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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, 2013

HOUSING AUTHORITY OF THE CITY OF RATON

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HOUSING AUTHORITY OF THE CITY OF RATON

OFFICIAL ROSTER
JUNE 30, 2013

BOARD OF COMMISSIONERS

<u>Name</u>	<u>Title</u>
<i>Mike Morgan</i>	<i>Chairperson</i>
<i>Margaret Evans</i>	<i>Vice Chairperson</i>
<i>Fermin Ulibarri</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

Report on Financial Statements

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, 2013, and the related notes to the financial statements 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, as defined by the Government Accounting Standards Board for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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.

Other Matters

Reporting Entity

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, 2013, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. 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 Three

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards and Financial Data Schedule* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures and Financial Data Schedule* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The management of the Housing Authority of the City of Raton presents the following management discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2013. 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 \$3,247,601 at the close of the fiscal year ended 2013.
 - Of this amount \$2,601,445 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The balance of \$646,156 could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 75% of the total operating expenses of \$858,917 for the fiscal year 2013, which means the Authority might be able to operate about nine months using the unrestricted assets alone, which is comparable to the ten months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$29,283, a decrease of .9% from the prior fiscal year (as restated). 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 position of these funds was accompanied by a decrease in unrestricted cash and investments of \$76,145 from fiscal year 2012, primarily due to federal grant operating subsidy.
- The Authority spent \$325,737 on capital asset additions during the fiscal year.
- These changes led to a decrease in total assets of \$35,862 and a decrease in total liabilities of \$8,759. As related measure of financial health, there are still over \$16.81 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, 2013

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 2013?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position and changes in them. One can think of the Housing Authority's net position – 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 position 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, 2013

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 position, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$3,247,601 as of June 30, 2013. Of this amount, \$2,601,445 was net investment in capital assets, and the remaining \$646,143 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
(Excluding Interfund Transfers)
As of June 30, 2013**

	2013	2012 Restated
ASSETS		
Current assets	\$658,877	\$732,775
Assets restricted for tenant deposits	28,142	27,392
Capital assets, net of depreciation	2,601,445	2,564,159
<i>Total assets</i>	\$3,288,464	\$3,324,326
LIABILITIES		
Current liabilities	\$40,863	\$39,387
Long-term portion of accrued leave	0	8,055
<i>Total liabilities</i>	40,863	47,442
NET POSITION		
Net investment in capital assets, net of depreciation	2,601,445	2,564,159
Unrestricted net position	646,156	712,725
<i>Total net position</i>	3,247,601	3,276,884
<i>Total liabilities and net position</i>	\$3,288,464	\$3,324,326

The net position of these funds decreased by \$29,283, or by .9%, from those of fiscal year 2012, as restated and 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, 2013

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position (Excluding Interfund Transfers) Fiscal Year Ended June 30, 2013

	2013	2012 Restated
OPERATING REVENUES		
Tenant rental revenue	\$224,318	\$232,651
Federal grants for operations	265,695	293,398
Other tenant revenue	3,110	1,795
<i>Total operating revenues</i>	493,123	527,844
OPERATING EXPENSES		
Maintenance and repairs	243,903	249,037
Administration	255,951	263,251
Depreciation	288,451	266,664
General	40,873	34,352
Utilities	29,613	27,004
Tenant services	126	1,486
<i>Total operating expenses</i>	858,917	839,614
<i>(Losses) from operations</i>	(365,794)	(311,770)
NON-OPERATING REVENUES		
Other non-tenant revenue	21,728	28,473
Interest income	3,337	4,382
Sale of equipment	0	492
<i>Total non-operating revenues</i>	25,065	33,347
NON-OPERATING EXPENSES		
Other expense	0	0
<i>(Losses) after non-operating revenues and expenses</i>	(340,729)	(278,423)
OTHER CHANGES IN NET POSITION		
Federal grants for capital expenditures	311,446	158,880
NET DECREASE IN NET POSITION	(29,283)	(119,543)
NET POSITION, beginning of fiscal year	3,276,884	3,396,427
NET POSITION, end of fiscal year	\$3,247,601	\$3,276,884

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating revenues, non-operating revenues, and federal grants for capital expenditures increased \$109,563, or by 15%, 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 increased by \$152,566, or by 96% 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 2013.
- Federal revenues from HUD for operations decreased by \$27,703, or by .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.
- Total other revenue decreased by \$7,237 from that of the prior year, or by 25%.
- Total tenant revenue decreased by \$7,018 or by 3% 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 \$1,045 or by 24% 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 \$17,123, or by 2%, 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 \$21,787 or by 8% from that of the prior fiscal year because there was an increase in capital assets of \$287,330.
- Maintenance and repairs decreased by \$5,134 or by 2% from that of the prior fiscal year.
- Administrative expenses decreased by \$7,300 or by 3% from that of the prior fiscal year, due to a combination of offsetting factors.
- General expenses increased by \$6,521 or by 19% from that of the prior fiscal year primarily due to an increase in workers compensation insurance and automobile insurance.
- Utilities expense increased by \$2,609 or by 10% from that of the prior fiscal year.
- Tenant services, totaling \$126, decreased by \$1,360 or 92% from the prior fiscal year.

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Housing Authority had a total cost of \$9,990,730 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$287,330 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, 2013

	<u>2013</u>	<u>2012</u>
Land	\$253,436	\$253,436
Buildings	7,931,592	7,638,377
Leaschold improvements	1,423,618	1,421,978
Furniture and equipment	382,084	389,609
Accumulated Depreciation	(7,389,285)	(7,139,241)
<i>Total</i>	<u>\$2,601,445</u>	<u>\$2,564,159</u>

As of the end of the 2013 fiscal year, the Authority is still in the process of completing HUD grants of \$69,514 obtained during the 2013 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 2014 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.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

Unrestricted Current Assets

Cash and cash equivalents	\$27,045
Certificates of deposit	610,693
HUD receivable	0
Tenant accounts receivable	981
Accrued interest receivable	385
Inventory	15,906
Prepaid expenses	3,867
<i>Total unrestricted current assets</i>	<i>658,877</i>

Restricted Current Assets

Restricted certificates of deposit	
Tenant deposits	28,142
<i>Total restricted current assets</i>	<i>28,142</i>

Total current assets 687,019

Capital assets not depreciated	277,710
Capital assets depreciated, net	2,323,735
<i>Capital assets, net</i>	<i>2,601,445</i>

Total assets 3,288,464

LIABILITIES AND NET POSITION

Current Liabilities, Payable From

Unrestricted assets	
Accounts payable	10,829
<i>Total unrestricted current liabilities</i>	<i>10,829</i>

Current Liabilities, Payable From

Restricted Assets	
Tenant deposits	28,142
Deferred revenue on rents	1,892
<i>Total restricted current liabilities</i>	<i>30,034</i>

Total current liabilities 40,863

Non-Current Liabilities

Long-term liabilities	0
<i>Total liabilities</i>	<i>40,863</i>

Net Position

Net investment in capital assets	2,601,445
Unrestricted	646,156
<i>Total net position</i>	<i>\$3,247,601</i>

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 REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

JUNE 30, 2013

Operating Revenues	
Net tenant rental income	\$224,318
HUD operating grants	265,695
Other income	3,110
<i>Total operating revenues</i>	<u>493,123</u>
Operating Expenses	
Administrative	255,951
Tenant services	126
Utilities	29,613
Maintenance and repairs	243,903
General	40,873
Depreciation	288,451
<i>Total operating expenses</i>	<u>858,917</u>
<i>Operating loss</i>	<u>(365,794)</u>
Non-Operating Income (Expenses)	
Interest income	3,337
Non-operating HUD grant	311,446
Other income/(expense)	21,728
<i>Total non-operating income</i>	<u>336,511</u>
<i>Change in net position</i>	<u>(29,283)</u>
Net position, beginning of year	3,274,704
Restatements	2,180
Net position, beginning of year, as restated	<u>3,276,884</u>
<i>Net position, end of year</i>	<u>\$3,247,601</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and others	\$227,179
Cash received from HUD operations	265,695
Cash payments to and on behalf of employees	(419,421)
Cash payments to suppliers for goods and services	(161,069)
<i>Net cash provided by operating activities</i>	<u>(87,616)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other income/(expense)	21,728
<i>Net cash provided by noncapital financing activities</i>	<u>21,728</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(326,737)
HUD grants for purchase of capital assets	311,946
<i>Net cash used by capital and related financing activities</i>	<u>(14,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchases/maturities of certificates of deposit	(2,284)
Interest income	3,534
<i>Net cash used by investing activities</i>	<u>1,250</u>
<i>Net decrease in cash and cash equivalents</i>	(79,429)
Cash and cash equivalents, beginning of year (restated)	106,474
<i>Cash and cash equivalents, end of year</i>	<u><u>\$27,045</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	(\$365,794)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	288,451
Change in assets and liabilities:	
Accounts receivable	(32)
Prepays	2,871
Inventories	(5,783)
Accounts payable	8,280
Accrued Leave	(15,392)
Prepaid Rent	(217)
<i>Net cash provided by operating activities</i>	<u><u>(\$87,616)</u></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)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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 position, 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. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. It is the Housing Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. 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, 2013

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, 2013

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, 2013, 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 two years.

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, 2013, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	Bank Balance
FDIC Insured	\$665,805
Collateralized with securities held in financial institution's name	0
Uninsured and uncollateralized	0
	<hr/> \$665,805

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 Balance
<u>International Bank</u>		
Checking	\$25,168	\$38,402
Savings	1,802	1,802
Certificates of deposit	200,000	200,000
<i>Total</i>	\$226,970	\$240,204
<hr/>		
FDIC Insurance		\$240,204
Uninsured bank balance		0
Collateral pledged – FHLB securities held by financial institution		0
<i>Amount over collateralized</i>		\$0
<hr/>		
<u>First National Bank of New Mexico</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$145,100	\$145,100
<hr/>		
<u>First National Bank of Trinidad</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$250,000	\$250,000
<hr/>		
<u>State Farm Insurance Bank</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$43,735	\$43,735
<hr/>		

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

<u>Cash and Certificates of Deposit</u>	
Petty cash	\$75
Cash accounts	26,970
Cash and cash equivalents	\$27,045
<hr/>	
Certificates of deposit	\$610,693
<hr/>	
Current assets, certificate of deposit restricted for Tenant Security Deposits	\$28,142
<hr/>	
<i>Total cash</i>	\$665,880
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HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 6/30/2013	Outstanding (Checks) / Other	Book Balance at 6/30/2013
International Bank	Checking	\$38,402	(\$13,234)	\$25,168
International Bank	Checking	0	0	0
International Bank	Savings	1,802	0	1,802
International Bank	Certificate of deposit	100,000	0	100,000
International Bank	Certificate of deposit	100,000	0	100,000
<i>International Bank</i>		240,204	(13,234)	226,970
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	25,000	0	25,000
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	30,100	0	30,100
<i>First National Bank of New Mexico</i>		145,100	0	145,100
First National Bank	Certificate of deposit	35,000	0	35,000
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	37,000	0	37,000
<i>First National Bank of Trinidad</i>		250,000	0	250,000
State Farm	Certificate of deposit	17,759	0	17,759
State Farm	Certificate of deposit	25,975	0	25,975
<i>State Farm</i>		43,735	0	43,735
Change Fund		0	0	75
Totals		\$679,114	(\$13,2347)	\$665,880

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets				
Land	\$253,436	\$0	\$0	\$253,436
Indirect Costs	0	0	0	0
Fees and Costs	22,972	1,302	0	24,274
<i>Total non-depreciable assets</i>	<i>276,408</i>	<i>1,302</i>	<i>0</i>	<i>277,710</i>
Depreciable Assets				
Architect	254,946	0	0	254,946
Site Improvement	1,421,978	1,640	0	1,423,618
Dwelling Structures	6,874,010	291,913	0	7,165,923
Dwelling Equipment	140,048	0	0	140,048
Nondwelling Structures	486,449	0	0	486,449
Nondwelling Equipment	249,561	30,882	(38,407)	242,036
<i>Total depreciable assets</i>	<i>9,426,992</i>	<i>324,435</i>	<i>(38,407)</i>	<i>9,713,020</i>
Less accumulated depreciation for:				
Architect	(109,188)	(18,615)	0	(127,803)
Site Improvement	(988,122)	(38,015)	0	(1,026,137)
Dwelling Structures	(5,408,428)	(180,328)	0	(5,588,756)
Dwelling Equipment	(112,403)	(9,160)	0	(121,563)
Nondwelling Structures	(324,461)	(21,039)	0	(345,500)
Nondwelling Equipment	(196,639)	(21,294)	38,407	(179,526)
<i>Total accumulated depreciation</i>	<i>(7,139,241)</i>	<i>(288,451)</i>	<i>38,407</i>	<i>(7,389,285)</i>
<i>Capital assets, net</i>	<i>\$2,564,159</i>	<i>\$37,286</i>	<i>\$0</i>	<i>\$2,601,445</i>

HOUSING AUTHORITY OF THE CITY OF RATON
(A Component Unit of the City of Raton)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Housing Authority of the City of Raton is required to contribute 9.15% 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, 2013, 2012 and 2011 were \$24,728, \$24,661, and \$22,769, 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, NM 87107.

HOUSING AUTHORITY OF THE CITY OF RATON

(A Component Unit of the City of Raton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Housing Authority of the City of Raton's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$5,405, \$4,920 and \$4,037, 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, 2013

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	6-30-2013
d. Premium paid	\$13,744 Property insurance
e. Premium paid	\$12,810 Liability insurance

Automobile Liability

a. Coverage	\$500,000/\$500,000
b. Insurance agent/company	Colorado Casualty Insurance Co.
c. Expiration date	3-19-2014
d. Premium paid	\$5,525

Workman's Compensation

a. Coverage	Statutory Limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2013
d. Premium paid	\$8,534

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, 2013

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, 2013, the Authority received 70% of its total revenue from HUD.

NOTE 10. RESTATEMENTS

Beginning balances were restated for the following:

Correction of prior year expense accrual	\$2,180
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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, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$240,456	\$240,456	\$226,477	(\$13,979)
Other	43,296	43,296	21,728	(21,568)
<i>Total revenues</i>	<u>283,752</u>	<u>283,752</u>	<u>248,205</u>	<u>(35,547)</u>
OPERATING EXPENSES:				
Administrative	202,011	207,922	253,027	(45,105)
Tenant services	0	0	126	(126)
Utilities	27,500	27,500	31,162	(3,662)
Maintenance and repairs	207,110	201,200	239,881	(38,681)
General	176,726	176,726	41,697	135,029
Non routine expenditures	16,000	16,000	27,436	(11,436)
<i>Total operating expenses</i>	<u>629,347</u>	<u>629,348</u>	<u>593,329</u>	<u>36,019</u>
<i>Operating income (loss)</i>	(345,595)	(345,596)	(345,124)	472
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	379,415	379,415	265,695	(113,720)
Interest	8,000	8,000	3,208	(4,792)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>387,415</u>	<u>387,415</u>	<u>268,903</u>	<u>(118,512)</u>
<i>Net income</i>	<u>\$41,820</u>	<u>\$41,819</u>	<u>(\$76,221)</u>	<u>(\$118,040)</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, 2013, is presented below:

Net income (budgetary basis)	(\$76,221)
Adjustments for revenue accruals, transfers, earnings on investments	1,081
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(205,396)
Change in net position (GAAP basis)	(\$280,536)

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, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Audit costs	0	0	0	0
Fees and costs	6,000	6,000	0	6,000
Site improvements	0	0	0	0
Dwelling structures	1,747	1,747	7,747	(6,000)
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	0	0	0	0
<i>Total operating expenses</i>	7,747	7,747	7,747	0
<i>Operating income (loss)</i>	(7,747)	(7,747)	(7,747)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	7,747	7,747	7,747	0
<i>Total non-operating revenue (expenses)</i>	7,747	7,747	7,747	0
<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, 2013, 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	(10,643)
Change in net position (GAAP basis)	(\$10,643)

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, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Operations	3,000	3,000	0	3,000
Audit costs	(3,000)	(3,000)	0	(3,000)
Fees and costs	6,380	6,380	1,301	5,079
Site improvements	564	564	(503)	1,067
Dwelling structures	130,196	130,196	136,435	(6,239)
Non-dwelling equipment	2,481	2,481	2,388	93
<i>Total operating expenses</i>	139,621	139,621	139,621	0
<i>Operating income (loss)</i>	(139,621)	(139,621)	(139,621)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	139,621	139,621	139,621	0
<i>Total non-operating revenue (expenses)</i>	139,621	139,621	139,621	0
<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, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	183
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	119,974
Change in net position (GAAP basis)	\$120,157

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 - 2011

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Audit costs	3,000	3,000	3,000	0
Fees and costs	7,700	7,700	339	7,361
Site improvements	0	0	2,640	(2,640)
Dwelling structures	213,927	213,927	152,495	61,432
Dwelling equipment	0	0	1,645	(1,645)
Non-dwelling equipment	8,964	8,964	3,958	5,006
<i>Total operating expenses</i>	233,591	233,591	164,077	69,514
<i>Operating income (loss)</i>	(233,591)	(233,591)	(164,077)	69,514
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	233,591	233,591	164,077	(69,514)
<i>Total non-operating revenue (expenses)</i>	233,591	233,591	164,077	(69,514)
<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, 2013, 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	141,739
Change in net position (GAAP basis)	\$141,739

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
6/30/2013

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	29,003	-	29,003
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	28,142	-	28,142
100	Total Cash	57,145	-	57,145
122	Accounts Receivable - HUD Other Projects	-	-	-
126	Accounts Receivable - Tenants	981	-	981
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
129	Accrued Interest Receivable	385	-	385
120	Total Receivables, Net of Allowance for Doubtful Accts	1,366	-	1,366
131	Investments - Unrestricted	608,735	-	608,735
142	Prepaid Expenses and Other Assets	3,867	-	3,867
143	Inventories	16,743	-	16,743
143.1	Allowance for Obsolete Inventories	(837)	-	(837)
150	Total Current Assets	687,019	-	687,019
161	Land	253,436	-	253,436
162	Buildings	7,449,447	458,550	7,907,997
163	Furniture, Equipment & Machinery - Dwellings	140,048	-	140,048
164	Furniture, Equipment & Machinery - Administration	231,702	9,655	241,357
165	Leasehold Improvements	1,236,999	186,619	1,423,618
166	Accumulated Depreciation	(7,299,457)	(89,828)	(7,389,285)
167	Construction in Progress	-	24,274	24,274
160	Total Capital Assets, Net of Accumulated Depreciation	2,012,175	589,270	2,601,445
180	Total Non-Current Assets	2,012,175	589,270	2,601,445
190	Total Assets	2,699,194	589,270	3,288,464
312	Accounts Payable <= 90 Days	8,163	-	8,163
321	Accrued Wages / Payroll Taxes Payable	2,666	-	2,666
322	Accrued Compensated Absences - Current Portion	-	-	-
341	Tenant Security Deposits	28,142	-	28,142
342	Deferred Revenues	1,892	-	1,892
346	Accrued Liabilities - Other	-	-	-
310	Total Current Liabilities	40,863	-	40,863
354	Accrued Compensated Absences - Non Current	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	40,863	-	40,863
508.1	Invested in Capital Assets, Net of Related Debt	2,012,175	589,270	2,601,445
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	646,156	-	646,156
513	Total Equity/Net Assets	2,658,331	589,270	3,247,601
600	Total Liabilities and Equity/Net Assets	2,699,194	589,270	3,288,464
70300	Net Tenant Rental Revenue	224,318	-	224,318
70400	Tenant Revenue - Other	3,110	-	3,110
70500	Total Tenant Revenue	227,428	-	227,428
70600	HUD PHA Operating Grants	265,695	-	265,695
70610	Capital Grants	-	311,446	311,446
70700	Total Fee Revenue	265,695	311,446	577,141
71100	Investment Income - Unrestricted	3,337	-	3,337
71400	Fraud Recovery	-	-	-
71500	Other Revenue	41,509	-	41,509
71600	Gain on Sale of Capital Assets	-	-	-
70000	Total Revenue	537,969	311,446	849,415
91100	Administrative Salaries	124,895	-	124,895
91200	Auditing Fees	14,306	-	14,306
91300	Bookkeeping Fees	7,622	-	7,622
91400	Advertising & Marketing	1,131	-	1,131

Housing Authority of the City of Raton
Financial Data Schedule
6/30/2013

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
91500	Employee Benefit Contributions - Administrative	61,454	-	61,454
91600	Office Expenses	14,730	-	14,730
91700	Legal Expenses	2,196	-	2,196
91800	Travel	4,535	-	4,535
91900	Other	1,218	-	1,218
91000	Total Operating - Administrative	232,087	-	232,087
92400	Tenant Services - Other	126	-	126
92500	Total Tenant Services	126	-	126
93100	Water	10,971	-	10,971
93200	Electricity	12,423	-	12,423
93300	Gas	4,364	-	4,364
93600	Sewer	1,855	-	1,855
93800	Other Utilities	-	-	-
93000	Total Utilities	29,613	-	29,613
94100	Ordinary Maintenance and Operations - Labor	128,284	-	128,284
94200	Ordinary Maintenance and Operations - Materials & Other	56,717	-	56,717
94300	Ordinary Maint and Operations - Contract Costs	-	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	58,902	-	58,902
94000	Total Maintenance	243,903	-	243,903
96110	Property Insurance	13,743	-	13,743
96120	Liability Insurance	12,373	-	12,373
96130	Workmen's Compensation	8,455	-	8,455
96140	All Other Insurance	6,302	-	6,302
96100	Total Insurance Premiums	40,873	-	40,873
96210	Compensated Absences	20,133	-	20,133
96300	Payments in Lieu of Taxes	19,781	-	19,781
96400	Bad debt - Tenant Rents	3,731	-	3,731
96000	Total Other General Expenses	43,645	-	43,645
96900	Total Operating Expenses	590,247	-	590,247
97000	Excess Operating Revenue over Operating Expenses	(52,278)	311,446	259,168
97100	Extraordinary maintenance	-	-	-
97200	Casualty Losses - Non-Capitalized	-	-	-
97400	Depreciation Expense	241,404	47,047	288,451
90000	Total Expenses	831,651	47,047	878,698
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	(293,682)	264,399	(29,283)
11190	Unit Months Available	1,848	-	1,848
11210	Number of Unit Months Leased	1,808	-	1,808

ADDITIONAL FEDERAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF RATON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at June 30, 2012	Receipts	Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
U.S. Department of Housing and							
Urban Development							
Public Housing Capital Fund	14.872	NM02P008501-09	\$276,489	\$0	(\$7,747)	\$7,747	\$0
Public Housing Capital Fund	14.872	NM02P008501-10	272,568	(500)	(139,621)	140,121	0
Public Housing Capital Fund	14.872	NM02P008501-11	233,591	0	(164,077)	164,077	0
Public and Indian Housing	14.850	NM008-00000112D	220,239	0	(93,865)	93,865	0
Public and Indian Housing	14.850	NM008-00000113D	278,630	0	(171,830)	171,830	0
<i>Total U.S. Department of Housing and</i>							
<i>Urban Development</i>			\$1,281,517	(\$500)	(\$577,140)	\$577,640	\$0
Total Federal Financial Assistance			\$1,281,517	(\$500)	(\$577,140)	\$577,640	\$0

N/A - Not Available

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***

Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Raton, a component unit of the City of Raton as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

The Authority's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 18, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of Raton, a component unit 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 the Authority's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance 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, 2013.

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

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 18, 2013

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report issued:

Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

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

Unmodified

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

14.872

Public Housing Capital Fund

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2013-01-Late Independent Public Accountant Recommendation – Noncompliance

Statement of Condition – The State Auditor received the IPA Recommendation Form and Audit Contract on June 24, 2013 after the required due date of May 15, 2013.

Criteria – Paragraph (6)(c) of Subsection G of 2.2.2.8 NMAC requires that component units of municipalities submit a completed IPA Recommendation Form and Audit Contract to the State Auditor by May 15.

Effect – The Housing Authority is not in compliance with state statute regarding submission of IPA Recommendation Form and Audit Contract.

Cause – The Housing Authority does not have a procedure to ensure that the IPA Recommendation Form and Audit Contracts are delivered to the State Auditor by the deadline.

Recommendation – We recommend that the Housing Authority implement a procedure to ensure that future Recommendation Forms and Audit Contracts are delivered to the State Auditor by the prescribed deadline.

Management's Response – The Housing Authority will implement a procedure to ensure that future State Auditor deadlines regarding Recommendation Forms and Audit Contracts are met.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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, 2013

EXIT CONFERENCE:

The exit conference was held October 23, 2013 and was attended by the following:

From Housing Authority of the City of Raton:

Terry Baca, Executive Director
Mike Morgan, Chairman
Margaret Evans, Vice-Chairman

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

Ken Shaw, CPA/Shareholder

FINANCIAL STATEMENTS PREPARATION

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