal was $129,449 with repayment terms of20 annual, non-interest-bearing payments of approximately $6,639, and maturing in June 2038.

The future pledged revenue (Infrastructure – WWTP 1/8 percent GRT) totals $122,976 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $122,976 in principal.

NMFA 3358-CIF

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

The future pledged revenue (Infrastructure - WWTP 1/8 percent GRT) totals $92,242 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $92,242 in principal.

NMFA 2718-CIF

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

The future pledged revenue (Infrastructure - WWTP 1/8 percent GRT) totals $10,361 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $10,361 in principal.

NOTE 7. LONG-TERM DEBT (CONTINUED)

NMFA 4628-CIF

North Parker Road Project – the City entered into an agreement with NMFA in June 2019 including $681,502 in grant funds and $75,722 in loan funds. Loan is to be repaid over 20 years with annual principal payments of $3,786 (no interest) maturing June 2040.

The future pledged revenue (Infrastructure Water and Sewer 1/8 percent GRT) totals $75,222 at June 30, 2020. During the year ended June 30, 2020 the City recognized $154,270 in pledged revenues and retired $75,222 in principal and interest.

NMFA 2975-CIF

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

The future pledged revenue (Infrastructure - WWTP 1/8 percent GRT) totals $51,037 at June 30, 2020. During the year ended June 30, 2020 the City recognized $491,076 in pledged revenues and retired $51,037 in principal.

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

Fiscal Year Ending	Governmental Activities			Business-type Activities		
June, 30	Principal	Interest	Total	Principal	Interest	Total
2021	$104,908	$43,070	$147,978	$62,278	$16,585	$78,863
2022	118,672	37,661	156,333	63,947	15,455	79,402
2023	124,895	31,829	156,724	64,638	14,266	78,904
2024	176,146	25,301	201,447	53,973	13,143	67,116
2025	106,700	16,882	123,582	48,775	13,498	62,273
2026 - 2030	366,500	22,734	389,234	253,833	57,387	311,220
2031 - 2035	23,500	0	23,500	230,154	38,124	268,278
2036 - 2040	23,500	0	23,500	83,716	1,616	85,332
2041 - 2045	4,700	0	4,700	0	0	0
	$1,049,521	$177,477	$1,226,998	$861,314	$170,074	$1,031,388

Contingent Liabilities

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

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description - This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-1 lA-l to 10-1 lA-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to I0-12B-19, NMSA 1978). the Magistrate Retirement Act (10-12C 1 to I0-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

Benefits Provided - For a description of the benefits provided and recent changes to the benefits see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2020 available at:
http://www.nmpera.org/ assets/uploads/ downloads/ comprehensive-annual-financial-reports/CAFR-2020-Final.pdf

Contributions - The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY 19 annual audit report, which may be obtained at http://saonm.org using the Audit Report Search function for agency 366-B.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2019, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2019.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11NMSA1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were preformed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2019.

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2018 to June 30, 2019 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2019 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Division -General - At June 30, 2020, the City reported a liability of $2,065,202 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportionate share was .1193%, which was lower than its .1516% proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund - General, pension expense of $270,562. At June 30, 2020, the City reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$92,086	$5,087
Changes in Proportion	64,045	337,032
Differences Between Expected and Actual Experience	61,919	22,340
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	69,592	0
City Contributions Subsequent to Measurement Date	103,148	0
Total	$390,790	$364,459

For the General Division, $103,148 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2021	$12,446
2022	(33,119)
2023	(67,595)
2024	11,451
2025	0
Totals	($76,817)

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For PERA Fund Division Municipal Police - At June 30, 2020, the City reported a liability of $867,936 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportionate share was .1175%, which was lower than its .1468% proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized PERA Fund-Police, pension expense of $98,030. At June 30, 2020, the City reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$49,232	$2,208
Changes in proportion	28,537	174,505
Differences between expected and actual experience	36,259	36,973
Net difference between projected and actual earnings on pension plan investments	27,103	0
City Contributions Subsequent to the Measurement Date	52,615	0
Total	$193,746	$213,686

For the Police Division, $52,615 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2021	($47,379)
2022	(2,520)
2023	(27,103)
2024	4,447
2025	0
	($72,555)

For PERA Fund Division Municipal Fire - At June 30, 2020, the City reported a liability of $259,775 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportionate share was .0378%, which was lower than its .0399% proportion measured as of June 30. 2018.

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For the year ended June 30, 2020, the City recognized PERA Fund-Fire, pension expense of $44,567. At June 30, 2020, the City reported PERA Fund Division - Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$7,127	$411
Changes in Proportion	39,132	11,889
Differences between expected and actual experience	$4,413	$8,209
Net difference between projected and actual earnings on pension plan investments	4,154	0
City Contributions Subsequent to the Measurement Date	10,018	0
Total	$64,844	$20,509

For the Fire Division, $10,018 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date June 30, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2021	$14,529
2022	19,759
2023	(649)
2024	678
2025	0
	$34,317

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2018 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2019 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2019. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
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 duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Client Oriented Fixed Income	15.00%	5.47%
Real Assets to Include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	
Total	100.0%	

NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Discount rate: The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.25% will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town of Clayton's proportionate share of the net pension liability to changes in the discount rate. The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Ruidoso Down's proportionate share of the net pension liability	$3,123,493	$2,065,202	$1,189,608

PERA Fund Division Municipal Police	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Ruidoso Down's proportionate share of the net pension liability	$1,313,463	$867,936	$504,470

PERA Fund Division Municipal Fire	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Ruidoso Down's proportionate share of the net pension liability	$344,283	$259,775	$190,519

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: www.pera.state.nm.us/publications.html.

Payables to the pension plan. At June 30,2019, the City had no outstanding amount of contributions payable to the pension plan.

NOTE 9. RETIRE HEAL TH CARE ACT CONTRIBUTIONS

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

NOTE 10. JOINT POWERS AGREEMENTS

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

The Ruidoso/Ruidoso Downs Joint Use Board (JUB) is an agreement between the Village of Ruidoso, the City of Ruidoso Downs and the County of Lincoln whereby the entities secured a grant for the construction of a wastewater treatment plant for the benefit of both municipalities. The budgetary and financial accountability for the operation of the plant lies within the Village of Ruidoso and is included in their annual audit as an enterprise fund. The City received a federal capital grant in the amount of $2,900,000 passed through the New Mexico Environment Department in addition to $1,085,731 in legislative appropriations to fund improvements to the regional waste water treatment plant. The City paid the Village of Ruidoso $562,649 for the City's 15% of the operating costs during the year ended June 30, 2020.

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

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

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

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

NOTE 11. RESTATEMENTS

General Fund:	
CDBG entries incorrectly made to general fund cash	$53,786
Governmental Activities:	
Correction of capital assets	3,008
	$56,794

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY OF RUIDOSO DOWN'S PROPORATIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	As of Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
City of Ruidoso Downs's proportion of the net pension liability (asset)	0.1193%	0.1516%	0.1412%	0.1469%	0.1515%	0.1528%
City of Ruidoso Downs's proportionate share of the net pension liability (asset)	$2,065,202	$2,417,065	$1,940,208	$2,346,968	$1,544,674	$1,192,004
City of Ruidoso Downs's covered-employee payroll	$1,132,942	$1,279,152	$1,289,340	$1,258,711	$1,257,393	$1,256,930
City of Ruidoso Downs's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.29%	188.96%	150.48%	186.46%	122.85%	94.83%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

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

SCHEDULE OF THE CITY OF RUIDOSO DOWN'S PROPORATIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL POLICE

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	As of Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
City of Ruidoso Downs's proportion of the net pension liability (asset)	0.1175%	0.1468%	0.1380%	0.1753%	0.1384%	0.1555%
City of Ruidoso Downs's proportionate share of the net pension liability (asset)	$867,936	$1,001,623	$766,680	$1,293,415	$665,505	$506,913
City of Ruidoso Downs's covered-employee payroll	$287,725	$310,048	$294,825	$348,619	$278,931	$293,190
City of Ruidoso Downs's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	301.65%	323.05%	260.04%	371.01%	238.59%	172.89%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

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

SCHEDULE OF THE CITY OF RUIDOSO DOWN'S PROPORATIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL FIRE

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	As of Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
City of Ruidoso Downs's proportion of the net pension liability (asset)	0.0378%	0.0399%	0.0266%	0.0284%	0.0269%	0.0277%
City of Ruidoso Downs's proportionate share of the net pension liability (asset)	$259,775	$255,385	$152,191	$189,457	$138,836	$115,620
City of Ruidoso Downs's covered-employee payroll	$50,176	$50,684	$33,557	$33,118	$30,661	$30,319
City of Ruidoso Downs's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	517.73%	503.88%	300.27%	564.60%	452.81%	381.34%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

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

SCHEDULE OF CITY OF RUIDOSO DOWN'S CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA FUND DIVISION - MUNICIPAL GENERAL

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$103,148	$108,196	$122,159	$123,132	$120,081	$118,832
Contributions in relation to the contractually required contribution	$103,148	$108,196	$122,159	$123,132	$120,081	$118,832
City of Ruidoso Downs covered emplyee payroll	$1,052,531	$1,132,942	$1,279,152	$1,289,340	$1,258,711	$1,257,393
Contributions as a percentage of covered-employee payroll	9.80%	9.55%	9.55%	9.55%	9.54%	9.45%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Ruidoso Downs will present information for those years for which information is available.

SCHEDULE OF CITY OF RUIDOSO DOWN'S CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA FUND DIVISION MUNICIPAL POLICE

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$52,615	$54,380	$58,599	$55,722	$65,889	$51,283
Contributions in relation to the contractually required contribution	$52,615	$54,380	$58,599	$55,722	$65,889	$51,283
City of Ruidoso Downs covered emplyee payroll	$274,752	$287,725	$310,048	$294,825	$348,619	$278,931
Contributions as a percentage of covered-employee payroll	19.15%	18.90%	18.90%	18.90%	18.90%	18.39%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Ruidoso Downs will present information for those years for which information is available.

SCHEDULE OF CITY OF RUIDOSO DOWN'S CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA FUND DIVISION MUNICIPAL FIRE

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$10,018	$10,863	$10,973	$7,265	$7,170	$6,638
Contributions in relation to the contractually required contribution	$10,018	$10,863	$10,973	$7,265	$7,170	$6,638
City of Ruidoso Downs covered emplyee payroll	$45,744	$50,176	$50,684	$33,557	$33,118	$30,661
Contributions as a percentage of covered-employee payroll	21.90%	21.65%	21.65%	21.65%	21.65%	21.65%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Ruidoso Downs will present information for those years for which information is available.

Public Employee Retirement Association Plan (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described m Note 1 of the PERA audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association.

Changes of assumptions.
The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at http://www.pera.state.nm.us/pdf/lnvestments/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund provides summary information for each division.

SUPPLEMENTARY INFORMATION

Special Revenue Funds

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

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

Judicial Education Fund - Accounts for a designated portion of traffic fines to be remitted to the state judicial education center under Sections 34-9-12 and 35-14-11NMSA1978.

Court Automation Fund - Accounts for a portion of traffic fines designated for the purpose of purchasing, maintaining and operating a court automation system in that municipality's municipal court. Authority for this fund is Sections 34-9-12 and 35-14-11NMSA1978.

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

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

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

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

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

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

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

Special Revenue Funds

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

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

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

Infrastructure Fund - Accounts for the operation and maintenance of funds restricted for the repair and replacement of infrastructure improvements. Financing is provided by a 112 of 1 % tax on the gross receipts within the City. The funds may be used only for sewer and street repairs and replacements, or for the acquisition of rights-of-way. Authority is by City ordinance.

Debt Service Funds

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

Capital Project Funds

CDGB Grant Fund - Accounts for the City's Community Development Block Grants projects funded by the Community Development Block Program, a federal program.

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

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

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2020

	Police Grant Fund	Local Government Corrections	Judicial Education Fund	Court Automation Fund	Litter Control Fund	Lincoln County Transit Fund
ASSETS						
Cash and cash equivalents						
Unrestricted	$0	$65,954	$312	$621	$0	$61
Restricted	0	0	0	0	0	0
Taxes Receivable						
Gross receipts	0	0	0	0	0	0
Property	0	0	0	0	0	0
Lodgers	0	0	0	0	0	0
Gasoline	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Total assets	**$0**	**$65,954**	**$312**	**$621**	**$0**	**$61**
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$0	$0	$0	$0	$0	$0
Accrued payroll	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0
DEFERRED INFLOW OF RESOURCES						
Deferred Inflows - property taxes	0	0	0	0	0	0
Total liabilities and deferred inflows	0	0	0	0	0	0
Fund Balance:						
Nonspendable	0	0	0	0	0	0
Restricted	0	65,954	312	621	0	61
Assigned	0	0	0	0	0	0
Total fund balance	0	65,954	312	621	0	61
Total liabilities, deferred inflows of resources and fund balance	**$0**	**$65,954**	**$312**	**$621**	**$0**	**$61**

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2020

	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund	FEMA Fund
ASSETS					
Cash and cash equivalents					
Unrestricted	$3,478	$316,593	$13,741	$75,807	$23,116
Restricted	0	0	0	0	0
Taxes Receivable					
Gross receipts	0	0	4,885	0	0
Property	0	0	0	0	0
Lodgers	0	0	0	0	0
Gasoline	0	0	0	0	0
Inventory	0	0	0	0	0
Total assets	**$3,478**	**$316,593**	**$18,626**	**$75,807**	**$23,116**
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$0	$0	$0	$0	$0
Accrued payroll	0	0	0	0	0
Total liabilities	0	0	0	0	0
DEFERRED INFLOW OF RESOURCES					
Deferred Inflows - property taxes	0	0	0	0	0
Total liabilities and deferred inflows	0	0	0	0	0
Fund Balance:					
Nonspendable	0	0	0	0	0
Restricted	3,478	316,593	18,626	75,807	23,116
Assigned	0	0	0	0	0
Total fund balance	3,478	316,593	18,626	75,807	23,116
Total liabilities, deferred inflows of resources and fund balance	**$3,478**	**$316,593**	**$18,626**	**$75,807**	**$23,116**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2020

	Law Enforcement Protection Fund	Lodgers Tax Fund	Museum Fund	Recreation Fund	Infrastructure Fund	Total
ASSETS						
Cash and cash equivalents						
Unrestricted	$26,227	$155,118	$4,060	$3,709	$917,901	$1,606,698
Restricted	0	0	0	0	0	0
Taxes Receivable						
Gross receipts	0	0	0	0	24,380	29,265
Property	0	0	0	0	0	0
Lodgers	0	15,136	0	0	0	15,136
Gasoline	0	0	0	0	0	0
Inventory	0	0	36,762	0	0	36,762
Total assets	**$26,227**	**$170,254**	**$40,822**	**$3,709**	**$942,281**	**$1,687,861**
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$0	$0	$0	$0	$0	$0
Accrued payroll	0	0	5,288	0	0	5,288
Total liabilities	0	0	5,288	0	0	5,288
DEFERRED INFLOW OF RESOURCES						
Deferred Inflows - property taxes	0	0	0	0	0	0
Total liabilities and deferred inflows	0	0	0	0	0	0
Fund Balance:						
Nonspendable	0	0	36,762	0	0	36,762
Restricted	26,227	170,254	(1,228)	3,709	942,281	1,645,811
Assigned	0	0	0	0	0	0
Total fund balance	26,227	170,254	35,534	3,709	942,281	1,682,573
Total liabilities, deferred inflows of resources and fund balance	**$26,227**	**$170,254**	**$40,822**	**$3,709**	**$942,281**	**$1,687,861**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Police Grant Fund	Local Government Corrections	Judicial Education Fund	Court Automation Fund	Litter Control Fund	Lincoln County Transit Fund
REVENUES						
Taxes						
Gross receipts	$0	$0	$0	$0	$0	$0
Property	0	0	0	0	0	0
Gasoline and MVD	0	0	0	0	0	0
Lodgers	0	0	0	0	0	0
Charges for service	0	0	2,383	4,920	0	0
Intergovernmental						
Federal operating grants	0	0	0	0	0	0
Federal capital grants	0	0	0	0	0	0
State operating grants	0	15,701	0	0	0	0
State capital grants	0	0	0	0	0	0
Memberships and contributions	0	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0	0
Miscellaneous	0	22	0	0	0	0
Total revenues	0	15,723	2,383	4,920	0	0
EXPENDITURES						
Current:						
General government	0	0	2,383	4,920	0	0
Public safety	0	2,149	0	0	0	0
Public works	0	0	0	0	0	0
Culture and recreation	0	0	0	0	0	0
Health and welfare	0	0	0	0	0	0
Debt Service:						
Principal	0	0	0	0	0	0
Interest and administrative fees	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Total expenditures	0	2,149	2,383	4,920	0	0
Excess (deficiency) of revenues over expenditures	0	13,574	0	0	0	0
Other Financing Sources (Uses):						
Operating transfers in	0	0	0	0	0	0
Operating transfers (out)	0	0	0	0	0	(23,819)
Total other financing sources (uses)	0	0	0	0	0	(23,819)
Net changes in fund balances	0	13,574	0	0	0	(23,819)
Fund balance, beginning of year	0	52,380	312	621	0	23,880
Fund balance (deficit), end of year	**$0**	**$65,954**	**$312**	**$621**	**$0**	**$61**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Emergency Medical Services Fund	Street Improvement Fund	Gas Tax Road Fund	Fire Protection Fund	FEMA Fund
REVENUES					
Taxes					
Gross receipts	$0	$0	$0	$0	$0
Property	0	0	0	0	0
Gasoline and MVD	0	0	22,763	0	0
Lodgers	0	0	0	0	0
Charges for service	0	0	0	0	0
Intergovernmental					
Federal operating grants	0	0	0	0	0
Federal capital grants	0	0	0	0	0
State operating grants	7,017	320,000	0	84,924	0
State capital grants	0	0	0	0	0
Memberships and contributions	0	0	0	0	0
Fines and forfeitures	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total revenues	7,017	320,000	22,763	84,924	0
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	4,590	0	0	62,240	0
Public works	0	0	0	0	0
Culture and recreation	0	0	0	0	0
Health and welfare	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest and administrative fees	0	0	0	0	0
Capital Outlay	0	317,731	0	0	0
Total expenditures	4,590	317,731	0	62,240	0
Excess (deficiency) of revenues over expenditures	2,427	2,269	22,763	22,684	0
Other Financing Sources (Uses):					
Operating transfers in	0	5,466	0	0	0
Operating transfers (out)	0	0	(13,904)	0	0
Total other financing sources (uses)	0	5,466	(13,904)	0	0
Net changes in fund balances	2,427	7,735	8,859	22,684	0
Fund balance, beginning of year	1,051	308,858	9,767	53,123	23,116
Fund balance (deficit), end of year	**$3,478**	**$316,593**	**$18,626**	**$75,807**	**$23,116**

CITY OF RUIDOSO DOWNS

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Law Enforcement Protection Fund	Lodgers Tax Fund	Museum Fund	Recreation Fund	Infrastructure Fund	Total
REVENUES						
Taxes						
Gross receipts	$0	$0	$0	$0	$147,265	$147,265
Property	0	0	0	0	0	0
Gasoline and MVD	0	0	0	0	0	22,763
Lodgers	0	212,983	0	0	0	212,983
Charges for service	0	0	72,629	0	0	79,932
Intergovernmental						
Federal operating grants	0	0	0	0	0	0
Federal capital grants	0	0	0	0	0	0
State operating grants	23,005	0	0	0	0	450,647
State capital grants	0	0	0	0	0	0
Memberships and contributions	0	0	62,460	0	0	62,460
Fines and forfeitures	0	0	0	0	0	0
Miscellaneous	0	406	1,353	0	0	1,781
Total revenues	23,005	213,389	136,442	0	147,265	977,831
EXPENDITURES						
Current:						
General government	0	0	0	0	0	7,303
Public safety	0	0	0	0	0	68,979
Public works	0	0	0	0	0	0
Culture and recreation	0	23,931	324,254	0	0	348,185
Health and welfare	0	0	0	0	0	0
Debt Service:						
Principal	0	0	0	0	0	0
Interest and administrative fees	0	0	0	0	0	0
Capital Outlay	23,005	0	0	0	41,680	382,416
Total expenditures	23,005	23,931	324,254	0	41,680	806,883
Excess (deficiency) of revenues over expenditures	0	189,458	(187,812)	0	105,585	170,948
Other Financing Sources (Uses):						
Operating transfers in	0	0	132,000	0	0	137,466
Operating transfers (out)	0	(151,737)	0	0	(6,117)	(195,577)
Total other financing sources (uses)	0	(151,737)	132,000	0	(6,117)	(58,111)
Net changes in fund balances	0	37,721	(55,812)	0	99,468	112,837
Fund balance, beginning of year	26,227	132,533	91,346	3,709	842,813	1,569,736
Fund balance (deficit), end of year	**$26,227**	**$170,254**	**$35,534**	**$3,709**	**$942,281**	**$1,682,573**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEETS

June 30, 2020

	CDBG Grant Fund	Capital Appropriations Fund	Total
ASSETS			
Cash and cash equivalents			
Unrestricted	$0	$14,597	$14,597
Restricted	0	0	0
Taxes Receivable			0
Gross receipts	0	0	0
Property	0	0	0
Lodgers	0	0	0
Gasoline	0	0	0
Due from other governments	0	0	0
Total assets	**$0**	**$14,597**	**$14,597**
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$0	$4,416	$4,416
Due to other funds	35,079	0	35,079
Total liabilities	35,079	4,416	39,495
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows - property taxes	0	0	0
Total liabilities and deferred inflows	35,079	4,416	39,495
Fund Balance:			
Restricted	0	10,181	10,181
Unassigned	(35,079)	0	(35,079)
Total fund balance	(35,079)	10,181	(24,898)
Total liabilities, deferred inflows of resources and fund balance	**$0**	**$14,597**	**$14,597**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	CDBG Grant Fund	Capital Appropriations Fund	Total
REVENUES			
Taxes			
Gross receipts	$0	$0	$0
Property	0	0	0
Gasoline	0	0	0
Lodgers	0	0	0
Charges for service	0	0	0
Intergovernmental			
Federal operating grants	0	0	0
Federal capital grants	303,199	0	303,199
State operating grants	0	0	0
State capital grants	0	450,273	450,273
Fines and forfeitures	0	0	0
Miscellaneous	0	0	0
Total revenues	303,199	450,273	753,472
EXPENDITURES			
Current:			
General government	0	0	0
Public safety	0	0	0
Public works	0	0	0
Culture and recreation	0	0	0
Health and welfare	0	0	0
Debt Service:			
Principal	0	0	0
Interest and administrative fees	0	0	0
Capital Outlay	303,199	459,538	762,737
Total expenditures	303,199	459,538	762,737
Excess (deficiency) of revenues over expenditures	0	(9,265)	(9,265)
Other Financing Sources (Uses):			
Loan proceeds	0	0	0
Operating transfers in	0	19,446	19,446
Operating transfers (out)	0	0	0
Total other financing sources (uses)	0	19,446	19,446
Net changes in fund balances	0	10,181	10,181
Fund balance, beginning of year	(35,079)	0	(35,079)
Fund balance (deficit), end of year	**($35,079)**	**$10,181**	**($24,898)**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEETS

JUNE 30, 2020

	Debt Service Fund
ASSETS	
Cash and cash equivalents	
Unrestricted	$0
Restricted	94,647
Taxes Receivable	
Gross receipts	0
Property	16,963
Lodgers	0
Gasoline	0
Total assets	**$111,610**
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$0
Total liabilities	0
DEFERRED INFLOW OF RESOURCES	
Deferred Inflows - property taxes	13,024
Total liabilities and deferred inflows	13,024
Fund Balance:	
Restricted	98,586
Assigned	0
Total fund balance	98,586
Total liabilities, deferred inflows of resources and fund balance	**$111,610**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

NONMAJOR DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Debt Service Fund
REVENUES	
Taxes	
Gross Receipts	$0
Property	125,400
Gasoline	0
Lodgers	0
Total revenues	125,400
EXPENDITURES	
Current:	
General government	4,373
Public safety	0
Public works	0
Culture and recreation	0
Health and welfare	0
Debt Service:	
Principal	74,000
Interest and administrative fees	34,888
Capital Outlay	0
Total expenditures	113,261
Excess (deficiency) of revenues over expenditures	12,139
Other Financing Sources (Uses):	
Operating transfers in	16,709
Operating transfers (out)	0
Total other financing sources (uses)	16,709
Net changes in fund balances	28,848
Fund balance, beginning of year	69,738
Fund balance (deficit), end of year	**$98,586**

CITY OF RUIDOSO DOWNS

TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES

COMBINING BALANCE SHEET

JUNE 30, 2020

	Special Revenue	Capital Projects	Debt Services	Total
ASSETS				
Cash and cash equivalents				
Unrestricted	$1,606,698	$14,597	$0	$1,621,295
Restricted	0	0	94,647	94,647
Taxes Receivable				
Gross receipts	29,265	0	0	29,265
Property	0	0	16,963	16,963
Lodgers	15,136	0	0	15,136
Gasoline and MCD	0	0	0	0
Inventory	36,762	0	0	36,762
Total assets	**$1,687,861**	**$14,597**	**$111,610**	**$1,814,068**
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$0	$4,416	$0	$4,416
Accrued payroll	5,288	0	0	5,288
Due to other funds	0	35,079	0	35,079
Total liabilities	5,288	39,495	0	44,783
DEFERRED INFLOW OF RESOURCES				
Deferred Inflows - property taxes	0	0	13,024	13,024
Total liabilities and deferred inflows	5,288	39,495	13,024	57,807
Fund Balance:				
Nonspendable	36,762	0	0	36,762
Restricted	1,645,811	10,181	98,586	1,754,578
Assigned	0	(35,079)	0	(35,079)
Total fund balance	1,682,573	(24,898)	98,586	1,756,261
Total liabilities, deferred inflows of resources and fund balance	**$1,687,861**	**$14,597**	**$111,610**	**$1,814,068**

The Notes to Financial Statements are an integral part of these statements.

CITY OF RUIDOSO DOWNS

TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Special Revenue	Capital Projects	Debt Services	Total
REVENUES				
Taxes				
Gross receipts	$147,265	$0	$0	$147,265
Property	0	0	125,400	125,400
Gasoline and MVD	22,763	0	0	22,763
Lodgers	212,983	0	0	212,983
Charges for service	79,932	0	0	79,932
Intergovernmental				
Federal operating grants	0	0	0	0
Federal capital grants	0	303,199	0	303,199
State operating grants	450,647	0	0	450,647
State capital grants	0	450,273	0	450,273
Memberships	62,460	0	0	62,460
Fines and forfeitures	0	0	0	0
Miscellaneous	1,781	0	0	1,781
Total revenues	977,831	753,472	125,400	1,856,703
EXPENDITURES				
Current:				
General government	7,303	0	4,373	11,676
Public safety	68,979	0	0	68,979
Public works	0	0	0	0
Culture and recreation	348,185	0	0	348,185
Health and welfare	0	0	0	0
Debt Service:				
Principal and interest	0	0	108,888	108,888
Capital Outlay	382,416	762,737	0	1,145,153
Total expenditures	806,883	762,737	113,261	1,682,881
Excess (deficiency) of revenues over expenditures	170,948	(9,265)	12,139	173,822
Other Financing Sources (Uses):				
Operating transfers in	137,466	19,446	16,709	173,621
Operating transfers (out)	(195,577)	0	0	(195,577)
Total other financing sources (uses)	(58,111)	19,446	16,709	(21,956)
Net changes in fund balances	112,837	10,181	28,848	151,866
Fund balance, beginning of year	1,569,736	(35,079)	69,738	1,604,395
Fund balance (deficit), end of year	**$1,682,573**	**($24,898)**	**$98,586**	**$1,756,261**

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF RUIDOSO DOWNS
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2020

Financial Institution: Account Name	Type of Account	Bank Balance	Reconciling Items	Book Balance
BBVA - General Fund 4200045500	Checking	$7,296,185	($174,210)	$7,121,975
BBVA - Hubbard Museum 2228100524	Checking	558,639	0	558,639
BBVA - WWTP Construction 2511531287	Checking	80,350	0	80,350
BBVA - Merchant Services 6754627792	Checking	168,811	0	168,811
BBVA - CDGB	Checking	0	0	0
BBVA - Water Security Deposit 4200045632	Checking	91,612	(594)	91,018
		$8,195,597	($174,804)	$8,020,793
Cash held with Trustee				
NMFA (4922-CIF)				$881,169
NMFA (4628-CIF)				24,877
				$906,046
Total Cash - Financial Institutions				8,926,839
Petty Cash				1,500
				$8,928,339
Governmental Activities				
Unrestricted				$4,450,946
Restricted cash - held by trustee				881,169
Restricted cash				94,647
Business-Type Activities				
Cash and cash equivalents				3,385,682
Restricted cash - held by trustee				24,877
Restricted cash - customer deposits				91,018
				$8,928,339

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

Mr. Brian S. Colón, State Auditor and
Honorable Mayor and Councilors of
City of Ruidoso Downs
Ruidoso Downs, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Ruidoso Downs, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Ruidoso Downs' basic financial statements and have issued our report thereon dated June 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ruidoso Downs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ruidoso Downs' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ruidoso Downs' internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2020-006 (2018-003) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2020-002, 2020-003 (2019-001), 2020-005 (2019-003), and 2020-007 (2018-005) to be significant deficiencies.

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004
Phone: (575) 523-7444, Fax: (575) 527-0872

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ruidoso Downs' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-004 (2019-002) and 2020-008.

City of Ruidoso Downs' Response to Findings

City of Ruidoso Downs' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Ruidoso Downs' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

June 7, 2021

CITY OF RUIDOSO DOWNS
SUMMARY OF AUDIT RESULTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENTS

Type of Auditor's Report issued:	**Unmodified**
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	__X__ Yes _____ No
Significant deficiencies identified that are not considered to be material weaknesses?	__X__ Yes _____ No
Noncompliance material to financial statements noted?	_____ Yes __X__ No

CITY OF RUIDOSO DOWNS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CURRENT YEAR FINDINGS:

2020-001 Lack of Knowledge in Financial Positions – Material Weakness

Condition – The City has failed to hire skilled finance personnel in appropriate positions.

Criteria – Good financial management of a government requires appropriate financial/accounting personnel in key positions.

Cause – The City hired a newly degreed accountant with no accounting experience as a finance director. While the City hired a financial consultant to assist in the training of this position the necessary on-site financial knowledge was not consistently available.

Effect – The general ledger was not properly maintained and reconciled and accounting support positions lacked appropriate supervision and training.

Recommendation – The City should be more diligent in hiring the necessary skilled positions.

Management Response - The City has hired a Finance Director with governmental accounting background and is implementing the policy and procedures to follow governmental accounting standards.

Responsible Position: Finance Director	Timeline: March 1, 2021

2020-002 Receipting Process Not Maintained – Significant Deficiency

Condition – During our testwork over the receipting process we found the following in a sample of 25 transactions tested:

- No second reviewer initials (11 instances, $1,883)
- No sign off by finance director (11 instances, $5,119)
- No cash deposit listing and therefore no reviewer (3 instances, $15,736)
- Receipts not included on deposit log (2 instances, $45)
- Receipt boxes for July – September could not be located

In general, there is no appropriate segregation of duties over receipts and ACH receipts lack supporting documentation.

Criteria – Good internal controls require consistent procedures monitored and reviewed and maintenance of documentation.

Cause – Lack of skilled accounting personnel to guide and supervise the process.

Effect – Potential for City receipts to be incorrectly recorded.

Recommendation – The City should re-implement receipts procedures to include appropriate segregation of duties.

Management Response - We will follow the cash handling policies and procedures and make sure that it is followed by trained personnel who handle cash receipting. Cross training and segregation of duties have been implemented.

Responsible Position: Finance Director	Timeline: March 1, 2021

CURRENT YEAR FINDINGS (CONTINUED):

2020-003 (2019-001) Disbursements – Significant Deficiency

Repeated with Modification

Condition – Disbursement and travel procedures not consistently followed.

In a sample of 40 disbursements the following was noted:

- No documentation of goods/services received (1 instance, $45)
- No purchase requisition (3 instances, $567)
- No approval of purchase requisition (5 instances, $834)

In a sample of 20 travel and per diem disbursements the following was noted:

- Travel not approved by department director (3 instances, $465)
- Travel not approved by finance director or mayor (4 instances, $939)
- Lack of sufficient supporting documentation (2 instances, $173)
- Mileage on form is blank (5 instances, $948)
- Travel was incurred by Mayor, but finance director did not approve (3 instances, $620)

This finding remains essentially the same as prior year.

Criteria – Good internal controls require consistent application of established control procedures.

Cause – Lack of care and employee turnover.

Effect – Potential for errors to go undetected/uncorrected for an extended period of time.

Recommendation – Approval during the disbursement process should also address approval as to the proper documentation procedures as well as amount and vendor being paid. No payments should be made until all established documentation procedures have been performed and documented.

Management Response - Travel requests have been revised and will be followed by the City of Ruidoso Downs travel policy Resolution 2018.06 and NMSA 10.8.1 through NMSA 10.8.8 with all of the required backup documents attached. There will be training on how and why these procedures must be followed.

Responsible Position: Finance Director	Timeline: March 1, 2021

2020-004 (2019-002) Payroll Documentation/Compliance – Other Non-Compliance

Repeated.

Condition – During our testwork of payroll policies and procedures we noted that one employee had claimed “exempt” from income tax withholding. The exemption claim requires a new form each year to affirm the claim. The last exemption form in the file was for 2017.

This finding remains the same as prior year.

CURRENT YEAR FINDINGS (CONTINUED):

2020-004 (2019-002) Payroll Documentation/Compliance – Other Non-Compliance (Continued)

Criteria – The IRS allows an employee to claim exempt from income taxes by completing and signing the W-4. This form must be completed each year if claiming exempt.

Cause – Lack of clear understanding of IRS exempt status claims.

Effect – Potential that IRS could require City to pay for under withholding of income tax.

Recommendation – Require any employee claiming exempt status to complete new W-4 each year. City may want to consider new W-4's for all employees each year.

Management Response - Employees with an exempt status will fill out a new W-4 every year, to prevent any issues with the IRS in the future.

Responsible Position: Human Resources	Timeline: January 1, 2021

2020-005 (2019-003) Documentation Maintenance – Significant Deficiency

Repeated.

Condition – There are no clear procedures establishing maintenance of documentation:

- Vendor payable files inconsistent
    - Vendor files include payments for other vendors
    - Files not maintained in any consistent order
- Construction project files (not managed by SENMEDD) are not maintained
- Long-term debt files including debt agreement and activity by year not maintained

This finding remains the same as prior year.

Criteria – Good internal controls require clear documentation to provide audit trail.

Cause – Change in personnel and lack of established procedures.

Effect – Lack of documentation creates inefficiencies and potential for non-compliance and poor management decisions.

Recommendation – The City should establish written minimum documentation procedures for each significant financial process within the City.

CURRENT YEAR FINDINGS (CONTINUED):

2020-005 (2019-003) Documentation Maintenance – Significant Deficiency (Continued)

Management Response - Procurement policies and procedures have been mandated and staff will continue to be trained and certified in these policies internally and with the State of New Mexico. Cross training staff and employees, to understand procurement process that starts with the requester. Training will be provided for all staff on how to follow the process.

Responsible Position:	Timeline:
Finance Director	March 1, 2021
Accounts Payable Clerk	
All staff requesting purchases.	

2020-006 (2018-003) -Control over Capital Asset Inventory-Material Weakness

Repeated with modification.

Condition - The City had the following deficiencies over capital assets:

- The annual physical inventory had not been performed at the fiscal year-end
- The capital asset schedule beginning balance did not agree to the prior year audit.

This finding remains essentially the same as prior year.

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

Cause – Due to significant staff turnover and therefore, familiarity with the software is insufficient. In addition, there are no set procedures for asset additions.

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

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

Management Response - Asset control will be processed all year long with the proper asset forms being used for purchases that are over $5000.00 limit. These forms for additions and deletions will be used to keep the assets current. There will be a physical inventory every year by the individual departments to verify the assets are currently in use and on site. Depreciation will be processed at the end of the fiscal year to depreciate current assets. Additions and deletions will be presented to council for approval each year. Cross training of this process will be provided for all departments.

Responsible Position:	Timeline:
Finance Director	March 1, 2021
Accounts Payable Clerk	
Department Directors	

CURRENT YEAR FINDINGS (CONTINUED):

2020-007 (2018-005) - Inadequate Cross-training of Departmental Duties - Significant Deficiency

Repeated.

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

Due to transitions in the finance director position and the administrative assistant position the City has not made progress in this area.

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

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

Governments should commit to attracting and retaining competent employees by:

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

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

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

CURRENT YEAR FINDINGS (CONTINUED):

2020-007 (2018-005) - Inadequate Cross-training of Departmental Duties - Significant Deficiency (Continued)

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

Management Response - Cross training has been implemented to cover positions that are either on vacation or have been vacated. Job description will be updated to include "other duties assigned" which are necessary for the function of the City of Ruidoso Downs. Constant training and mentoring have been implemented with the administrative offices. This will be a continual process all year long.

Responsible Position:	Timeline:
Finance Director	March 1, 2021
City Clerk/Treasurer	
Human Resource	

2020-008 Late Audit Report – Other Non-Compliance

Statement of Condition – The audit report was submitted to the State Auditor's Office after the municipality due date December 15, 2020.

Criteria – Per the State Audit Rule 2.2.2. NMAC New Mexico Municipality audit reports are due December 15, 2020.

Cause – The report was late due to the following:

- A late start due to client working situations under COVID and resignation of key staff member in City finance department.
- Kriegel/Gray/Shaw & Co. COVID issues.

Effect – Non-compliance with NM State Audit Rule.

Recommendation – The auditors and the City should anticipate and prepare for earlier start of field work to offset any unanticipated scheduling issues that may arise.

Management Response - The City is prepared to provide all necessary information to the auditors this year when they are available to begin the audit. COVID-19 caused delays that no entity could control or foresee.

Responsible Position:	Timeline:
Finance Director	December 15, 2021
City Clerk/Treasurer	
Human Resource	

CITY OF RUIDOSO DOWNS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINDINGS - FINANCIAL STATEMENT AUDIT	CURRENT STATUS
2020-003 (2019-001) Disbursements	Repeated and modified
2020-004 (2019-002) Payroll Documentation/Compliance	Repeated and modified
2020-005 (2019-003) Documentation Maintenance	Repeated
2019-004 Debt Payments Not Made Timely	Resolved
2020-006 (2018-003) Control Over Capital Asset Inventory	Repeated
2020-007 (2018-005) Inadequate Cross-training of Departmental Duties	Repeated
2018-009 Legal Compliance with Budget	Resolved

CITY OF RUIDOSO DOWNS
EXIT CONFERENCE
JUNE 30, 2020

EXIT CONFERENCE:

The exit conference was held July 12, 2021 and was attended by the following:

Representing City of Ruidoso Downs:

Dean Holman, Mayor
Ally Giron, City Clerk, Treasurer
Mary Castaneda, Finance Director
Donna Miller, Human Resource Specialist

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the City of Ruidoso Downs's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.