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**STATE OF NEW MEXICO**

**HOUSING AUTHORITY OF THE CITY OF RATON**

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

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

**JUNE 30, 2012**

# HOUSING AUTHORITY OF THE CITY OF RATON

## TABLE OF CONTENTS JUNE 30, 2012

	<u>Page</u>
<b>OFFICIAL ROSTER</b>	1
<b>INDEPENDENT AUDITORS' REPORT</b>	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>FINANCIAL STATEMENTS:</b>	
Statement of Net Assets	10
Statement of Activities	11
Statement of Cash Flows	12
<b>NOTES TO FINANCIAL STATEMENTS</b>	13
<b>SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues and Expenditures	
Budget and Actual (Non-GAAP Budgetary Basis)	
Low Rent – Operating	23
CFP – 2010	24
CFP – 2009	25
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Financial Data Schedule	26
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	29
Schedule of Findings and Responses	31
Exit Conference	32

# HOUSING AUTHORITY OF THE CITY OF RATON

OFFICIAL ROSTER  
JUNE 30, 2012

## BOARD OF COMMISSIONERS

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

**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 the 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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information for the year ended June 30, 2012, as listed in the table of contents. These financial statements 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 the significant estimates made by management, as well as evaluating the overall 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, 2012, 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 previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, 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, in our opinion, the financial statements referred to previously 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 November 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparisons. The Financial Data Schedule listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.

November 30, 2012

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

The management of Public Housing Authority of Raton, New Mexico presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2012. 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 \$3,274,704 at the close of the fiscal year ended 2012.
  - Of this amount \$2,564,159 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - The remainder of \$710,545 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 84.41% of the total operating expenses of \$841,794 for the fiscal year 2012, which means the Authority might be able to operate about ten months using the unrestricted assets alone, which is comparable to the one year in the prior fiscal year.
- The Housing Authority's total net assets decreased by \$121,723, a decrease of 3.6% from the prior fiscal year. This decrease is attributable to significant decreases in federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net assets of these funds was accompanied by a decrease in unrestricted cash and investments of \$91,286 from fiscal year 2011, primarily due to federal grant operating subsidy.
- The Authority spent \$251,525 on capital asset additions during the fiscal year.
- These changes led to a decrease in total assets of \$106,890 and an increase in total liabilities of \$14,833. As related measure of financial health, there are still over \$15.32 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$18.74 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, 2012

## **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 2012?" 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, 2012

**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 \$3,274,704 as of June 30, 2012. Of this amount, \$2,564,159 was invested in capital assets, and the remaining \$710,545 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, 2012

	2012	2011
<b>ASSETS</b>		
Current assets	\$732,775	\$822,651
Assets restricted for tenant deposits	27,392	29,267
Capital assets, net of depreciation	2,564,159	2,579,298
<i>Total assets</i>	<b>\$3,324,326</b>	<b>\$3,431,216</b>
 <b>LIABILITIES</b>		
Current liabilities	\$41,567	\$34,789
Long-term portion of accrued leave	8,055	0
<i>Total liabilities</i>	49,622	34,789
 <b>NET ASSETS</b>		
Invested in capital assets, net of depreciation	2,564,159	2,579,298
Unrestricted net assets	710,545	817,129
<i>Total net assets</i>	3,274,704	3,396,427
<i>Total liabilities and net assets</i>	<b>\$3,324,326</b>	<b>\$3,431,216</b>

The net assets of these funds decreased by \$121,723, or by 3.6%, from those of fiscal year 2011, 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, 2012

## Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets (Excluding Interfund Transfers) Fiscal Year Ended June 30, 2012

	2012	2011 Restated
<b>OPERATING REVENUES</b>		
Tenant rental revenue	\$232,651	\$238,371
Other tenant revenue	1,795	3,162
<i>Total operating revenues</i>	234,446	241,533
<b>OPERATING EXPENSES</b>		
Maintenance and repairs	249,037	226,164
Administration	263,251	223,301
Depreciation	266,664	240,909
General	34,352	60,830
Utilities	27,004	27,633
Tenant services	1,486	1,574
<i>Total operating expenses</i>	841,794	780,411
<i>(Losses) from operations</i>	(607,348)	(538,878)
<b>NON-OPERATING REVENUES</b>		
Federal grants for operations	293,398	348,898
Other non-tenant revenue	28,473	41,908
Interest income	4,382	7,544
Sale of equipment	492	0
<i>Total non-operating revenues</i>	326,745	398,350
<b>NON-OPERATING EXPENSES</b>		
Other expense	0	0
<i>(Losses) after non-operating revenues and expenses</i>	(280,603)	(140,528)
<b>OTHER CHANGES IN NET ASSETS</b>		
Federal grants for capital expenditures	158,880	405,440
<b>NET DECREASE IN NET ASSETS</b>	(121,723)	264,912
<b>NET ASSETS, beginning of fiscal year, as restated</b>	3,396,427	3,131,515
<b>NET ASSETS, end of fiscal year</b>	<b>\$3,274,704</b>	<b>\$3,396,427</b>

**HOUSING AUTHORITY OF THE CITY OF RATON**  
(A Component Unit of the City of Raton)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2012

**EXPLANATIONS OF FINANCIAL ANALYSIS**

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$325,250, or by 31.1%, 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 Capital Funds from HUD decreased by \$246,560, or by 60.8% 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 2009 through 2012.
- Federal revenues from HUD for operations decreased by \$55,500, or by 15.9% 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.
- Total other revenue decreased by \$13,435 from that of the prior year, or by 32.1%.
- Total tenant revenue decreased by \$7,087 or by 2.9% 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 \$3,162 or by 41.9% 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 \$61,383, or by 7.9%, 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 \$25,755 or by 10.7% from that of the prior fiscal year because there was an increase in capital assets of \$241,425.
- Maintenance and repairs increased by \$22,873 or by 10.1% from that of the prior fiscal year.
- Administrative expenses increased by \$39,950, or by 17.9% from that of the prior fiscal year, due to a combination of offsetting factors.
- General expenses decreased by \$26,478, or by 43.5% from that of the prior fiscal year.
- Utilities expense decreased by \$629, or by 2.3% from that of the prior fiscal year, because water cost decreased by \$843, electricity cost decreased by \$529, gas cost increased by \$991 and other utilities expense (such as garbage, sewage and waste removal) decreased by \$248.
- Tenant services, totaling \$1,486, 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, 2012**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the Housing Authority had a total cost of \$9,703,400 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$251,127 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, 2012**

	2012	2011 Restated
Land	\$253,436	\$253,436
Buildings	7,638,377	7,469,201
Leasehold improvements	1,421,978	1,406,929
Furniture and equipment	389,609	322,707
Accumulated Depreciation	(7,139,241)	(6,872,975)
<b>Total</b>	<b>\$2,564,159</b>	<b>\$2,579,298</b>

As of the end of the 2012 fiscal year, the Authority is still in the process of completing HUD grants of \$579,418 obtained during the 2012 fiscal year and prior.

**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 2012 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, 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, 2012

### ASSETS

#### Unrestricted Current Assets

Cash and cash equivalents	\$105,474
Certificates of deposit	608,409
HUD receivable	500
Tenant accounts receivable	949
Accrued interest receivable	582
Inventory	10,123
Prepaid expenses	6,738
<i>Total unrestricted current assets</i>	<u>732,775</u>

#### Restricted Current Assets

Restricted Cash and Cash Equivalents	
Tenant deposits	27,392
<i>Total restricted current assets</i>	<u>27,392</u>

#### *Total current assets*

760,167

Capital assets not depreciated	253,436
Capital assets depreciated, net	2,310,723
<i>Capital assets, net</i>	<u>2,564,159</u>

#### *Total assets*

\$3,324,326

### LIABILITIES AND NET ASSETS

#### Current Liabilities, Payable From

Unrestricted assets	
Accounts payable	\$4,729
Current portion of accrued leave	7,337
<i>Total unrestricted current liabilities</i>	<u>12,066</u>

#### Current Liabilities, Payable From

Restricted Assets	
Tenant deposits	27,392
Deferred revenue on rents	2,109
<i>Total restricted current liabilities</i>	<u>29,501</u>

#### *Total current liabilities*

41,567

#### Non-current Liabilities

Long-term portion of accrued leave	8,055
<i>Total liabilities</i>	<u>49,622</u>

#### Net Assets

Invested in capital assets	2,564,159
Restricted	0
Unrestricted	710,545
<i>Total net assets</i>	<u>3,274,704</u>

#### *Total liabilities and net assets*

\$3,324,326

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, 2012

<b>Operating Revenues</b>	
Net tenant rental income	\$232,651
HUD operating grants	293,398
Other income	1,795
<i>Total operating revenues</i>	<u>527,844</u>
<b>Operating Expenses</b>	
Administrative	263,251
Tenant services	1,486
Utilities	27,004
Maintenance and repairs	249,037
General	34,352
Depreciation	266,664
<i>Total operating expenses</i>	<u>841,794</u>
<i>Operating loss</i>	<u>(313,950)</u>
<b>Non-Operating Income (Expenses)</b>	
Interest income	4,382
Non-operating HUD grant	158,880
Sale of Equipment	492
Other income/(expense)	28,473
<i>Total non-operating income</i>	<u>192,227</u>
<i>Change in net assets</i>	<u>(121,723)</u>
Net assets, beginning of year	3,406,129
Restatements	(9,702)
Net assets, beginning of year, as restated	<u>3,396,427</u>
<i>Net assets, end of year</i>	<u><b>\$3,274,704</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, 2012

### CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and others	\$229,314
Cash received from HUD operations	293,398
Cash payments to and on behalf of employees	(395,534)
Cash payments to suppliers for goods and services	(160,651)
<i>Net cash provided by operating activities</i>	<u>(33,473)</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other income/(expense)	28,473
<i>Net cash provided by noncapital financing activities</i>	<u>28,473</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(251,525)
Sale of Capital Assets	492
HUD grants for purchase of capital assets	158,380
<i>Net cash used by capital and related financing activities</i>	<u>(92,653)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Redemption of CD	50,833
Interest income	4,145
<i>Net cash used by investing activities</i>	<u>54,978</u>

*Net increase in cash and cash equivalents* (42,675)

Cash and cash equivalents, beginning of year 175,541

***Cash and cash equivalents, end of year*** \$132,866

### Cash and Cash Equivalents

Unrestricted cash	\$105,474
Restricted	27,392
	<u>\$132,866</u>

### Reconciliation of Operating Loss to Net Cash

Provided by Operating Activities  
Operating loss (\$313,950)

### Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities

Depreciation	266,664
Change in assets and liabilities:	
Accounts receivable	1,732
Prepays	(4,616)
Inventories	1,864
Accounts payable	(950)
Accrued Leave	15,392
Prepaid Rent	391

***Net cash provided by operating activities*** (\$33,473)

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, 2012

**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, 2012

**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.

*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, 2012

### 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, 2012, 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, 2012, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	Bank Balances
FDIC Insured	\$868,401
Collateralized with securities held in financial institution's name	0
Uninsured and uncollateralized	0
	<hr/> \$868,401

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

## NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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	\$87,097	\$214,298
Savings	15,594	15,594
Certificates of deposit	200,000	200,000
<i>Total</i>	<b>\$302,691</b>	<b>\$429,892</b>
FDIC Insurance		\$429,892
Uninsured bank balance		0
Collateral pledged – FHLB securities held by financial institution		100,310
<i>Amount over collateralized</i>		<b>\$100,310</b>
<b><u>First National Bank of New Mexico</u></b>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$145,100	\$145,100
<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>	\$43,409	\$43,409

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

<b><u>Cash and Cash Equivalents</u></b>	
Cash accounts	\$105,474
Certificates of deposit	608,409
Current assets, certificate of deposit restricted for Tenant Security Deposits	27,392
<i>Total</i>	<b>\$741,275</b>

**HOUSING AUTHORITY OF THE CITY OF RATON**  
(A Component Unit of the City of Raton)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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 6/30/2012	Outstanding (Checks) / Other	Book Balance at 6/30/2012
International Bank	Checking	\$211,623	(\$124,026)	\$87,597
International Bank	Checking	2,675	(3,175)	(500)
International Bank	Savings	15,594	0	15,594
International Bank	Certificate of deposit	100,000	0	100,000
International Bank	Certificate of deposit	100,000	0	100,000
<i>International Bank</i>		429,892	(127,201)	302,691
First National Bank	Certificate of deposit	15,000	0	15,000
First National Bank	Certificate of deposit	50,000	0	50,000
First National Bank	Certificate of deposit	10,000	0	10,000
First National Bank	Certificate of deposit	15,000	0	15,000
First National Bank	Certificate of deposit	30,000	0	30,000
First National Bank	Certificate of deposit	0	0	0
First National Bank	Certificate of deposit	25,000	0	25,000
<i>First National Bank of New Mexico</i>		145,100	0	145,000
First National Bank	Certificate of deposit	30,000	0	30,000
First National Bank	Certificate of deposit	33,000	0	33,000
First National Bank	Certificate of deposit	115,000	0	115,000
First National Bank	Certificate of deposit	35,000	0	35,000
First National Bank	Certificate of deposit	37,000	0	37,000
<i>First National Bank of Trinidad</i>		250,000	0	250,000
State Farm	Certificate of deposit	17,627	0	17,627
State Farm	Certificate of deposit	25,782	0	25,782
<i>State Farm</i>		43,409	0	43,409
Change Fund		0	75	75
<b>Totals</b>		<b>\$868,401</b>	<b>(\$127,126)</b>	<b>\$741,275</b>

**HOUSING AUTHORITY OF THE CITY OF RATON**  
(A Component Unit of the City of Raton)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 3. CHANGES IN CAPITAL ASSETS**

The following schedule shows the changes in capital assets during the year ended June 30, 2012.

	Beginning Balance	Restatement s	Increases	Decreases	Reclassifi- cations	Ending Balance
<b>Non-depreciable Assets</b>						
Land	\$253,436	\$0	\$0	\$0	\$0	\$253,436
Indirect Costs	19,646	(28,151)	0	0	8,505	0
Fees and Costs	11,010	404	11,558	0	0	22,972
<i>Total non-depreciable assets</i>	<i>284,092</i>	<i>(27,747)</i>	<i>11,558</i>	<i>0</i>	<i>8,505</i>	<i>276,408</i>
<b>Depreciable Assets</b>						
Architect	229,256	30,862	0	0	(5,172)	254,946
Site Improvement	1,409,259	(2,240)	15,049	0	(90)	1,421,978
Dwelling Structures	6,726,139	(9,491)	157,618	0	(256)	6,874,010
Dwelling Equipment	134,550	683	5,156	0	(341)	140,048
Nondwelling Structures	486,449	0	0	0	0	486,449
Nondwelling Equipment	192,230	(1,769)	62,144	(398)	(2,646)	249,561
<i>Total depreciable assets</i>	<i>9,177,883</i>	<i>18,045</i>	<i>239,967</i>	<i>(398)</i>	<i>(8,505)</i>	<i>9,426,992</i>
Less accumulated depreciation for:						
Architect	(90,660)	0	(18,528)	0	0	(109,188)
Site Improvement	(950,149)	0	(37,973)	0	0	(988,122)
Dwelling Structures	(5,247,561)	0	(160,867)	0	0	(5,408,428)
Dwelling Equipment	(103,562)	0	(10,407)	0	1,566	(112,403)
Nondwelling Structures	(303,308)	0	(21,153)	0	0	(324,461)
Nondwelling Equipment	(177,735)	0	(17,736)	398	(1,566)	(196,639)
<i>Total accumulated depreciation</i>	<i>(6,872,975)</i>	<i>0</i>	<i>(266,664)</i>	<i>398</i>	<i>0</i>	<i>(7,139,241)</i>
<i>Capital assets, net</i>	<i>\$2,589,000</i>	<i>(\$9,702)</i>	<i>(\$15,139)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$2,564,159</i>

**HOUSING AUTHORITY OF THE CITY OF RATON**  
(A Component Unit of the City of Raton)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

*Plan Description.* Substantially all of the Housing Authority of the City of Raton'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 benefits, 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% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Housing Authority of the City of Raton is required to contribute 9.15% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Housing Authority of the City of Raton are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Housing Authority of the City of Raton's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$24,661, \$22,769, and \$23,713, 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.* Housing Authority of the City of Raton contributes 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, 2012

**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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, 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 Housing Authority of the City of Raton's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$4,920, \$4,037 and \$3,007, 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, 2012

**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	6-30-2012
d. Premium paid	\$14,180 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	3-19-2013
d. Premium paid	\$4,028

**Workman's Compensation**

a. Coverage	Statutory Limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2012
d. Premium paid	\$5,136

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.

# HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

## 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.

## 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, 2012, the Authority received 60.96% of its total revenue from HUD.

## NOTE 10. RESTATEMENTS

Beginning balances were restated for the following:

2009 and 2010 CFP soft cost expended prior year	\$9,702
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**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, 2012

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Rental income	\$240,860	\$240,860	\$232,651	(\$8,209)
Other	40,166	40,800	51,504	10,704
<i>Total revenues</i>	<u>281,026</u>	<u>281,660</u>	<u>284,155</u>	<u>2,495</u>
<b>OPERATING EXPENSES:</b>				
Administrative	190,159	196,719	199,394	(2,675)
Tenant services	3,800	1,400	1,486	(86)
Utilities	27,200	27,200	27,004	196
Maintenance and repairs	198,460	209,460	191,448	18,012
General	172,026	183,200	176,211	6,989
Non routine expenditures	16,000	118,000	103,327	14,673
<i>Total operating expenses</i>	<u>607,645</u>	<u>735,979</u>	<u>698,870</u>	<u>37,109</u>
<i>Operating income (loss)</i>	(326,619)	(454,319)	(414,715)	39,604
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	320,986	293,398	293,398	0
Interest	7,800	7,800	4,382	(3,418)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>328,786</u>	<u>301,198</u>	<u>297,780</u>	<u>(3,418)</u>
<i>Net income</i>	<u>\$2,167</u>	<u>(\$153,121)</u>	<u>(\$116,935)</u>	<u>\$36,186</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, 2012, is presented below:

Net income (budgetary basis)	(\$116,935)
Adjustments for revenue accruals, transfers, earnings on investments	138,136
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(142,924)
<b>Change in net assets (GAAP basis)</b>	<b>(\$121,723)</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, 2012**

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
<b>OPERATING EXPENSES:</b>				
Audit costs	3,000	3,000	3,000	0
Fees and costs	21,079	21,079	14,699	6,380
Site improvements	69,000	69,000	43,436	25,564
Dwelling structures	169,489	169,489	64,293	105,196
Non-dwelling equipment	10,000	10,000	7,519	2,481
<i>Total operating expenses</i>	272,568	272,568	132,947	139,621
<i>Operating income (loss)</i>	(272,568)	(272,568)	(132,947)	139,621
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	272,568	272,568	132,447	(140,121)
<i>Total non-operating revenue (expenses)</i>	272,568	272,568	132,447	(140,121)
<i>Net income</i>	\$0	\$0	(\$500)	(\$500)

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, 2012, is presented below:

Net income (budgetary basis)	(\$500)
Adjustments for revenue accruals, transfers, earnings on investments	500
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	0
<b>Change in net assets (GAAP basis)</b>	<b>\$0</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, 2012

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES:</b>	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
<b>OPERATING EXPENSES:</b>				
Audit costs	3,000	3,000	3,000	0
Fees and costs	9,000	9,000	9,000	0
Site improvements	147,000	147,000	147,000	0
Dwelling structures	93,489	93,489	101,933	(8,444)
Non-dwelling structures	20,000	20,000	3,809	16,191
Non-dwelling equipment	4,000	4,000	4,000	0
<i>Total operating expenses</i>	276,489	276,489	268,742	7,747
<i>Operating income (loss)</i>	(276,489)	(276,489)	(268,742)	7,747
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
HUD grants and subsidy	276,489	276,489	268,742	(7,747)
<i>Total non-operating revenue (expenses)</i>	276,489	276,489	268,742	(7,747)
<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, 2012, 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	0
Change in net assets (GAAP basis)	\$0

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

OTHER SUPPLEMENTARY INFORMATION

Housing Authority of the City of Raton  
Financial Data Schedule  
6/30/2012

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	105,474	-	105,474
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	27,392	-	27,392
100	<b>Total Cash</b>	<b>132,866</b>	<b>-</b>	<b>132,866</b>
122	Accounts Receivable - HUD Other Projects	500	-	500
126	Accounts Receivable - Tenants	949	-	949
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
129	Accrued Interest Receivable	582	-	582
120	<b>Total Receivables, Net of Allowance for Doubtfull Accts</b>	<b>2,031</b>	<b>-</b>	<b>2,031</b>
131	Investments - Unrestricted	608,409	-	608,409
142	Prepaid Expenses and Other Assets	6,738	-	6,738
143	Inventories	10,656	-	10,656
143.1	Allowance for Obsolete Inventories	(533)	-	(533)
150	<b>Total Current Assets</b>	<b>760,167</b>	<b>-</b>	<b>760,167</b>
161	Land	253,436	-	253,436
162	Buildings	7,449,447	165,958	7,615,405
163	Furniture, Equipment & Machinery - Dwellings	140,048	-	140,048
164	Furniture, Equipment & Machinery - Administration	242,673	6,888	249,561
165	Leasehold Improvements	1,236,999	184,979	1,421,978
166	Accumulated Depreciation	(7,096,460)	(42,781)	(7,139,241)
167	Construction in Progress	-	22,972	22,972
160	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>2,226,143</b>	<b>338,016</b>	<b>2,564,159</b>
180	<b>Total Non-Current Assets</b>	<b>2,226,143</b>	<b>338,016</b>	<b>2,564,159</b>
190	<b>Total Assets</b>	<b>2,986,310</b>	<b>338,016</b>	<b>3,324,326</b>
312	Accounts Payable <= 90 Days	4,729	-	4,729
321	Accrued Wages / Payroll Taxes Payable	-	-	-
322	Accrued Compensated Absences - Current Portion	7,337	-	7,337
341	Tenant Security Deposits	27,392	-	27,392
342	Deferred Revenues	2,109	-	2,109
346	Accrued Liabilities - Other	-	-	-
310	<b>Total Current Liabilities</b>	<b>41,567</b>	<b>-</b>	<b>41,567</b>
354	Accrued Compensated Absences - Non-Current	8,055	-	8,055
350	<b>Total Noncurrent Liabilities</b>	<b>8,055</b>	<b>-</b>	<b>8,055</b>
300	<b>Total Liabilities</b>	<b>49,622</b>	<b>-</b>	<b>49,622</b>
508.1	Invested in Capital Assets, Net of Related Debt	2,226,143	338,016	2,564,159
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	710,545	-	710,545
513	<b>Total Equity/Net Assets</b>	<b>2,936,688</b>	<b>338,016</b>	<b>3,274,704</b>
600	<b>Total Liabilities and Equity/Net Assets</b>	<b>2,986,310</b>	<b>338,016</b>	<b>3,324,326</b>

Housing Authority of the City of Raton  
Financial Data Schedule  
6/30/2012

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
70300	Net Tenant Rental Revenue	232,651	-	232,651
70400	Tenant Revenue - Other	1,795	-	1,795
70500	Total Tenant Revenue	234,446	-	234,446
70600	HUD PHA Operating Grants	293,398	-	293,398
70610	Capital Grants	-	158,880	158,880
70700	Total Fee Revenue	293,398	158,880	452,278
71100	Investment Income - Unrestricted	4,382	-	4,382
71400	Fraud Recovery	-	-	-
71500	Other Revenue	28,473	-	28,473
71600	Gain on Sale of Capital Assets	492	-	492
70000	Total Revenue	561,191	158,880	720,071
91100	Administrative Salaries	138,879	-	138,879
91200	Auditing Fees	11,306	-	11,306
91300	Bookkeeping Fees	7,298	-	7,298
91400	Advertising & Marketing	557	-	557
91500	Employee Benefit Contributions - Administrative	58,507	-	58,507
91600	Office Expenses	17,838	3,333	21,171
91700	Legal Expenses	-	-	-
91800	Travel	3,916	-	3,916
91900	Other	845	-	845
91000	Total Operating - Administrative	239,146	3,333	242,479
92400	Tenant Services - Other	1,486	-	1,486
92500	Total Tenant Services	1,486	-	1,486
93100	Water	7,059	-	7,059
93200	Electricity	11,266	-	11,266
93300	Gas	7,059	-	7,059
93600	Sewer	1,620	-	1,620
93800	Other Utilities	-	-	-
93000	Total Utilities	27,004	-	27,004
94100	Ordinary Maintenance and Operations - Labor	140,980	-	140,980
94200	Ordinary Maintenance and Operations - Materials & Other	34,787	6,989	41,776
94300	Ordinary Maint and Operations - Contract Costs	8,693	-	8,693
94500	Employee Benefit Contributions - Ordinary Maintenance	57,228	-	57,228
94000	Total Maintenance	241,688	6,989	248,677
96110	Property Insurance	14,180	-	14,180
96120	Liability Insurance	11,942	-	11,942
96130	Workmen's Compensation	5,124	-	5,124
96140	All Other Insurance	3,106	-	3,106
96100	Total Insurance Premiums	34,352	-	34,352

Housing Authority of the City of Raton  
Financial Data Schedule  
6/30/2012

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
96210	Compensated Absences	15,392	-	15,392
96300	Payments in Lieu of Taxes	-	-	-
96400	Bad debt - Tenant Rents	5,380	-	5,380
96000	Total Other General Expenses	<u>20,772</u>	-	<u>20,772</u>
96900	Total Operating Expenses	<u>564,448</u>	<u>10,322</u>	<u>574,770</u>
97000	Excess Operating Revenue over Operating Expenses	(3,257)	148,558	145,301
97100	Extraordinary maintenance	360	-	360
97200	Casualty Losses - Non-Capitalized	-	-	-
97400	Depreciation Expense	239,783	26,881	266,664
90000	Total Expenses	<u>804,591</u>	<u>37,203</u>	<u>841,794</u>
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-
<b>10000</b>	<b>Excess (Deficiency) of Total Rev Over (Under) Total Exp</b>	<u><b>(243,400)</b></u>	<u><b>121,677</b></u>	<u><b>(121,723)</b></u>
11190	Unit Months Available	1,848	-	1,848
11210	Number of Unit Months Leased	1,819	-	1,819





**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 and the related budgetary comparisons presented as supplementary information 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, 2012, and have issued our report thereon dated November 30, 2012. 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**

Management of the Authority is responsible for establishing and maintaining effective 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.

November 30, 2012

**HOUSING AUTHORITY OF THE CITY OF RATON**

(A Component Unit of the City of Raton)

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

None.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

None.

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

(A Component Unit of the City of Raton)

**EXIT CONFERENCE**

**JUNE 30, 2012**

## **EXIT CONFERENCE:**

The exit conference was held October 24, 2012 and was attended by the following:

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

Terry Baca, Executive Director

John Duran, Commissioner

Tony Vigil, Commissioner

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

Ken Shaw, CPA/Shareholder

## **FINANCIAL STATEMENTS PREPARATION**

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