



**KRIEDEL/GRAY/SHAW & CO., P.C.**

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

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**HOUSING AUTHORITY OF THE CITY OF RATON**  
**(A COMPONENT UNIT OF THE CITY OF RATON)**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011**

# HOUSING AUTHORITY OF THE CITY OF RATON

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# HOUSING AUTHORITY OF THE CITY OF RATON

OFFICIAL ROSTER

JUNE 30, 2011

## BOARD OF COMMISSIONERS

<u>Name</u>	<u>Title</u>
Robert Stoller	Chairperson
Margaret Evans	Vice Chairperson
Mike Morgan	Commissioner
John Duran	Commissioner
Tony Vigil	Commissioner
Tresa Kagen	City Commissioner
Terry Baca	Executive Director



**INDEPENDENT AUDITORS' REPORT**

Mr. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
(A Component Unit of the City of Raton)  
Raton, New Mexico

We have audited the accompanying financial statements of the business-type activities of Housing Authority of the City of Raton (Authority), a component unit of the City of Raton (City), as of and for the year ended June 30, 2011, as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information for the year ended June 30, 2011, as listed in the accompanying table of contents. These basic financial statements and budget comparisons are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in its financial position and cash flows of only that portion of the City that is attributable to the Authority. They do not purport to, and do not present fairly the financial position of the City as of June 30, 2011, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and its changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, the financial statements referred to above present fairly, in all material respects the budgetary comparisons for the year then ended in conformity with budgetary basis required by the U.S. Department of Housing and Urban Development that is more fully described in Note 8 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
(A Component Unit of the City of Raton)  
Raton, New Mexico  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Financial Data Schedule listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

December 1, 2011

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

The management of Public Housing Authority of Raton, New Mexico presents the following discussion and analysis (M D&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2011. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

## FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$3,406,129 at the close of the fiscal year ended 2011.
  - Of this amount \$2,589,000 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - The remainder of \$817,129 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 104.7% of the total operating expenses of \$780,411 for the fiscal year 2011, which means the Authority might be able to operate about 1 year using the unrestricted assets alone, which is comparable to the 11 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$264,912, an increase of 8.4% from the prior fiscal year. This increase is attributable to significant increases in federal grants for both operations and capital improvements, described in more detail below.
- The increase in net assets of these funds was accompanied by an increase in unrestricted cash by \$62,217 from fiscal year 2010, primarily due to spending less for operations than federal funds received for operations.
- The Authority spent \$409,846 on capital asset additions during the fiscal year.
- These changes led to an increase in total assets by \$263,586 and a decrease in total liabilities by \$1,326. As related measure of financial health, there are still over \$18.74 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$21 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

# **HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2011

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

### **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2011?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

## **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing  
Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

## Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

## FINANCIAL ANALYSIS

The Housing Authority's net assets were \$3,406,129 as of June 30, 2011. Of this amount, \$2,589,000 was invested in capital assets, and the remaining \$817,129 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general Net Assets.

## CONDENSED FINANCIAL STATEMENTS

### Condensed Balance Sheet (Excluding Interfund Transfers) As of June 30, 2011

	2011	2010
<b>ASSETS</b>		
Current assets	\$822,651	\$725,150
Assets restricted for tenant deposits	29,267	28,462
Capital assets, net of depreciation	2,589,000	2,423,720
<b>Total assets</b>	<b>3,440,918</b>	<b>\$3,177,332</b>
<b>LIABILITIES</b>		
Current liabilities	\$34,789	\$36,115
<b>Total liabilities</b>	<b>\$34,789</b>	<b>\$36,115</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of depreciation	\$2,589,000	\$2,423,720
Unrestricted net assets	817,129	717,497
<b>Total net assets</b>	<b>3,406,129</b>	<b>3,141,217</b>
<b>Total liabilities and net assets</b>	<b>\$3,440,918</b>	<b>\$3,177,332</b>

The net assets of these funds increased by \$264,912, or by 8.43%, from those of fiscal year 2010, as explained below. In the narrative that follows, the detail factors causing this change are discussed:



# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

## Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets (Excluding Interfund Transfers) Fiscal Year Ended June 30, 2011

	2011	2010
<b>OPERATING REVENUES</b>		
Tenant rental revenue	\$238,371	\$257,616
Other tenant revenue	3,162	2,055
<i>Total operating revenues</i>	241,533	259,671
<b>OPERATING EXPENSES</b>		
Maintenance and repairs	226,164	235,022
Administration	223,301	224,599
Depreciation	240,909	214,571
General	60,830	64,230
Utilities	27,633	25,852
Tenant services	1,574	1,376
<i>Total operating expenses</i>	780,411	765,630
<i>(Losses) from operations</i>	(538,878)	(505,959)
<b>NON-OPERATING REVENUES</b>		
Federal grants for operations	348,898	331,356
Other non-tenant revenue	41,908	37,204
Interest income	7,544	7,823
<i>Total non-operating revenues</i>	398,350	376,383
<b>NON-OPERATING EXPENSES</b>		
Other expense	0	3,197
<i>(Losses) after non-operating revenues and expenses</i>	0	(132,773)
<b>OTHER CHANGES IN NET ASSETS</b>		
Federal grants for capital expenditures	405,440	462,444
<b>NET INCREASE IN NET ASSETS</b>	264,912	329,671
<b>NET ASSETS, beginning of fiscal year</b>	3,141,217	2,811,546
<b>NET ASSETS, end of fiscal year</b>	<b>3,406,129</b>	<b>\$3,141,217</b>

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

### EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$53,175, or by 4.8%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations increased by \$17,542, or by 5.3% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Federal Capital Funds from HUD decreased by \$57,004, or by 12.3% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2008 through 2010.
- Total other revenue increased by \$7,866 from that of the prior year, or by 21.1%.
- Total tenant revenue decreased by \$21,300 or by 8.2% from that of the prior fiscal year because occupancy rates decreased and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes decreased, so rent revenue from these tenants decreased accordingly.
- Interest income decreased by \$279 or by 3.6% from that of the prior fiscal year primarily due to decreasing interest rates.

Compared with the prior fiscal year, total operating and non-operating expenses increased by \$11,584, or by 1.5%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$26,338 or by 12.3% from that of the prior fiscal year because there was an increase in capital assets by \$406,189.
- Maintenance and repairs decreased by \$8,838 or by 3.8% from that of the prior fiscal year.
- Administrative Expenses decreased by \$1,298, or by .6% from that of the prior fiscal year, due to a combination of offsetting factors
- General Expenses decreased by \$3,400, or by 5.3% from that of the prior fiscal year.
- Utilities Expense increased by \$1,781, or by 6.9% from that of the prior fiscal year, because water cost increased by \$2,390, electricity cost decreased by \$112, gas cost decreased by \$176 and other utilities expense (such as labor, benefits, garbage, sewage and waste removal) decreased by \$321.
- Tenant services, totaling \$1,574, did not change significantly from the prior to the current year.

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the Housing Authority had a total cost of \$9,461,975 invested in a broad range of assets and construction in progress, as listed below. This amount, not including depreciation, represents increases of \$388,577 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

#### Capital Assets, Net of Accumulated Depreciation As of June 30, 2011

	2011	2010
Land	\$253,436	\$253,436
Construction in progress	30,656	22,569
Buildings	7,444,490	7,331,966
Leasehold improvements	1,409,259	1,136,662
Furniture and equipment	324,134	328,765
Accumulated Depreciation	(6,872,975)	(6,649,678)
<b>Total</b>	<b>\$2,589,000</b>	<b>\$2,423,720</b>

As of the end of the 2011 fiscal year, the Authority is still in the process of completing HUD grants of \$239,386 obtained during the 2010 fiscal year.

### Debt

The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by federal budget than by local economic conditions. The capital budgets for the 2011 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

## CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Terry Baca, at Public Housing Authority of Raton, New Mexico; P.O. Box 297; Raton, New Mexico 87740.

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## STATEMENT OF NET ASSETS

JUNE 30, 2011

### ASSETS

#### Unrestricted Current Assets

Cash and cash equivalents	\$146,274
Certificates of deposit	658,895
Tenant accounts receivable	2,681
Accrued interest receivable	693
Inventory	11,987
Prepaid insurance	2,121
<i>Total unrestricted current assets</i>	<u>822,651</u>

#### Restricted Current Assets

Restricted Cash and Cash Equivalents	
Tenant deposits	29,267
<i>Total restricted current assets</i>	<u>29,267</u>

*Total current assets* 851,918

Capital assets not depreciated	273,082
Capital assets depreciated, net	2,315,918
<i>Capital assets, net</i>	<u>2,589,000</u>

*Total assets* **\$3,440,918**

### LIABILITIES AND NET ASSETS

#### Current Liabilities, Payable From

Unrestricted assets	
Accounts payable	3,804
<i>Total unrestricted current liabilities</i>	<u>3,804</u>

#### Current Liabilities, Payable From

Restricted Assets	
Tenant deposits	29,267
Deferred revenue on rents	1,718
<i>Total restricted current liabilities</i>	<u>30,985</u>

*Total current liabilities* 34,789

#### Net Assets

Invested in capital assets	2,589,000
Restricted	0
Unrestricted	817,129
<i>Total net assets</i>	<u>3,406,129</u>

*Total liabilities and net assets* **\$3,440,918**

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## STATEMENT OF ACTIVITIES

JUNE 30, 2011

<b>Operating Revenues</b>	
Net tenant rental income	\$238,371
HUD operating grants	348,898
Other income	3,162
<i>Total operating revenues</i>	<u>590,431</u>
<b>Operating Expenses</b>	
Administrative	223,301
Tenant services	1,574
Utilities	27,633
Maintenance and repairs	226,164
General	60,830
Depreciation	240,909
<i>Total operating expenses</i>	<u>780,411</u>
<i>Operating loss</i>	<u>(189,980)</u>
<b>Non-Operating Income (Expenses)</b>	
Interest income	7,544
Non-operating HUD grant	405,440
Other income/(expense)	41,908
<i>Total non-operating income</i>	<u>454,892</u>
<i>Change in net assets</i>	<u>264,912</u>
Net assets, beginning of year	<u>3,141,217</u>
<b>Net assets, end of year</b>	<u><b>\$3,406,129</b></u>

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## STATEMENT OF CASH FLOWS

JUNE 30, 2011

### CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and others	\$241,368
Cash received from HUD operations	348,898
Cash payments to and on behalf of employees	(364,187)
Cash payments to suppliers for goods and services	(169,121)
<i>Net cash provided by operating activities</i>	<u>56,958</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other income/(expense)	41,908
<i>Net cash provided by noncapital financing activities</i>	<u>41,908</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(409,846)
HUD grants for purchase of capital assets	405,440
<i>Net cash used by capital and related financing activities</i>	<u>(4,406)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificates of deposit	(39,195)
Interest income	7,757
<i>Net cash used by investing activities</i>	<u>(31,438)</u>

*Net increase in cash and cash equivalents* 63,022

Cash and cash equivalents, beginning of year 112,519

***Cash and cash equivalents, end of year*** **\$175,541**

### Cash and Cash Equivalents

Unrestricted cash	\$146,274
Restricted	29,267
	<u>\$175,541</u>

### Reconciliation of Operating Loss to Net Cash

**Provided by Operating Activities**  
Operating loss (\$189,980)

### Adjustments to Reconcile Operating Loss to

**Net Cash Provided by Operating Activities**  
Depreciation 240,909  
Change in assets and liabilities:  
Accounts receivable (1,304)  
Prepays 2,247  
Inventories 2,754  
Accounts payable 1,193  
Restricted assets 1,139

***Net cash provided by operating activities*** **\$56,958**

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Business.* The primary goal of the Low Income Housing (LIH) program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by most other housing subsidy programs. The LIH program is administered by Public Housing agencies (PHA), which are organized and authorized in accordance with State Law to engage or assist in the development of operation of a LIH Program. The PHA is a local housing authority (LHA) governed by an appointed board of commissioners who employ an administrative staff headed by an executive director.

*Reporting Entity.* The Housing Authority of the City of Raton (Authority) combined statement of net assets includes the accounts of all of its operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations 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 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 of the primary government's officials to appoint a voting majority of an organization's governing body and either the primary government is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to 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, or activities of, 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, provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. The Authority is a component unit of the City of Raton. The Authority has no component units.

*Basis of Accounting.* The Authority is responsible for the fair presentation in the financial statements of the statement of net assets, and the related statements of activities and cash flows in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

*Measurement Focus, Basis of Accounting and Basis of Presentation.* The accounts of the Authority are organized on the basis of a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accounting and reporting for its proprietary operations, the Authority does not apply applicable FASB Statements and Interpretations issued after November 30, 1989. Proprietary funds include the following fund type:

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are tenant rental income and operating grants. Operating expenses for enterprise funds include the cost of operation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Capital Assets.* All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The capitalization policy includes items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Interest incurred during construction was written off as an expense and not capitalized. Donated capital assets are valued at their estimated fair market value on the date they are donated. The capital assets of the Authority have been recorded at their historical cost.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building and Structures	33 years
Leasehold Improvements	15 years
Computers and Software	3 years
Vehicles, Furniture and Equipment	5 years
Appliances	7 years

*Management Estimates and Assumptions.* The accompanying financial statements include certain estimates and assumptions by management that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents.* Amounts reflected as "cash and cash equivalents" on the balance sheet include amounts on hand and in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Housing Authority. Certificates of deposits with financial institutions are stated at cost, which approximates their market value.

*Accumulated Unpaid Vacation.* Accrued compensated absences of Enterprise funds are normally recorded on their balance sheets. However, the Authority's policy is to use or lose vacation time by end of each fiscal year. Accordingly, there is no compensated absences liability recorded on the balance sheet. No liability has been recognized for sick pay as the Housing Authority does not provide for payment upon termination of employment and does not provide for payment or exchange in the future.

*Inventory.* Inventory consists of maintenance supplies and is valued at the lower of average cost or market.



# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 2. DEPOSITS AND INVESTMENTS

The Authority is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

All money not immediately necessary for the public uses of the Authority may be invested in:

- a. Bonds or negotiable securities of the United States, the state or any county, municipality or town which has a taxable valuation of real property for the preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- b. Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government; or
- c. In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment.
- d. If the Authority is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on the United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the Authority may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978.

The Authority's cash, cash equivalents and investments as of June 30, 2011, and during the year then ended, consisted of demand deposits and certificates of deposit at various financial institutions. Certificates of deposit have original maturities of six months to one year.

Custodial credit risk is the risk that in the event a bank failure, the government's deposits may not be returned. As of June 30, 2011, the Housing Authority's deposits were exposed to custodial credit risk as follows:

Deposits of the Authority's monies are to be collateralized in an aggregate equal to 50% of the deposits in excess of Federal Deposit Insurance Corporation Insurance coverage. The following schedules show the carrying amounts and bank balances, which are held by four banks.

Cash, cash equivalents and investments in CDs are presented on the statement of net assets as follows:

**HOUSING AUTHORITY OF THE CITY OF RATON**  
(A Component Unit of the City of Raton)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

The Authority's cash, cash equivalents and investments as of June 30, 2011, and during the year then ended, consisted of demand deposits and certificates of deposit at various financial institutions. Certificates of deposit have original maturities of six months to one year.

Custodial credit risk is the risk that in the event a bank failure, the government's deposits may not be returned. As of June 30, 2011, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	Bank Balances
FDIC Insured	\$738,162
Collateralized with securities held in financial institution's name	136,857
Uninsured and uncollateralized	0
	\$875,019

Deposits of the Authority's monies are to be collateralized in an aggregate equal to 50% of the deposits in excess of Federal Deposit Insurance Corporation Insurance coverage. The following schedules show the carrying amounts and bank balances, which are held by four banks.

	Carrying Amount	Bank Deposits
<b><u>International Bank</u></b>		
Checking	134,706	175,364
Savings	11,493	11,493
Certificates of deposit	200,000	200,000
<i>Total</i>	\$346,199	\$386,857
FDIC Insurance		250,000
Uninsured bank balance		136,857
Collateral pledged – FHLB securities held by financial institution		136,857
<i>Amount over collateralized</i>		\$0
<b><u>First National Bank of New Mexico</u></b>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$195,100	\$195,100
<b><u>First National Bank of Trinidad</u></b>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$250,000	\$250,000
<b><u>State Farm Insurance Bank</u></b>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$43,062	\$43,062

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Cash, cash equivalents and investments in CDs are presented on the statement of net assets as follows:

<u>Cash and Cash Equivalents</u>		
Cash accounts		\$146,274
Certificates of deposit		658,062
Current assets, certificate of deposit restricted for Tenant Security Deposits		30,100
Total		\$834,436

The following is presented to comply with the requirements of the New Mexico State Statute 12-6-5 NMSA, 1978, as interpreted in New Mexico State Auditor's Rule 2 NMAC 2.2.

Bank Name	Account Type	Bank Balance at 6/30/2011	Outstanding (Checks) / Other	Book Balance at 6/30/2011
International Bank	Checking	\$140,805	(\$6,099)	\$134,706
International Bank	Checking	34,559	(34,559)	0
International Bank	Savings	11,493	0	11,493
International Bank	Certificate of deposit	100,000	0	100,000
International Bank	Certificate of deposit	100,000	0	100,000
<i>International Bank</i>		386,857	(40,658)	346,199
First National Bank	Certificate of deposit	25,000	\$0	25,000
First National Bank	Certificate of deposit	10,000	0	10,000
First National Bank	Certificate of deposit	50,000	0	50,000
First National Bank	Certificate of deposit	30,100	0	30,100
First National Bank	Certificate of deposit	50,000	0	50,000
First National Bank	Certificate of deposit	15,000	0	15,000
First National Bank	Certificate of deposit	15,000	0	15,000
<i>First National Bank of New Mexico</i>		195,100	0	195,100
First National Bank	Certificate of deposit	37,000	\$0	37,000
First National Bank	Certificate of deposit	35,000	0	35,000
First National Bank	Certificate of deposit	115,000	0	115,000
First National Bank	Certificate of deposit	30,000	0	30,000
First National Bank	Certificate of deposit	33,000	0	33,000
<i>First National Bank of Trinidad</i>		250,000	\$0	250,000
State Farm	Certificate of deposit	17,473	\$0	17,473
State Farm	Certificate of deposit	25,589	0	25,589
<i>State Farm</i>		43,062	\$0	43,062
Change Fund		0	75	75
<b>Totals</b>		<b>\$875,019</b>	<b>(\$40,583)</b>	<b>\$834,436</b>

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2011.

	Beginning Balance	Increases	Decreases	Reclassifi- cations	Ending Balance
<b>Non-depreciable Assets</b>					
Land	\$253,436	\$0	\$0	\$0	\$253,436
Construction in progress	22,569	8,087	0	0	30,656
<i>Total non-depreciable assets</i>	276,005	8,087	0	0	284,092
<b>Depreciable Assets</b>					
Buildings	7,331,966	112,524	0	0	7,444,490
Furniture, equipment, machinery-dwellings	128,528	7,456	(1,434)	0	134,550
Furniture, equipment, machinery-administration	200,237	5,525	(16,178)	0	189,584
Leasehold improvements	1,136,662	272,597	0	0	1,409,259
<i>Total depreciable assets</i>	8,797,393	398,102	(17,612)	0	9,177,883
<b>Less accumulated depreciation for:</b>					
Buildings	5,454,295	187,234	0	0	5,641,529
Furniture, equipment, machinery-dwellings	92,543	10,887	(1,434)	0	101,996
Furniture, equipment, machinery-administration	194,460	1,019	(16,178)	0	179,301
Leasehold improvements	908,380	41,769	0	0	950,149
<i>Total accumulated depreciation</i>	6,649,678	240,909	(17,612)	0	6,872,975
<i>Capital assets, net</i>	<b>\$2,423,720</b>	<b>\$165,280</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,589,000</b>

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

*Plan Description.* Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 respectively were \$22,769, \$23,713, and \$22,615 respectively, which equal the amount of the required contributions for each fiscal year.

## NOTE 5. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 5. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$4,037, \$3,007, and \$3,369, respectively, which equal the required contributions for each year.

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### NOTE 6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, destruction of property, injury to staff or others, errors, omissions and natural disasters. The Authority insures itself against these losses through insurance with various commercial insurance companies. Policies and coverage are as follows:

Commercial Property Extra Expense, Business Computer, Ordinance of Law General Liabilities, Public Officials.

#### Liabilities and Casualty

a. Coverage	Various, generally tort limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2011
d. Premium paid	\$14,159 Property insurance
e. Premium paid	\$11,942 Liability insurance

#### Automobile Liability

a. Coverage	\$500,000/\$500,000
b. Insurance agent/company	Colorado Casualty Insurance Co.
c. Expiration date	3-19-2012
d. Premium paid	\$4,833

#### Workman's Compensation

a. Coverage	Statutory Limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2011
d. Premium paid	\$6,038

The Liabilities and Casualty and Workman's Compensation policies were renewed during the subsequent fiscal year with no substantial changes in coverage.

### NOTE 7. OTHER CONTINGENT LIABILITIES

Management is unaware of any material pending or threatened litigation, claims or assessments against the Authority, which are not covered by the Authority's insurance.

### NOTE 8. BUDGET AND BUDGETARY PROCESS

The Board of Commissioners adopts an annual operating budget, which can be amended by them throughout the year. The budget is also reviewed and approved by the Department of Housing and Urban Development (HUD). Budgetary accounting follows generally accepted accounting principles generally accepted in the United States of America, except that HUD subsidized capital outlay and the related grants, and depreciation expense is not budgeted. Budgetary control is maintained at the fund level.

# **HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

## **NOTE 9. ECONOMIC DEPENDENCY**

The Authority receives substantial support from the U.S. Department of Housing and Urban Development (HUD). The continued operations of the Authority are dependent on funding from HUD. For the year ended June 30, 2011, the Authority received 72.16% of its total revenue from HUD.



**SUPPLEMENTARY INFORMATION**

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

LOW RENT - OPERATING

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Rental income	\$240,860	\$240,860	\$238,371	(\$2,489)
Other	35,726	35,726	45,070	0
<i>Total revenues</i>	<u>276,586</u>	<u>276,586</u>	<u>283,441</u>	<u>(2,489)</u>
<b>OPERATING EXPENSES:</b>				
Administrative	184,809	184,809	205,789	(20,980)
Tenant services	4,100	4,100	1,574	2,526
Utilities	26,600	26,600	27,633	(1,033)
Maintenance and repairs	159,495	159,495	226,164	(66,669)
General	201,675	201,675	60,830	140,845
Non routine expenditures	13,500	13,500	0	13,500
<i>Total operating expenses</i>	<u>590,179</u>	<u>590,179</u>	<u>521,990</u>	<u>68,189</u>
<i>Operating income (loss)</i>	(313,593)	(313,593)	(238,549)	65,700
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	348,898	348,898	348,898	0
Interest	8,900	8,900	7,544	(1,356)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>357,798</u>	<u>357,798</u>	<u>356,442</u>	<u>(1,356)</u>
<i>Net income</i>	<u>\$44,205</u>	<u>\$44,205</u>	<u>\$117,893</u>	<u>\$64,344</u>

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2011, is presented below:

Net income (budgetary basis)	\$117,893
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(240,909)
<b>Change in net assets (GAAP basis)</b>	<b>(\$123,016)</b>

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

CFP FUND - 2010

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
<i>Total revenues</i>	0	0	0	0
<b>OPERATING EXPENSES:</b>				
Audit costs	3,000	3,000	0	3,000
Fees and costs	21,079	21,079	2,808	18,271
Site improvements	69,000	69,000	27,781	41,219
Dwelling structures	169,489	169,489	0	169,489
Non-dwelling equipment	10,000	10,000	1,628	8,372
<i>Total operating expenses</i>	272,568	272,568	32,217	240,351
<i>Operating income (loss)</i>	(272,568)	(272,568)	(32,217)	240,351
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	272,568	272,568	32,217	(240,351)
<i>Total non-operating revenue (expenses)</i>	272,568	272,568	32,217	(240,351)
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2011, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	29,409
<b>Change in net assets (GAAP basis)</b>	<b>\$29,409</b>

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

CFP FUND - 2009

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
<i>Total revenues</i>	0	0	0	0
<b>OPERATING EXPENSES:</b>				
Audit costs	1,685	1,685	1,685	0
Fees and costs	9,000	9,000	9,000	0
Site improvements	145,534	145,534	145,534	0
Dwelling structures	93,489	93,489	45,928	47,561
Non-dwelling structures	3,130	3,130	3,130	0
Non-dwelling equipment	4,000	4,000	4,000	0
<i>Total operating expenses</i>	256,838	256,838	209,277	47,561
<i>Operating income (loss)</i>	(256,838)	(256,838)	(209,277)	47,561
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	256,838	256,838	209,277	(47,561)
<i>Total non-operating revenue (expenses)</i>	256,838	256,838	209,277	(47,561)
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2011, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	198,592
<b>Change in net assets (GAAP basis)</b>	<b>\$198,592</b>

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

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

CFP FUND - 2008

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
<i>Total revenues</i>	0	0	0	0
<b>OPERATING EXPENSES:</b>				
Audit costs	0	0	0	0
Fees and costs	4,121	4,121	4,019	102
Site improvements	100,337	100,337	100,337	0
Dwelling structures	52,488	52,488	52,487	1
Dwelling equipment	7,048	7,048	7,048	0
Non-dwelling equipment	55	55	55	0
<i>Total operating expenses</i>	164,049	164,049	163,946	103
<i>Operating income (loss)</i>	(164,049)	(164,049)	(163,946)	103
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	164,049	164,049	163,946	(103)
<i>Total non-operating revenue (expenses)</i>	164,049	164,049	163,946	(103)
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2011, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	159,927
<b>Change in net assets (GAAP basis)</b>	<b>\$159,927</b>

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

Housing Authority of the City of Raton  
Financial Data Schedule  
6/30/2011

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	146,274	-	146,274
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	29,267	-	29,267
100	Total Cash	<u>175,541</u>	-	<u>175,541</u>
121	Accounts Receivable - PHA Projects	-	-	-
124	Accounts Receivable - Other Government	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-
126	Accounts Receivable - Tenants	4,502	-	4,502
126.1	Allowance for Doubtful Accts - Tenants	(1,821)	-	(1,821)
126.2	Allowance for Doubtful Accts - Other	-	-	-
128	Fraud Recovery	-	-	-
128.1	Allowance for Doubtful Accts - Fraud	-	-	-
129	Accrued Interest Receivable	693	-	693
120	Total Receivables, Net of Allowance for Doubtful Accts	<u>3,374</u>	-	<u>3,374</u>
131	Investments - Unrestricted	658,895	-	658,895
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	2,121	-	2,121
143	Inventories	12,618	-	12,618
143.1	Allowance for Obsolete Inventories	(631)	-	(631)
150	Total Current Assets	<u>851,918</u>	-	<u>851,918</u>
161	Land	253,436	-	253,436
162	Buildings	7,237,745	206,744	7,444,489
163	Furniture, Equipment & Machinery - Dwellings	119,791	14,759	134,550
164	Furniture, Equipment & Machinery - Administration	179,202	10,382	189,584
165	Leasehold Improvements	1,132,189	277,070	1,409,259
166	Accumulated Depreciation	(6,827,801)	(45,173)	(6,872,974)
167	Construction in Progress	19,646	11,010	30,656
168	Infrastructure	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>2,114,208</u>	<u>474,792</u>	<u>2,589,000</u>
180	Total Non-Current Assets	<u>2,114,208</u>	<u>474,792</u>	<u>2,589,000</u>
190	<b>Total Assets</b>	<b><u>2,966,126</u></b>	<b><u>474,792</u></b>	<b><u>3,440,918</u></b>
312	Accounts Payable <= 90 Days	3,804	-	3,804
322	Accrued Compensated Absences - Current Portion	-	-	-
341	Tenant Security Deposits	29,267	-	29,267
342	Deferred Revenues	1,718	-	1,718
346	Accrued Liabilities - Other	-	-	-
310	Total Current Liabilities	<u>34,789</u>	-	<u>34,789</u>
354	Accrued Compensated Absences - Non Current	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	<u>34,789</u>	-	<u>34,789</u>
508.1	Invested in Capital Assets, Net of Related Debt	2,114,208	474,792	2,589,000
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	817,129	-	817,129
513	Total Equity/Net Assets	<u>2,931,337</u>	<u>474,792</u>	<u>3,406,129</u>
600	<b>Total Liabilities and Equity/Net Assets</b>	<b><u>2,966,126</u></b>	<b><u>474,792</u></b>	<b><u>3,440,918</u></b>
70300	Net Tenant Rental Revenue	238,371	-	238,371
70400	Tenant Revenue - Other	3,162	-	3,162
70500	Total Tenant Revenue	<u>241,533</u>	-	<u>241,533</u>
70600	HUD PHA Operating Grants	348,898	-	348,898
70610	Capital Grants	-	405,440	405,440
70700	Total Fee Revenue	<u>348,898</u>	<u>405,440</u>	<u>754,338</u>
71100	Investment Income - Unrestricted	7,544	-	7,544
71400	Fraud Recovery	-	-	-
71500	Other Revenue	44,946	-	44,946
70000	Total Revenue	<u>642,921</u>	<u>405,440</u>	<u>1,048,361</u>

Housing Authority of the City of Raton  
Financial Data Schedule  
6/30/2011

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
91100	Administrative Salaries	132,951	-	132,951
91200	Auditing Fees	8,308	1,685	9,993
91300	Management Fees	-	-	-
91310	Bookkeeping Fee	-	-	-
91400	Advertising & Marketing	747	-	747
91500	Employee Benefit Contributions - Administrative	51,783	-	51,783
91600	Office Expenses	15,971	-	15,971
91700	Legal Expenses	614	-	614
91800	Travel	3,132	-	3,132
91900	Other	8,110	-	8,110
91000	Total Operating - Administrative	<u>221,616</u>	<u>1,685</u>	<u>223,301</u>
92400	Tenant Services - Other	1,574	-	1,574
92500	Total Tenant Services	<u>1,574</u>	<u>-</u>	<u>1,574</u>
93100	Water	7,902	-	7,902
93200	Electricity	11,795	-	11,795
93300	Gas	6,068	-	6,068
93600	Sewer	1,869	-	1,869
93800	Other Utilities	-	-	-
93000	Total Utilities	<u>27,634</u>	<u>-</u>	<u>27,634</u>
94100	Ordinary Maintenance and Operations - Labor	129,151	-	129,151
94200	Ordinary Maintenance and Operations - Materials & Other	31,619	-	31,619
94300	Ordinary Maint and Operations - Contract Costs	17,838	-	17,838
94500	Employee Benefit Contributions - Ordinary Maintenance	50,303	-	50,303
94000	Total Maintenance	<u>228,911</u>	<u>-</u>	<u>228,911</u>
96110	Property Insurance	16,500	-	16,500
96120	Liability Insurance	13,933	-	13,933
96130	Workmen's Compensation	6,259	-	6,259
96140	All Other Insurance	-	-	-
96100	Total Insurance Premiums	<u>36,692</u>	<u>-</u>	<u>36,692</u>
96200	Other General Expenses	-	-	-
96210	Compensated Absences	-	-	-
96300	Payments in Lieu of Taxes	21,390	-	21,390
96400	Bad debt - Tenant Rents	-	-	-
96000	Total Other General Expenses	<u>21,390</u>	<u>-</u>	<u>21,390</u>
96900	Total Operating Expenses	<u>537,817</u>	<u>1,685</u>	<u>539,502</u>
97000	Excess Operating Revenue over Operating Expenses	105,104	403,755	508,859
97100	Extraordinary maintenance	673	-	673
97200	Casualty Losses - Non-Capitalized	2,365	-	2,365
97400	Depreciation Expense	204,704	36,205	240,909
90000	Total Expenses	<u>743,194</u>	<u>37,890</u>	<u>781,084</u>
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	<u>(102,638)</u>	<u>367,550</u>	<u>264,912</u>
11190	Unit Months Available	1,848	-	1,848
11210	Number of Unit Months Leased	1,794	-	1,794

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<b>Direct Grants Public Housing Cluster</b>		
Public Housing - Capital Fund Program	14.872	\$405,440
<i>Total public housing Cluster</i>		405,440
<b>Direct Grants</b>		
Public and Indian Housing Operating Subsidy	14.850	348,898
<b><i>Total federal expenditures</i></b>		<b>\$754,338</b>

### **Basis of Presentation:**

The above schedule of expenditures of federal awards includes the federal grant activity of Housing Authority of the City of Raton and is presented on the accrual basis of accounting.

This information in this schedule is presented in accordance with the requirements of OMB Circular A.133, "Audits of State, Local Governments, and Non-Profit Organizations."

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.





**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. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
Raton, New Mexico

We have audited the basic financial statements of the Housing Authority of the City of Raton (Authority), a component unit of the City of Raton, as of and for the year ended June 30, 2011, including the budgetary comparisons and have issued our report thereon dated December 1, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the City of Raton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Mr. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
Raton, New Mexico  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, the State of New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

December 1, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
Raton, New Mexico

**Compliance**

We have audited the Housing Authority of the City of Raton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Mr. Hector H. Balderas, State Auditor and  
Board of Commissioners  
Housing Authority of the City of Raton  
Raton, New Mexico  
Page Two

### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, the State of New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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

December 1, 2011

**HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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**FINANCIAL STATEMENTS**

Type of Auditor’s Report issued:

**Unqualified**

**Internal Control Over Financial Reporting:**

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   No  
\_\_\_\_\_ Yes   X   No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

**Internal Control Over Major Programs:**

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   No  
\_\_\_\_\_ Yes   X   No

Type of Auditor’s Report issued on compliance for major programs:

**Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

**Identification of Major Programs:**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

14.850

Public and Indian Housing Operating Subsidy

14.872

Public Housing – Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B Programs:

**\$300,000**

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

**HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

None.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

**2010-01 Late Audit Report**

Resolved and not repeated.

**HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**CURRENT YEAR FINDINGS AND QUESTIONED COSTS–  
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS–  
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**EXIT CONFERENCE**

**JUNE 30, 2011**

**EXIT CONFERENCE:**

The exit conference was held November 2, 2011 and was attended by the following:

**From Housing Authority of the City of Raton:**

Margaret Evans, Vice-Chairperson

Terry Baca, Executive Director

**From Kriegel/Gray/Shaw & Co., P.C.:**

Ken Shaw, CPA/Shareholder

Kristi Granados, CPA/Staff auditor

**FINANCIAL STATEMENTS PREPARATION**

The financial statements were prepared by Kriegel/Gray/Shaw & Co., P.C.