

STATE OF NEW MEXICO

HOUSING AUTHORITY OF THE CITY OF RATON

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

HOUSING AUTHORITY OF THE CITY OF RATON

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HOUSING AUTHORITY OF THE CITY OF RATON

OFFICIAL ROSTER
JUNE 30, 2016

BOARD OF COMMISSIONERS

<u>Name</u>	<u>Title</u>
<i>John Duran</i>	<i>Chairperson</i>
<i>Margaret Evans</i>	<i>Vice Chairperson</i>
<i>Fermin Ulibarri</i>	<i>Commissioner</i>
<i>Mike Morgan</i>	<i>Commissioner</i>
<i>Terri Segotta</i>	<i>Commissioner</i>
<i>Terry Baca</i>	<i>Executive Director</i>

INDEPENDENT AUDITORS' REPORT

Mr. Tim Keller, State Auditor and
Board of Commissioners
Housing Authority 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) as of and for the year ended June 30, 2016, 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, 2016 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. Tim Keller, State Auditor and
Board of Commissioners
Housing Authority 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, 2016, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the pension liability schedules on pages 28 and 29 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Data Schedule and *other schedules required by 2.2.2 NMAC* 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 Financial Data Schedule and *other schedules required by 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mr. Tim Keller, State Auditor and
Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016 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.
Las Cruces, New Mexico
September 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. 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 and deferred outflows exceeded its liabilities and deferred inflows by \$2,622,423 at the close of the fiscal year ended 2016.
 - Of this amount \$2,195,154 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - The remainder of \$427,269 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 70% of the total operating expenses (excluding depreciation expense) of \$611,054 for the fiscal year 2016, which means the Authority might be able to operate about eight months using the unrestricted assets alone, compared to the 9 months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$209,761, a 7% decrease from the prior fiscal year 2015. This decrease is attributable to significant decreases in Federal grants for capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by an increase in unrestricted cash by \$2,627 from fiscal year 2015. This is primarily due to spending less for operations and an increase in federal funds for operations.
- The Authority spent \$38,720 on capital asset additions and \$2,101 on construction in progress during the fiscal year.
- These changes led to a decrease in total assets of \$233,881 an increase in total liabilities of \$59,863. A related measure of financial health, there are still \$20 of current assets covering each dollar of total current liabilities, which compares favorably to \$18 covering the prior fiscal year's current liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 2016?" 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 net position. 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	\$393,557
Public Housing Capital Fund Program	6,927
<i>Total funding received this current fiscal year</i>	<i>\$400,484</i>

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 \$2,622,423 as of June 30, 2016. Of this amount, \$2,195,154 was invested in capital assets, and the remaining \$427,269 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

Statement of Net Position-Condensed
June 30, 2016

	2016	2015
ASSETS		
Current assets	\$789,989	\$759,374
Capital assets (net of depreciation)	2,195,154	2,459,650
<i>Total assets</i>	2,985,143	3,219,024
Deferred outflows of resources	26,131	25,929
<i>Total assets and deferred outflows of resources</i>	\$3,011,274	\$3,244,953
LIABILITIES		
Current liabilities	\$39,053	\$42,499
Net pension liability	329,326	266,017
<i>Total liabilities</i>	368,379	308,516
Deferred inflows of resources	20,472	104,253
NET POSITION		
Unrestricted net position	427,269	372,534
Net investment in capital assets	2,195,154	2,459,650
<i>Total net position</i>	2,622,423	2,832,184
<i>Total liabilities, net position, and deferred outflows of resources</i>	\$3,011,274	\$3,244,953

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The net position of these funds decreased by \$209,761, or by 6.9%, from those of fiscal year 2015, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Year Ended June 30, 2016

	2016	2015 (Restated)
OPERATING REVENUES		
Tenant rental revenue	\$219,716	\$222,361
Federal grants for operations	393,557	372,099
Other tenant revenue	24,474	23,134
CYFD/USDA summer food program	56,839	0
<i>Total operating revenues</i>	<u>694,586</u>	<u>617,594</u>
OPERATING EXPENSES		
General	40,734	40,840
Ordinary maintenance and repairs	241,686	253,271
Administrative expenses and management fees	297,857	266,886
Utilities	29,288	31,021
Depreciation	305,317	316,303
Tenant services	1,489	176
<i>Total operating expenses</i>	<u>916,371</u>	<u>908,497</u>
<i>(Losses) from operations</i>	(221,785)	(290,903)
NON-OPERATING REVENUES (EXPENSES)		
Other non-tenant revenue	2,323	9,363
Interest income	2,774	2,303
<i>Total non-operating revenues (expenses)</i>	<u>5,097</u>	<u>11,666</u>
<i>Income (losses before capital contributions)</i>	(216,688)	(279,237)
HUD capital grants	6,927	102,526
<i>Change in net position</i>	<u>(209,761)</u>	<u>(176,711)</u>
Net position, beginning of year, as previously stated	2,832,184	3,368,039
Restatements	0	(359,144)
<i>Net position, beginning of year, as restated</i>	<u>2,832,184</u>	<u>3,008,895</u>
<i>Net position, end of year</i>	<u>\$2,622,423</u>	<u>\$2,832,184</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$25,176, or by 3.4%, from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue decreased by \$1,305, or by .5%, from that of the prior fiscal year, due to the amount of rent each tenant pays which is based on a sliding scale of their personal income. Some tenants' personal incomes decreased, so rent revenue from these tenants decreased accordingly, reducing the overall total. Furthermore, other tenant revenue (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$1,340.

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

- Federal revenues from HUD for operations increased by \$21,458, or by 5.8%, 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.
- Federal Capital Funds from HUD decreased by \$95,599, or by 93%, from that of the prior fiscal year. Though the Housing Authority submitted a new grant this current fiscal year, it was still in the process of completing projects funded from grants by HUD for fiscal years 2013 through 2015.
- Total other non-operating revenue decreased by \$7,040, or by 75.2%, from that of the prior fiscal year, in which the Authority received management fees from another Housing Authority.
- Interest income totaling \$2,774, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$7,874, or by .9%. This also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense decreased by \$10,986 from that of the prior fiscal year because there was a decrease in capital assets additions.
- Maintenance and repairs decreased by \$11,585, or by 4.5% from that of the prior fiscal year, due to several factors. Maintenance staff wages increased by \$20,228; however, related employee benefit contributions decreased by \$6,101. Materials used decreased by \$6,435 and contract labor costs decreased by \$6,101. In addition, extraordinary maintenance decreased by \$674 from that of the prior fiscal year.
- General expenses decreased by \$106 from that of the prior fiscal year, mostly due to a decrease in auto insurance.
- Administrative Expenses increased by \$30,971, or by 11.6%, from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$7,383, while related employee benefit contributions decreased by \$17,039; therefore, total staff salaries and benefit costs decreased by \$9,656. Further, audit fees increased by \$1,538, accounting fees increased by \$650, and legal fees increased by \$109; thus, total outside professional fees increased by \$2,297. Lastly, staff training/travel reimbursements increased by \$5,130, office expenses decreased by \$1,962, and sundry expenses increased by \$3,003. With the addition of the Summer Food Program, the Authority also incurred \$32,381 of food costs.
- Utilities Expense decreased by \$1,733, or by 5.6%, from that of the prior fiscal year, due to numerous cumulative factors: Water cost decreased by \$1,485; electricity cost increased by \$2,776, gas cost decreased by \$2,190, and finally, other utilities expense (sewer) decreased by \$834.
- Tenant services, totaling \$1,489 increased from \$176 in 2015.

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the Housing Authority had a total cost of \$10,494,144 invested in a broad range of assets and construction in progress from projects funded in 2013 through 2015, listed below. This amount, not including depreciation, represents a net increase of \$37,914 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

	<u>2016</u>	<u>2015</u>
Land	\$253,436	\$253,436
Buildings	1,556,520	1,786,848
Leasehold improvements	343,998	386,755
Furniture and equipment	41,200	32,611
<i>Total</i>	<u>\$2,195,154</u>	<u>\$2,459,650</u>

As of the end of the 2016 fiscal year, the Authority is still in the process of completing HUD grants of \$640,950 obtained during 2013 through 2015 fiscal years. A total remainder of \$392,636 is available for completing these projects.

Debt

Non-current liabilities also include accrued annual vacation and sick leave due to employees. 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 2016 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

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS

Unrestricted Current Assets

Cash and cash equivalents	\$131,139
Certificates of deposit	579,233
HUD receivable	26,177
Tenant accounts receivable (net of allowance for doubtful accounts of \$987)	537
Accrued interest receivable	590
PERA/RHC receivable	658
Inventory	17,166
Prepaid expenses	4,389
<i>Total unrestricted current assets</i>	<u>759,889</u>

Restricted Current Assets

Restricted certificates of deposit	
Tenant deposits	30,100
<i>Total restricted current assets</i>	<u>30,100</u>
<i>Total current assets</i>	<u>789,989</u>

Capital assets not depreciated	283,624
Capital assets depreciated, net	1,911,530
<i>Capital assets, net</i>	<u>2,195,154</u>

<i>Total assets</i>	<u>2,985,143</u>
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Deferred outflows of resources - Pension	26,131
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LIABILITIES AND NET POSITION

Current Liabilities, Payable From

Unrestricted Assets:

Accounts payable	6,599
Accrued expenses	2,417
Employee benefits payable	0
Tenant prepaid rents	1,604
<i>Total unrestricted current liabilities</i>	<u>10,620</u>

Current Liabilities, Payable From

Restricted Assets:

Tenant deposits	28,433
<i>Total current liabilities</i>	<u>39,053</u>

Non-Current Liabilities

Net pension liability	329,326
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<i>Total liabilities</i>	<u>368,379</u>
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Deferred inflows of resources

Pension	8,465
Unavailable revenue	12,007

Net Position

Net investment in capital assets	2,195,154
Unrestricted	427,269
<i>Total net position</i>	<u>\$2,622,423</u>

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

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
JUNE 30, 2016

Operating Revenues	
Net tenant rental income	\$219,716
HUD operating grants	393,557
Other income	24,474
CYFD/USDA summer food program revenue	56,839
<i>Total operating revenues</i>	694,586
 Operating Expenses	
Administrative	297,857
Tenant services	1,489
Utilities	29,288
Maintenance and repairs	241,686
General	40,734
Depreciation	305,317
<i>Total operating expenses</i>	916,371
 <i>Operating loss</i>	 (221,785)
 Non-Operating Income (Expenses)	
Interest income	2,774
Non-operating HUD grant	6,927
Other income/(expense)	2,323
<i>Total non-operating income</i>	12,024
 <i>Change in net position</i>	 (209,761)
 Net position, beginning of year	 2,832,184
 <i>Net position, end of year</i>	 \$2,622,423

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

HOUSING AUTHORITY OF THE CITY OF RATON

STATEMENT OF CASH FLOWS

JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and others	\$244,387
Cash received from HUD operations	367,380
Cash payments to and on behalf of employees	(406,351)
Cash payments to suppliers for goods and services	(173,975)
<i>Net cash provided by operating activities</i>	<u>31,441</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other income/(expense)	2,323
<i>Net cash provided by noncapital financing activities</i>	<u>2,323</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(40,820)
Sale of non-capital resources	0
HUD grants for purchase of capital assets	6,927
<i>Net cash used by capital and related financing activities</i>	<u>(33,893)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of certificates of deposit	(383,018)
Maturities of certificates of deposit	183,000
Interest income	2,756
<i>Net cash used by investing activities</i>	<u>(197,262)</u>

Net decrease in cash and cash equivalents (197,391)

Cash and cash equivalents, beginning of year (restated) 328,530

Cash and cash equivalents, end of year **\$131,139**

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss (\$221,785)

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

Depreciation	305,317
Change in assets and liabilities:	
Accounts receivable	(26,376)
Allowance for doubtful accounts	862
Prepays	(721)
Inventories	(1,077)
Net change in pension contributions/liabilities	(21,332)
Accounts payable	(195)
Accrued payroll liabilities	(2,070)
Accrued expenses	(612)
Tenant security deposit payable	(349)
Prepaid rent	(221)

Net cash provided by operating activities **\$31,441**

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

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 has no component units nor is it a component unit of another government.

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. Proprietary funds include the following fund type:

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.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,000 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.

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

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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 28 months.

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, 2016, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	Bank Balance
FDIC Insured	\$756,323
Collateralized with securities held in financial institution's name	0
Uninsured and uncollateralized	0
	\$756,323

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$107,123	\$123,049
Savings	23,941	23,941
Certificates of deposit	200,000	200,000
CFP checking	0	0
<i>Total</i>	331,064	346,990
FDIC Insurance		(346,990)
Uninsured bank balance		0
Collateral pledged – FNMA securities held by financial institution		100,119
<i>Amount over collateralized</i>		\$100,119
 <u>First National Bank of New Mexico</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$130,100	\$130,100
 <u>First National Bank of Trinidad</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$235,000	\$235,000
 <u>State Farm Insurance Bank</u>		
<i>Total certificates of deposit – fully insured by FDIC</i>	\$44,233	\$44,233

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	131,064
Cash and cash equivalents	\$131,139
Certificates of deposit	\$579,233
Current assets, certificate of deposit restricted for Tenant Security Deposits	\$30,100
<i>Total cash and investments</i>	\$740,472

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	Book Balance at 6/30/2016	Outstanding (Checks)/Other	Book Balance at 6/30/2016
International Bank	Checking	\$123,049	(\$15,926)	\$107,123
International Bank	Savings	23,941	0	23,941
International Bank	Certificate of deposit	100,000	0	100,000
International Bank	Certificate of deposit	100,000	0	100,000
<i>International Bank</i>		346,990	(15,926)	331,064
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	50,000	0	50,000
First National Bank	Certificate of deposit	30,100	0	30,100
<i>First National Bank of New Mexico</i>		130,100	0	130,100
First National Bank	Certificate of deposit	37,000	0	37,000
First National Bank	Certificate of deposit	15,000	0	15,000
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	85,000	0	85,000
<i>First National Bank of Trinidad</i>		235,000	0	235,000
State Farm	Certificate of deposit	26,237	0	26,237
State Farm	Certificate of deposit	17,996	0	17,996
<i>State Farm</i>		44,233	0	44,233
		756,323	(15,926)	740,397
Change Fund				75
Total				\$740,472

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority uses the Weighted Average Maturity (WAM) method to analyze interest rate risk. A WAM of one year or less mitigates the effects of interest rate risk. The Housing Authority's WAM is 15.17 months.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2016.

	Beginning Balance	Increases	Reclassifications/ Deletions	Ending Balance
Non-Depreciable Assets				
Land	\$253,436	\$0	\$0	\$253,436
Fees and Costs	44,350	2,101	(16,263)	30,188
<i>Total non-depreciable assets</i>	297,786	2,101	(16,263)	283,624
Depreciable Assets				
Architect	286,580	0	16,263	302,843
Site Improvement	1,493,730	0	0	1,493,730
Dwelling Structures	7,525,138	0	0	7,525,138
Dwelling Equipment	140,048	0	0	140,048
Nondwelling Structures	486,449	0	0	486,449
Nondwelling Equipment	226,499	38,720	(2,907)	262,312
<i>Total depreciable assets</i>	10,158,444	38,720	13,356	10,210,520
Less accumulated depreciation for:				
Architect	(170,988)	(21,046)	0	(192,034)
Site Improvement	(1,106,975)	(42,757)	0	(1,149,732)
Dwelling Structures	(5,997,103)	(195,715)	0	(6,192,818)
Dwelling Equipment	(134,623)	(2,838)	0	(137,461)
Nondwelling Structures	(387,578)	(15,668)	0	(403,246)
Nondwelling Equipment	(199,313)	(27,293)	2,907	(223,699)
<i>Total accumulated depreciation</i>	(7,996,580)	(305,317)	2,907	(8,298,990)
Capital assets, net	\$2,459,650	(\$264,496)	\$0	\$2,195,154

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Housing Authority for the City of Raton are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to Housing Authority for the City of Raton are: Municipal General. Statutorily required contributions to the pension plan from the Housing Authority for the City of Raton were \$25,509 for the year ended June 30, 2016.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Housing Authority for the City of Raton's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General at June 30, 2016, the Housing Authority for the City of Raton reported a liability of \$329,326 for its proportionate share of the net pension liability. At June 30, 2015, the Housing Authority of the City of Raton's proportion was .0323 percent, which was changed from its proportion measured as of June 30, 2014 of .0341 percent.

For the year ended June 30, 2016, the Housing Authority for the City of Raton recognized PERA Fund Division Municipal General pension expense of (\$32,727). At June 30, 2016, the Housing Authority for the City of Raton reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$7,295
Changes of assumptions	0	128
Net difference between projected and actual earnings on pension plan investments	0	1,042
Changes in proportion and differences between Housing Authority for the City of Raton contributions and proportionate share of contributions	0	0
Housing Authority of the City of Raton contributions subsequent to the measurement date	26,131	0
Total	\$26,131	\$8,465

\$26,131 reported as deferred outflows of resources related to pensions resulting from Housing Authority for the City of Raton contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$2,116
2018	2,116
2019	2,116
2020	2,116
2021	1
	\$8,465

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Housing Authority for the City of Raton’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Housing Authority for the City of Raton’s net pension liability in each PERA Fund Division that Housing Authority for the City of Raton participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Housing Authority for the City of Raton’s proportionate share of the net pension liability	\$560,712	\$329,326	\$136,945

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. The Authority is legally required to make defined contributions to the cost sharing pension plan on behalf of its’ participant employees. The Authority owed \$0 (\$0 employer and \$0 employee) as payable to the pension plan at June 30, 2016.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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 members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5 of each participating employee's annual salary; and each participating employee was required to contribute 1.25 of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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, 2014, 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, 2016, 2015 and 2014 were \$5,416, \$5,325, and \$5,542, respectively, which equal the required contributions for each year.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	6-30-2016
d.	Premium paid	\$14,196 Property insurance
e.	Premium paid	\$12,804 Liability insurance

Automobile Liability

a.	Coverage	\$500,000/\$500,000
b.	Insurance agent/company	Peerless Indemnity Insurance Co.
c.	Expiration date	3-19-2017
d.	Premium paid	\$6,073

Workman's Compensation

a.	Coverage	Statutory Limits
b.	Insurance agent/company	New Mexico Self Insurers' Fund
c.	Expiration date	6-30-2016
d.	Premium paid	\$8,456

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

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. OTHER CONTINGENT LIABILITIES

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

NOTE 8. BUDGET AND BUDGETARY PROCESS

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

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, 2016, the Authority received 57% of its total revenue from HUD.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE HOUSING AUTHORITY OF THE
CITY OF RATON'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY OF PERA FUND DIVISION
MUNICIPAL GENERAL**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	2016	2015
Housing Authority of the City of Raton's proportion of the net pension liability (asset)	0.0323%	0.0341%
Housing Authority of the City of Raton's proportionate share of the net pension liability (asset)	\$329,326	\$266,017
Housing Authority of the City of Raton's covered-employee payroll (at measurement date)	\$271,512	\$263,210
Housing Authority of the City of Raton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	121.29%	101.06%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.50%

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

**SCHEDULE OF HOUSING AUTHORITY
OF THE CITY OF RATON'S CONTRIBUTIONS**
Public Employees Retirement Association (PERA) Plan
PERA FUND DIVISION - MUNICIPAL GENERAL
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$26,131	\$25,929
Contributions in relation to the contractually required contribution	\$26,131	\$25,929
Contribution deficiency (excess)	\$0	\$0
Housing Authority of the City of Raton's covered-employee payroll	\$273,621	\$271,512
Contributions as a percentage of covered-employee payroll	9.55%	9.55%

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

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Public Employee Retirement Association Plan (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2014, the economic and demographic assumptions were updated for this valuation.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY 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, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$218,300	\$214,500	\$215,977	\$1,477
Other	50,980	50,500	49,622	(878)
<i>Total revenues</i>	<u>269,280</u>	<u>265,000</u>	<u>265,599</u>	<u>599</u>
OPERATING EXPENSES:				
Administrative	225,648	214,950	200,242	14,708
Tenant services	5,625	5,625	1,489	4,136
Utilities	30,850	31,850	26,819	5,031
Maintenance and repairs	204,939	202,480	191,878	10,602
General	208,928	208,648	176,740	31,908
Non routine expenditures	2,000	32,292	36,892	(4,600)
<i>Total operating expenses</i>	<u>677,990</u>	<u>695,845</u>	<u>634,060</u>	<u>61,785</u>
<i>Operating income (loss)</i>	(408,710)	(430,845)	(368,461)	(61,186)
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	370,729	393,557	367,380	(26,177)
Interest	2,400	2,400	2,185	(215)
Sale of scrap material	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>373,129</u>	<u>395,957</u>	<u>369,565</u>	<u>(26,392)</u>
<i>Net income</i>	(35,581)	(34,888)	<u>\$1,104</u>	<u>\$35,992</u>
Budgeted cash carryover	<u>35,581</u>	<u>34,888</u>		
	<u>\$0</u>	<u>\$0</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, 2016, is presented below:

Net income (budgetary basis)	\$1,104
Adjustments for revenue accruals, transfers, earnings on investments	7,680
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(206,571)
Change in net position (GAAP basis)	(\$197,787)

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

HOUSING AUTHORITY OF THE CITY OF RATON

SUMMER FOOD PROGRAM

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
<i>Total revenues</i>	\$68,846	\$68,846	\$68,846	\$0
OPERATING EXPENSES:				
Administration	3,460	3,460	1,016	2,444
Operations	65,386	65,386	54,050	11,336
<i>Total operating expenses</i>	68,846	68,846	55,066	13,780
<i>Net income</i>	\$0	\$0	\$13,780	\$13,780

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, 2016, is presented below:

Net income (budgetary basis)	\$13,780
Adjustments for revenue accruals, transfers, earnings on investments	(12,007)
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(1,773)
Change in net position (GAAP basis)	\$0

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

HOUSING AUTHORITY OF THE CITY OF RATON

CFP FUND - 2013

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
<i>Total revenues</i>	\$0	\$0	\$0	\$0
OPERATING EXPENSES:				
Audit costs	0	0	0	0
Fees and costs	0	0	0	0
Site improvements	0	0	0	0
Dwelling structures	0	0	0	0
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	1,826	1,826	1,826	0
<i>Total operating expenses</i>	1,826	1,826	1,826	0
<i>Operating income (loss)</i>	(1,826)	(1,826)	(1,826)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	1,826	1,826	1,826	0
<i>Total non-operating revenue (expenses)</i>	1,826	1,826	1,826	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, 2016, 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	(11,841)
Change in net position (GAAP basis)	(\$11,841)

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

HOUSING AUTHORITY OF THE CITY OF RATON

CFP FUND - 2014

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
<i>Total revenues</i>	\$0	\$0	\$0	\$0
OPERATING EXPENSES:				
Audit costs	3,000	3,000	3,000	0
Fees and costs	0	0	0	0
Site improvements	0	0	0	0
Dwelling structures	174,833	174,833	2,101	172,732
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	0	0	0	0
<i>Total operating expenses</i>	177,833	177,833	5,101	172,732
<i>Operating income (loss)</i>	(177,833)	(177,833)	(5,101)	(172,732)
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	174,833	174,833	5,101	(169,732)
<i>Total non-operating revenue (expenses)</i>	174,833	174,833	5,101	(169,732)
<i>Net income</i>	(\$3,000)	(\$3,000)	\$0	\$3,000

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, 2016, 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	(133)
Change in net position (GAAP basis)	(\$133)

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

HOUSING AUTHORITY OF THE CITY OF RATON

CFP FUND - 2015

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
<i>Total revenues</i>	\$0	\$0	\$0	\$0
OPERATING EXPENSES:				
Audit costs	3,000	3,000	0	3,000
Fees and costs	17,000	17,000	0	17,000
Site improvements	138,192	138,192	0	138,192
Dwelling structures	54,600	54,600	0	54,600
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	7,111	7,111	0	7,111
<i>Total operating expenses</i>	219,903	219,903	0	219,903
<i>Operating income (loss)</i>	(219,903)	(219,903)	0	(219,903)
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	219,903	219,903	0	(219,903)
<i>Total non-operating revenue (expenses)</i>	219,903	219,903	0	(219,903)
<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, 2016, 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 position (GAAP basis)	\$0

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

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Terry Baca

Title: Executive Director Date: September 28, 2016

RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of <u>ALL</u> Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
N/A								

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF RATON
Raton New Mexico
Financial Data Schedule
June 30, 2016

Line Item #	Account Description	Public Housing Low Rent 14,850	Public Housing Capital Fund Program 14,872	Total
111	Cash - Unrestricted	131,139	-	131,139
114	Cash - Tenant Security Deposits	30,100	-	30,100
100	Total Cash	161,239	-	161,239
122	Accounts Receivable - HUD Other Projects	26,177	-	26,177
124	Accounts Receivable - Other Government	658	-	658
126	Accounts Receivable - Tenants	1,524	-	1,524
126.1	Allowance for Doubtful Accts - Tenants	(987)	-	(987)
129	Accrued Interest Receivable	590	-	590
120	Total Receivables, Net of Allowance for Doubtful Accts	27,962	-	27,962
131	Investments - Unrestricted	579,233	-	579,233
142	Prepaid Expenses and Other Assets	4,389	-	4,389
143	Inventories	18,069	-	18,069
143.1	Allowance for Obsolete Inventories	(903)	-	(903)
150	Total Current Assets	789,989	-	789,989
161	Land	253,436	-	253,436
162	Buildings	9,614,153	194,009	9,808,162
163	Furniture, equipment and machinery - dwellings	140,048	-	140,048
164	Furniture, Equipment & Machinery - Administration	257,200	5,110	262,310
166	Accumulated Depreciation	(8,257,884)	(41,106)	(8,298,990)
167	Construction in progress	-	30,188	30,188
160	Total Capital Assets, Net of Accumulated Depreciation	2,006,953	188,201	2,195,154
180	Total Non-Current Assets	2,006,953	188,201	2,195,154
190	Total Assets	2,796,942	188,201	2,985,143
200	Deferred Outflow of Resources	26,131	-	26,131
290	Total Assets and Deferred Outflow of Resources	2,823,073	188,201	3,011,274
312	Accounts Payable <= 90 Days	6,599	-	6,599
321	Accrued Wage/Payroll Taxes Payable	-	-	-
322	Accrued Compensated Absences - Current Portion	-	-	-
341	Tenant Security Deposits	28,433	-	28,433
342	Unearned Revenue	1,604	-	1,604
345	Other current liabilities	2,417	-	2,417
310	Total Current Liabilities	39,053	-	39,053
354	Accrued compensated absences - non-current	-	-	-
357	Accrued Pension and OPEB Liabilities	329,326	-	329,326
350	Total Noncurrent Liabilities	329,326	-	329,326
300	Total Liabilities	368,379	-	368,379
400	Deferred Inflow of Resources	20,472	-	20,472
508.1	Net Investment of Capital Assets	2,006,953	188,201	2,195,154
511.4	Restricted Net Position	-	-	-
512.4	Unrestricted Net Position	427,269	-	427,269
513	Total Equity - Net Position	2,434,222	188,201	2,622,423
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position	2,823,073	188,201	3,011,274
70300	Net Tenant Rental Revenue	219,716	-	219,716
70400	Tenant Revenue - Other	24,474	-	24,474
70500	Total Tenant Revenue	244,190	-	244,190
70600	HUD PHA Operating Grants	393,557	-	393,557
70610	Capital Grants	-	6,927	6,927
70700	Total Fee Revenue	393,557	6,927	400,484
70800	Other Government Grants	56,839	-	56,839

HOUSING AUTHORITY OF THE CITY OF RATON
Raton New Mexico
Financial Data Schedule
June 30, 2016

Line Item #	Account Description	Public Housing Low Rent 14,850	Public Housing Capital Fund Program 14,872	Total
71100	Investment Income - Unrestricted	2,774	-	2,774
71500	Other Revenue	2,323	-	2,323
70000	Total Revenue	699,683	6,927	706,610
91100	Administrative Salaries	146,374	-	146,374
91200	Auditing Fees	13,347	3,000	16,347
91400	Advertising & Marketing	264	-	264
91500	Employee Benefit Contributions - Administrative	33,642	-	33,642
91600	Office Expenses	19,599	-	19,599
91700	Legal Expenses	108	-	108
91800	Travel	5,704	-	5,704
91900	Other	50,395	-	50,395
91000	Total Operating - Administrative	269,433	3,000	272,433
92400	Tenant services - other	1,489	-	1,489
92500	Total tenant services	1,489	-	1,489
93100	Water	7,212	-	7,212
93200	Electricity	14,341	-	14,341
93300	Gas	4,762	-	4,762
93600	Sewer	2,973	-	2,973
93800	Other Utilities	-	-	-
93000	Total Utilities	29,288	-	29,288
94100	Ordinary Maintenance and Operations - Labor	153,401	-	153,401
94200	Ordinary Maintenance and Operations - Materials & Other	35,979	-	35,979
94300	Ordinary Maintenance and Operations Contracts	9,305	-	9,305
94500	Employee Benefit Contributions - Ordinary Maintenance	43,001	-	43,001
94000	Total Maintenance	241,686	-	241,686
96110	Property Insurance	14,196	-	14,196
96120	Liability Insurance	12,804	-	12,804
96130	Workmen's Compensation	8,456	-	8,456
96140	All other insurance	5,278	-	5,278
96100	Total Insurance Premiums	40,734	-	40,734
96200	Other General Expenses	-	-	-
96210	Compensated Absences	17,901	-	17,901
93400	Bad debt-tenant rents	7,523	-	7,523
96000	Total Other General Expenses	25,424	-	25,424
96900	Total Operating Expenses	608,054	3,000	611,054
97000	Excess Revenue over Operating Expenses	91,629	3,927	95,556
97100	Extraordinary maintenance	-	-	-
97400	Depreciation Expense	289,416	15,901	305,317
90000	Total Expenses	897,470	18,901	916,371
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	(197,787)	(11,974)	(209,761)
11030	Beginning Equity	\$ 2,448,954	\$ 383,230	\$ 2,832,184
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ -	\$ -	\$ -
11190	Unit Months Available	1,872	-	1,872
11210	Number of Unit Months Leased	1,806	-	1,806

**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. Tim Keller, State Auditor and
Board of Commissioners
Housing Authority 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 as of and for the year ended June 30, 2016, 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 September 29, 2016.

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. Tim Keller, State Auditor and
Board of Commissioners
Housing Authority 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 responses as item 2016-001.

Housing Authority of the City of Raton

Housing Authority of the City of Raton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Raton'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.
Las Cruces, New Mexico
September 29, 2016

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS:

2016-001 I-9 Form Compliance – Other Matters

Statement of Condition – Of the 11 payroll checks tested, eight did not have correctly completed I-9 forms.

Criteria – Per the immigration reform and control act of 1986, all employees are required to properly fill out a Form I-9 and provide the acceptable documents listed on the I-9 Form as part of the hiring process.

Cause – Lack of understanding by the previous executive director from several years prior.

Effect – Lack of compliance with legal employment requirements.

Recommendation – The Housing Authority should review files and ensure that all employees have correctly completed and signed I-9 Forms.

Management's Response – As of September 29, 2016, the executive director reviewed all employee files and ensured that I-9 Forms are now properly completed with required documentation.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

HOUSING AUTHORITY OF THE CITY OF RATON
EXIT CONFERENCE
JUNE 30, 2016

EXIT CONFERENCE:

The exit conference was held August 26, 2016 and was attended by the following:

From Housing Authority of the City of Raton:

Terry Baca, Executive Director
Margaret Evans, Vice Chairperson
Terri Segotta, Commissioner

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

Ken Shaw, CPA/Shareholder
Kristi Granados, CPA

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.