



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**CITY OF RATON
HOUSING AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

**CITY OF RATON HOUSING AUTHORITY
Independent Auditor's Report
And
Financial Statements**

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**CITY OF RATON HOUSING AUTHORITY
Independent Auditor's Report
And
Financial Statements**

**OFFICIAL ROSTER
As of June 30, 2017**

Board of Directors

Commissioners	Title
John Duran	Chairman
Margaret Evans	Vice-Chairman
Dennis M. Morgan	Commissioner
Terri Segotta	Commissioner
Ferman Ulibarri	Commissioner

Administration

Name	Title
Terry Baca	Executive Director



INDEPENDENT AUDITOR'S REPORT

Mr. Wayne A. Johnson, New Mexico State Auditor
Board of Directors and Management of
City of Raton Housing Authority
and

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the City of Raton Housing Authority (Housing Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Housing Authority's basic financial statements 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 basic financial statements are free of 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.

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 of the Housing Authority, as of June 30, 2017, 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Housing Authority's June 30, 2016 financial statements dated September 29, 2016. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the included for prior year comparative date, is based solely on the report of the other auditors. Those auditors expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Schedules related to PERA and Net Pension Liabilities, listed as "*Required Supplemental Information*" in the table of contents, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the other 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 financial statements that collectively comprise the Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the financial data schedule required by the U.S. Department of Housing and Urban Development listed as "*other supplementary information*" in the table of contents, 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 the financial data schedule listed as "*other supplementary information*" in the table of contents, 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 auditing standards generally accepted in the United States of America. In our opinion, the additional schedules and the Schedule of Expenditures of Federal Awards 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 February 16, 2018, on our consideration of the Housing 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* and in considering the Housing Authority's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
February 16, 2017

CITY OF RATON HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 279,279	131,139
Restricted cash (unspent insurance proceeds)	301,117	-
Investments	579,233	579,233
Restricted Certificate of Deposits	30,100	30,100
PERA/RHC receivables	691	658
HUD capital grant receivable	110,665	-
HUD operating subsidy receivable	-	26,177
Tenants accounts receivable (net)	549	537
Accrued interest receivable	2,274	590
Other receivable	906	-
Inventory	14,371	17,166
Prepaid expenses	3,443	4,389
Total Current Assets	<u>1,322,628</u>	<u>789,989</u>
Non-Current Assets		
Land and construction in progress	294,829	283,625
Other capital assets, net of accumulated depreciation	2,099,388	1,911,529
Total Non-Current Assets	<u>2,394,217</u>	<u>2,195,154</u>
Total Assets	<u>3,716,845</u>	<u>2,985,143</u>
Deferred Outflows of Resources		
Pension deferral	174,794	26,131
Total Deferred Outflows of Resources	<u>174,794</u>	<u>26,131</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,891,639</u>	<u>3,011,274</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 176,140	6,599
Tenant prepaid rent	27,393	28,433
Accrued expenses	2,183	2,417
Employee benefits payable	209	-
Tenant deposit	1,464	1,604
Unearned revenue	17,186	12,007
Total Current Liabilities	<u>224,575</u>	<u>51,060</u>
Non-Current Liabilities		
Net pension liability	504,861	329,326
Total Non-Current Liabilities	<u>504,861</u>	<u>329,326</u>
Total Liabilities	<u>729,436</u>	<u>380,386</u>
Deferred Inflows of Resources		
Pension deferral	20,844	8,465
Total Deferred Inflows of Resources	<u>20,844</u>	<u>8,465</u>
NET POSITION		
Net investment in capital assets	2,394,217	2,195,154
Unrestricted	747,142	427,269
Total Net Position	<u>3,141,359</u>	<u>2,622,423</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,891,639</u>	<u>3,011,274</u>

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these financial statements.

CITY OF RATON HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES	\$	
Net tenant rental income	258,011	219,716
HUD operating grant	420,670	393,557
Other income	20,243	24,474
CYFD/USDA summer food program revenue	128,661	56,839
Total operating revenues	<u>827,585</u>	<u>694,586</u>
OPERATING EXPENSES		
Personnel services - salaries and wages	346,646	289,489
Personnel services - employee benefits	165,296	77,773
Administrative	10,431	9,988
Professional fees	27,138	29,652
Supplies	77,647	39,459
Memberships and dues	402	907
Tenant services	2,565	1,489
Utilities	27,116	29,288
Maintenance and repairs	58,546	77,071
Insurance	45,485	40,733
Bad debt	6,031	7,523
Staff training	0	487
Travel	12,421	7,195
Depreciation	285,725	305,317
Total operating expenses	<u>1,065,449</u>	<u>916,371</u>
Operating income (loss)	<u>(237,864)</u>	<u>(221,785)</u>
NON-OPERATING REVENUES (EXPENSES)		
Non-operating HUD grant	446,665	6,927
Insurance proceeds	319,749	-
Other income/(expense)	4,112	2,323
Interest income	3,938	2,774
Maxwell Housing Authority income	1,269	-
Non-routine revenue/(expenses)	(18,933)	-
Total non-operating revenues (expenses)	<u>756,800</u>	<u>12,024</u>
Income (loss) before contributions	<u>518,936</u>	<u>(209,761)</u>
Change in net position	518,936	(209,761)
Beginning net position	<u>2,622,423</u>	<u>2,832,184</u>
Ending net position	<u>\$ 3,141,359</u>	<u>2,622,423</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

CITY OF RATON HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers (charges for services)	\$ 278,254	244,387
Cash received from HUD for operations	445,118	367,380
Cash received from other governmental grants	133,840	-
Cash paid to employees (personnel services)	(472,716)	(406,351)
Cash paid to suppliers (other operating expenses)	(95,680)	(173,975)
Payment in lieu of taxes		
Net cash provided by (used for)		
operating activities	288,816	31,441
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Other income (expenses)	(14,457)	2,324
Net cash provided by (used for)		
noncapital financing activities	(14,457)	2,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for acquisition of capital assets	(484,788)	(40,820)
Cash received from insurance proceeds	319,749	-
HUD grants for purchase of capital assets	336,000	6,927
Net cash provided by (used for) capital		
and related financing activities	170,961	(33,893)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	(37,000)	(383,018)
Maturities of certificate of deposits	37,000	183,000
Interest income	3,938	2,755
Net cash provided by (used for)		
investing activities	3,938	(197,263)
Net increase (decrease) in cash and cash equivalents	449,258	(197,391)
Cash and cash equivalents, beginning of year	131,139	328,530
Cash and cash equivalents at end of year	\$ 580,397	131,139
Reconciliation of operating gain/(loss) to net cash provided by (used for) operating activities		
Operating income/(loss)	\$ (237,864)	(221,785)
Adjustments to reconcile operating income/(loss) in net position to cash provided by operating activities:		
Depreciation expense	285,725	305,317
Change in assets and liabilities:		
Accounts receivable	24,448	(26,376)
Allowance for doubtful accounts	-	862
Prepaid expenses	946	(721)
Inventories	2,795	(1,077)
Net changes in pension contribution/liabilities	39,251	(21,332)
Accounts payables	169,541	(195)
Payroll related liabilities	209	(2,070)
Accrued expenses	(234)	(612)
Prepaid rent	(1,040)	(221)
Tenant security deposit payable	(140)	(349)
Unearned revenue	5,179	-
Net cash provided by (used for) operating activities	\$ 288,816	31,441

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1—NATURE OF OPERATIONS

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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

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.

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 \$2,500 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:

Classification	Estimated Useful Life
Land	Perpetuity
Buildings and improvements	33 years
Leasehold improvements	15 years
Computer 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.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

Grants and subsidies will be recognized as revenue when all applicable eligibility requirements have been met. For subsidy programs (i.e. Low Rent), the annual appropriation can be recognized upon approval of the annual budget. Subsidy revenues must be adjusted at year-end for contractual adjustments based on differences between estimated and actual funding requirements (for example when notification is received of the approved funding level for the subsidy program, the PHA may record a receivable and revenue for the award amount).

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

Contributions received from HUD for capital additions and improvements are reported as capital grant revenue.

All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is received.

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

The Housing Authority has a policy that does not allow carry over of the vacation balance as of yearend, therefore, there is no compensated absences payable.

Budgets

The Housing Authority’s Board of Commissioners is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures at the legal level of budgetary control, which is at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation. Budgetary data for the Housing Authority’s programs are prepared on a calendar year basis.

HUD does not require the presentation of the budgets in the audit report. The inclusion of the budget in the audit report would be misleading as the audit report is as of June 30, 2017 and the HUD budget period is not complete as of that date.

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.

NOTE 3—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

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

- 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, 2017 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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, 2017, the Housing Authority's deposits were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	\$	338,466
Uninsured, collateral held by the pledging banks, but not in the name of the RHA		-
	\$	<u><u>1,197,799</u></u>

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.

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 the Financial Statements
For the Year Ended June 30, 2017

Financial Institution/ Investment Description	Carrying Amount	Bank Balance
International Bank		
Checking	\$ 509,838	517,534
Savings	26,142	26,142
Certificate of Deposits	200,000	200,000
CFP checking	44,390	44,790
Total	\$ 780,370	788,466
FDIC Insurance		(450,000)
Uninsured Bank Balance		338,466
Collateral pledged - FNMA and FHLMC securities		297,768
Amount over collateralized		(128,535)
First National Bank of New Mexico		
Total certificates of deposits - fully insured by FDIC		130,100
First National Bank in Trinidad		
Total certificates of deposits - fully insured by FDIC		235,000
State Farm Bank		
Total certificates of deposits - fully insured by FDIC		44,233
Total	\$	1,197,799
Less outstanding checks		(8,145)
Add change fund		75
		1,189,729
Per Financial Statements		1,189,729
Difference	\$	-

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

Cash and Certificates of Deposits	2017
Petty cash	\$ 75
Cash accounts	580,321
Total cash and cash equivalents	\$ 580,396
Certificates of deposits	\$ 579,233
Current assets, certificates of deposit restricted for Tenant Security Deposits	30,100
Total cash and investments	\$ 1,189,729

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.

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

Financial Institution	Account Type	Balance Per Bank	Outstanding (Checks)/Other	Balance Per Books
International Bank				
International Bank	Checking	\$ 517,535	(7,696)	509,839
International Bank	Savings	26,142	-	26,142
International Bank	Certificate of deposit	100,000	-	100,000
International Bank	Certificate of deposit	100,000	-	100,000
International Bank	Checking - SFP	44,790	(450)	44,340
Total International Bank		\$ 788,467	(8,146)	780,321
First National Bank of New Mexico				
First National Bank	Certificate of deposit	\$ 25,000	-	25,000
First National Bank	Certificate of deposit	15,000	-	15,000
First National Bank	Certificate of deposit	50,000	-	50,000
First National Bank	Certificate of deposit	10,000	-	10,000
First National Bank	Security deposits	30,100	-	30,100
Total First National Bank of New Mexico		130,100	-	130,100
First National Bank of Trinidad				
First National Bank	Certificate of deposit	\$ 35,000	-	35,000
First National Bank	Certificate of deposit	30,000	-	30,000
First National Bank	Certificate of deposit	33,000	-	33,000
First National Bank	Certificate of deposit	85,000	-	85,000
First National Bank	Certificate of deposit	37,000	-	37,000
First National Bank	Certificate of deposit	15,000	-	15,000
Total First National Bank of Trinidad		235,000	-	235,000
State Farm	Certificate of deposit	\$ 26,237	-	26,237
State Farm	Certificate of deposit	17,996	-	17,996
Total State Farm		44,233	-	44,233
Change Fund		-	-	75
		\$ 1,197,800	(8,146)	1,189,729

A schedule of collateral is as follows:

Bank	CUSIP	Current Shares or Face Value	Coupon or Rate	Market Value	Maturity Date
International Bank	3136G12K4	\$ 100,000	1.200%	99,670	12/20/2018
International Bank	3134GAET7	200,000	1.500%	198,098	9/30/2021
		\$ 300,000		\$ 297,768	

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 4—PROPERTY, EQUIPMENT AND DEPRECIATION

The following schedule shows the changes in capital assets during the year ended June 30, 2017.

Business Type Activities	Balance 2016	Additions	Deletions	Adjustments	Balance 2017
Capital assets not being depreciated:					
Land	\$ 253,436	-	-	-	253,436
Fees and Costs	30,188	41,393	-	(30,188)	41,393
Total capital assets not being depreciated	<u>283,624</u>	<u>41,393</u>	<u>-</u>	<u>(30,188)</u>	<u>294,829</u>
Capital assets being depreciated:					
Architect	302,843	-	-	30,188	333,031
Site Improvement	1,493,730	266,576	-	-	1,760,306
Dwelling Structures	7,525,138	176,819	-	-	7,701,957
Dwelling Equipment	140,048	-	-	-	140,048
Nondwelling Structures	486,449	-	-	-	486,449
Nondwelling Equipment	262,312	-	-	-	262,312
Total capital assets being depreciated	<u>10,210,520</u>	<u>443,395</u>	<u>-</u>	<u>30,188</u>	<u>10,684,103</u>
Less accumulated depreciation for:					
Architect	(192,034)	(19,618)	-	-	(211,652)
Site Improvement	(1,149,732)	(43,336)	-	-	(1,193,068)
Dwelling Structures	(6,192,818)	(190,799)	-	-	(6,383,617)
Dwelling Equipment	(137,461)	(1,850)	-	-	(139,311)
Nondwelling Structures	(403,246)	(14,864)	-	-	(418,110)
Nondwelling Equipment	(223,699)	(15,258)	-	-	(238,957)
Total accumulated depreciation	<u>(8,298,990)</u>	<u>(285,725)</u>	<u>-</u>	<u>-</u>	<u>(8,584,715)</u>
Total capital assets being depreciated	<u>1,911,530</u>	<u>157,670</u>	<u>-</u>	<u>30,188</u>	<u>2,099,388</u>
Capital assets, net	<u>\$ 2,195,154</u>	<u>199,063</u>	<u>-</u>	<u>-</u>	<u>2,394,217</u>

For the years ended June 30, 2017 and 2016, depreciation expense was \$285,725. As of the year ended June 30, 2017, the Housing Authority had no idle equipment.

NOTE 5—PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A—Plan Description

Substantially all of the Housing Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

B—Funding Policy

Funding Policy: Plan members are required to contribute 9.55% of their gross salary. Housing Authority's is required to contribute 9.55% of the gross covered salary. The contribution requirements of plan members and the District 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's contributions to PERA for the years ending June 30, 2017, 2016, and 2015 were \$27,071, \$26,161 and \$25,929 respectively, which equals the amount of the required contributions for the year.

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

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, 2016 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.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, 2017.

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, 2016.

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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

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, 2017, the Housing Authority for the City of Raton reported a liability of \$504,861 for its proportionate share of the net pension liability. At June 30, 2016, the Housing Authority of the City of Raton's proportion was .03160 percent, which was changed from its proportion measured as of June 30, 2015 of .0323 percent.

For the year ended June 30, 2017, the Housing Authority for the City of Raton recognized PERA Fund Division Municipal General pension expense of \$25,830. At June 30, 2017, 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:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,225	4,927
Changes of assumptions	29,604	84
Net difference between projected and actual earnings on pension plan investments	92,894	-
Change in proportion and differences between Housing Authority contributions and proportionate share of contributions	-	15,833
Housing Authority contributions subsequent to the measurement date	27,071	-
Total	<u>\$ 174,794</u>	<u>20,844</u>

\$174,794 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, 2016 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:	Amount
2018	\$ 24,707
2019	24,707
2020	54,120
2021	23,345
2022	-
Thereafter	-

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, 2015 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial assumptions	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25 annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 10 years and 2.75% thereafter
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic)

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

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.48 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 GASB 67. Therefore, the 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

PERA Fund Division - Municipal General Division	1% Decrease (6.48)%	Current Discount Rate (7.48)%	1% Increase (8.48)%
Housing Authority for City of Raton's proportionate share proportionate share of the net pension liability	\$ 752,703	\$ 504,861	\$ 299,288

Pension Plan Fiduciary Net Position

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

NOTE 6—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

HOUSING AUTHORITY OF THE CITY OF RATON
Notes to the Financial Statements
For the Year Ended June 30, 2017

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, 2017, 2016 and 2015 were \$5,631, \$5,416, and \$5,325, respectively, which equal the required contributions for each year.

NOTE 7—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:

Liabilities and Casualty		
a.	Coverage	Various, generally tort limits
b.	Insurance agent/company	New Mexico Self Insurers’ Fund
c.	Expiration date	6/30/2017
d.	Premium paid	\$14,196 Property insurance
e.	Premium paid	\$14,528 Liability insurance

Automobile Liability		
a.	Coverage	\$500,000/\$500,000
b.	Insurance agent/company	New Mexico Self Insurers’ Fund
c.	Expiration date	3/19/2018
d.	Premium paid	\$5,589

Workman’s Compensation		
a.	Coverage	Statutory Limits
b.	Insurance agent/company	New Mexico Self Insurers’ Fund
c.	Expiration date	6/30/2017
d.	Premium paid	\$8,333

NOTE 8—INSURANCE PROCEEDS

During 2017, the Authority received insurance proceeds to repair damages incurred during the year. All damages of roofs and vehicles were hail related. The Authority expects more insurance proceeds from the Insurance company. The total damages have not been determined.

NOTE 9—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
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10—UNEARNED REVENUE

Grants received in advance that have not met the requirement of having an eligible cost are classified as unearned revenue. The Housing Authority has the following unearned grant funds at June 30, consist of the following:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Summer Food Program	\$ <u>17,186</u>	<u>12,007</u>

NOTE 11—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 12—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, 2017, the Authority received 54.7% of its total revenue from HUD.

NOTE 13—LEASE COMMITMENTS

The Housing Authority had no lease commitments as of June 30, 2017.

**CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>Other Programs</i>			
Department of Housing and Urban Development			
Public and Indian Housing	14.850		
Public and Indian Housing	14.850	Operation Subsidy Grant-- NM 8-00000116D	269,979
Public and Indian Housing		Operation Subsidy Grant-- NM 8-00000117D	176,868
Total Public and Indian Housing			<u>446,847</u>
Public Housing Capital Fund			
Public Housing Capital Fund	14.872		446,665
Total Public Housing Capital Fund			<u>446,665</u>
<i>Total Department of Housing and Urban Development</i>			<u>893,512</u>
United States Department of Agriculture			
Summer Food Service Program for Children			
Summer Food Service Program for Children	10.559		127,683
Total Summer Food Service Program for Children			<u>127,683</u>
<i>Total United States Department of Agriculture</i>			<u>130,198</u>
<i>Total Other Programs</i>			<u>1,021,195</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,021,195</u>

* = Denotes major program

Reconciliation of federal expenditures to federal revenues:

Federal revenue per Statement of Activities	\$ 995,996
Federal awards expended per SEFA	<u>1,021,195</u>
Difference is due to subsidy that is not based on reimbursement basis.	<u>\$ (25,199)</u>

SELECTED DISCLOSURES:

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2017.

3 - Sub recipients

The organization provided no federal awards presented above to sub-recipients during the year.

4 - Federal Insurance

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

5 - Indirect Cost Rate

The organization did not use the 10 percent de minimis indirect cost rate.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF RATON HOUSING AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>Measurement Date as of</u>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Housing Authority of the City of Raton's proportion of the net pension liability (asset) (%)	0.3160%	0.0323%	0.0341%
Housing Authority of the City of Raton's proportionate share of the net pension liability (asset) (\$)	\$ 504,861	329,326	266,017
Housing Authority of the City of Raton's covered payroll	\$ 283,613	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 payroll	178%	121.29%	101.06%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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 City of Raton will present information for those years for which information is available.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF RATON HOUSING AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 27,071	26,131	25,929
Contributions in relation to the contractually required contribution	<u>27,071</u>	<u>26,131</u>	<u>25,929</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Housing Authority of City of Raton's covered payroll	\$ 283,613	273,621	271,512
Contributions as a percentage of covered payroll	9.55%	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, Housing Authority of City of Raton will present information for those years for which information is available.

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2016.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>.

CITY OF RATON HOUSING AUTHORITY
RATON, NM
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2017

111 Cash - Unrestricted	580,396
100 Total Cash	<u>580,396</u>
122 Accounts Receivable - HUD Other Projects	110,665
124 Accounts Receivable - Other Government	532
125 Accounts Receivable - Miscellaneous	1,065
126 Accounts Receivable - Tenants	549
129 Accrued Interest Receivable	2,274
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>115,085</u>
131 Investments - Unrestricted	609,333
142 Prepaid Expenses and Other Assets	3,443
143 Inventories	15,127
143.1 Allowance for Obsolete Inventories	(756)
150 Total Current Assets	<u>1,322,628</u>
161 Land	253,436
162 Buildings	8,521,438
163 Furniture, Equipment & Machinery - Dwellings	140,048
164 Furniture, Equipment & Machinery - Administration	262,310
165 Leasehold Improvements	1,760,306
166 Accumulated Depreciation	(8,584,714)
167 Construction in Progress	41,393
160 Total Capital Assets, Net of Accumulated Depreciation	<u>2,394,217</u>
180 Total Non-Current Assets	2,394,217
200 Deferred Outflow of Resources	174,794
290 Total Assets and Deferred Outflow of Resources	3,891,639
312 Accounts Payable <= 90 Days	176,140
321 Accrued Wage/Payroll Taxes Payable	209
341 Tenant Security Deposits	27,393
342 Unearned Revenue	18,650
346 Accrued Liabilities - Other	2,183
310 Total Current Liabilities	<u>224,575</u>
357 Accrued Pension and OPEB Liabilities	504,861
350 Total Non-Current Liabilities	<u>504,861</u>
300 Total Liabilities	729,436
400 Deferred Inflow of Resources	20,844
508.4 Net Investment in Capital Assets	2,394,217
512.4 Unrestricted Net Position	747,142
513 Total Equity - Net Assets / Position	<u>3,141,359</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	3,891,639

See Independent Auditor's Report

**CITY OF RATON HOUSING AUTHORITY
RATON, NM**

**FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

	Low Rent	Capital Fund	Total
70300 Net Tenant Rental Revenue	258,011	-	258,011
70400 Tenant Revenue - Other	20,243	-	20,243
70500 Total Tenant Revenue	278,254	-	278,254
70600 HUD PHA Operating Grants	420,670	-	420,670
70610 Capital Grants	-	446,665	446,665
70800 Other Government Grants	128,661	-	128,661
71100 Investment Income - Unrestricted	3,938	-	3,938
71500 Other Revenue	348,186	-	348,186
70000 Total Revenue	1,179,709	446,665	1,626,374
91100 Administrative Salaries	163,198	-	163,198
91200 Auditing Fees	13,374	-	13,374
91400 Advertising and Marketing	802	-	802
91500 Employee Benefit contributions - Administrative	108,917	-	108,917
91600 Office Expenses	91,119	-	91,119
91700 Legal Expense	190	-	190
91800 Travel	12,422	-	12,422
91900 Other	8,847	2,174	11,021
91000 Total Operating - Administrative	398,869	2,174	401,043
92400 Tenant Services - Other	2,565	-	2,565
92500 Total Tenant Services	2,565	-	2,565
93100 Water	7,940	-	7,940
93200 Electricity	11,863	-	11,863
93300 Gas	4,844	-	4,844
93600 Sewer	2,469	-	2,469
93000 Total Utilities	27,116	-	27,116
94100 Ordinary Maintenance and Operations - Labor	164,728	-	164,728
94200 Ordinary Maintenance and Operations - Materials and Other	43,216	-	43,216
94300 Ordinary Maintenance and Operations Contracts	15,331	-	15,331
94500 Employee Benefit Contributions - Ordinary Maintenance	57,663	-	57,663
94000 Total Maintenance	280,938	-	280,938
96110 Property Insurance	14,195	-	14,195
96120 Liability Insurance	14,529	-	14,529
96130 Workmen's Compensation	10,989	-	10,989
96140 All Other Insurance	5,772	-	5,772
96100 Total insurance Premiums	45,485	-	45,485
96210 Compensated Absences	18,720	-	18,720
96300 Payments in Lieu of Taxes	23,056	-	23,056
96400 Bad debt - Tenant Rents	6,031	-	6,031
96000 Total Other General Expenses	47,807	-	47,807
96900 Total Operating Expenses	802,780	2,174	804,954
97000 Excess of Operating Revenue over Operating Expenses	376,929	444,491	821,420
97200 Casualty Losses - Non-capitalized	16,760	-	16,760
97400 Depreciation Expense	285,724	-	285,724
90000 Total Expenses	1,105,264	2,174	1,107,438
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	74,445	444,491	518,936
11030 Beginning Equity	2,622,423	-	2,622,423
11190 Unit Months Available	1,848	-	1,848
11210 Number of Unit Months Leased	1,811	-	1,811
11270 Excess Cash	1,013,341	-	1,013,341
11620 Building Purchases	-	176,820	176,820
11650 Leasehold Improvements Purchases	-	229,192	229,192

See Independent Auditor's Report

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

Mr. Wayne A. Johnson, New Mexico State Auditor and
Board of Directors and Management of
City of Raton Housing Authority

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 City of Raton Housing Authority (Housing Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated February 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing 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 Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2017-001 and 2017-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2017-003, 2017-004, 2017-007, 2017-008, 2017-009 and 2017-010.

The Housing Authority's Response to Findings

The Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing 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

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



Hinkle + Landers, P.C.
Albuquerque, NM
February 16, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mr. Wayne A. Johnson, New Mexico State Auditor and
Board of Directors and Management of
City of Raton Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the City of Raton Housing Authority's (Housing Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2017. The Housing 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Housing 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 Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying

schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-007 and 2017-008. Our opinion on each major federal program is not modified with respect to these matters.

The Housing Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing 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 Housing 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 Uniform Guidance, 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 Housing Authority's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-006 and 2017-008 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, and 2017-007 to be significant deficiencies.

The Housing Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
February 16, 2018

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued

Unmodified

Internal Control over financial reporting:

Material weaknesses identified? X Yes ___ None Reported

Significant deficiencies identified that are
Not considered to be material weaknesses? X Yes ___ None Reported

Non-compliance material to financial statements noted? ___ Yes X None Reported

Federal Awards

Internal Control

Material weaknesses identified? X Yes ___ None Reported

Significant deficiencies identified that are
Not considered to be material weaknesses? X Yes ___ None Reported

Type of auditor’s report issued on major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? X Yes ___ No

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
14.850	Public and Indian Housing	U.S. Dept of Housing and Urban Development

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk Auditee? No

**CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding
Prior Year Findings			
2016 - 001	I-9 Form Compliance	Resolved	C
Current Year Findings			
2017 - 001	CONTROLS OVER BANK ACCOUNTS	Current	B
2017 - 002	FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS	Current	A
2017 - 003	TENANTS FILES LACKING REQUIRED DOCUMENTATION	Current	E, F
2017 - 004	LACK OF DEPOSITORY AGREEMENTS WITH FINANCIAL INSTITUTIONS	Current	E, F
2017 - 005	LACK OF CONTROL OVER DISBURSEMENTS	Current	B
2017 - 006	FEDERAL GRANT MANAGEMENT	Current	D
2017 - 007	INSURANCE PROCEEDS	Current	E, F
2017 - 008	CAPITAL ASSETS	Current	A, E, F
2017 - 009	LATE AUDIT REPORT	Current	C, G
2017 - 010	INTERNAL CONTROL: RECONCILE/MONITOR RHCA PAYMENTS	Current	C, G

*** Legend for Type of Findings**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance Related to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

CURRENT YEAR FINDINGS

2017-001—CONTROLS OVER BANK ACCOUNTS

Type of Finding: B

Statement of Condition

There is no evidence of who the preparer and who is the reviewer of all bank and investment reconciliations. Also, the bank reconciliation book balance for the operating account did not agree to the general ledger for by \$265.15 in the Month of June, 2017. The Authority has 19 bank and CD accounts.

Criteria

Section 6-6-3 NMSA, 1978 discusses the need for the Authority to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect

Without evidence of reviewed and timely reconciled bank statements, the Authority does not have adequate assurance that cash and cash equivalents have been properly safeguarded

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Cause

Per inquiry, the bank and CD reconciliations are prepared by the Authority's fee accountant and reviewed by the Authority's executive director, but not signed off by either party.

Recommendation

The Authority's Accounting Policies and Procedures manual should contain explicit instructions for documenting the preparation and review of bank and CD reconciliations. The instructions should include who will prepare the bank and CD reconciliations and who will review the associated reconciliations. Then these policies should be implemented.

View of Responsible Officials

- i. The auditor's statement of condition states that there is no evidence of who prepares and reviews the bank reconciliations. This claim is categorically incorrect as detailed below. The auditor's statement of condition also states that the bank reconciliation book balance for the operating account did not agree with the general ledger by \$265.15 for June 2017. This is also incorrect. The variance was \$265.19, not \$265.15. Also, this was due to re-issuing a check (Ck. 22581 was replaced with Ck. 23354), and the adjusting journal entry was made during the year-end process. The journal entry is clearly labeled on the GL, and it was provided to the auditor. Further, the variance occurred between the Excel reconciliation and the books. The bank reconciliation done in the accounting software (PHA-Web) was correct. This is the reason why the fee accountant completes the bank reconciliations in two different programs. This is a control measure to catch discrepancies. In this case, the control measure was successful. The variance was corrected prior to closing out the fiscal year.
- ii. The auditor's cause for this finding is not clearly stated. The auditor's statement of cause provides, in his own abbreviated words, the status-quo bank reconciliation process used by the housing authority. Restating the status quo does not show cause, as it does not state a problem with the process. If anything, the auditor's statement of cause implies that a lack of signatures on the bank reconciliations is the problem. Adding a signature to bank reconciliations would not, in and of itself, enhance the accuracy of the bank reconciliations.
- iii. The status-quo process is as follows: The three cash accounts are reconciled on-site by the Executive Director and again by the Housing Authority's fee accounting firm, Housing Solutions Alliance. The fee accountant provides a bank reconciliation on their letterhead with the monthly financial packet. Additionally, the fee accountant completes a bank reconciliation in the PHA-Web accounting software and checks it against the Excel reconciliation to ensure that the bank reconciliation matches the books. The executive director reviews and presents the reports contained within the financial packet, including the externally-prepared bank reconciliation, at the monthly board meetings as evidence of review and agreement. Sufficient proof of preparation and review is available and has been provided.

Corrective Action Plan Timeline:

- i. The three bank accounts are reconciled by the Executive Director and again the Housing Authority Fee Accounting firm of Housing Solutions Alliance, after comparison of the reconciliation from Housing Solutions Alliance and comparison by the Executive Director to the general Ledger, a statement will be submitted to Housing Solutions Alliance from the Executive Director in agreement. Beginning with July 2017.
- ii. The housing authority will adopt a policy that includes the procedures for bank reconciliations. This policy will be adopted during FY18.

Designation of Employee Responsible for Meeting Deadline: The executive director and board members with guidance from the fee accountant upon request

Auditor's Rebuttal

The auditor stands by the accuracy of the "Statement of Condition".

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

2017-002—FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS

Type of Finding: A

Statement of Condition

The Authority maintains its books on a HUD compliant basis throughout the year. As such, certain adjustments are necessary to convert the records to the accrual basis required for the annual audit report. While conducting the audit, adjustments were identified by the auditor as shown below by category were required to be made, in order to present the fund financial statements materially correct. Based on the adjustments made, it was determined that the Authority should improve the effectiveness of its financial close, monitoring, and reporting process. The financial close should include, but not be limited to establishing and implementing procedures to initiate, authorize, record year end accruals. These adjustments are necessary and should be given to the auditor in order to present accurate fund financials in compliance with generally accepted accounting principles.

Adjustments that the auditor proposed during the audit process amounted to follows:

<u>Categories Adjustments Required</u>	<u>Amounts</u>	
	<u>Debits</u>	<u>Credits</u>
Receivables	\$ 110,665	-
PERA - Receivable	-	658
RHC - Receivable	692	-
Capital Assets	122,419	-
Accumulated Depreciation	13,871	-
Construction in Progress	-	327
Accounts Payable	-	146,274
Unearned Revenue	977	-
Deferred Inflows	301,117	-
Net Assets	19,009	-
HUD Capital Grant	-	110,665
CYFD USDA funds	55,862	-
Insurance Proceeds	-	301,117
Personnel Expenses	-	15,195
Personnel Benefit Expenses	-	28,278
Pension Expense	27,071	-
Administrative Expenses	-	1,159
Professional Fees	3,000	-
Supplies	-	35,307
Insurance	-	105
Maintenance and Repairs	-	1,921
Travel	-	1,492
Staff Training	-	487
Depreciation	-	13,871
Non-routine Expenditures	2,173	-
	\$ 656,856	656,856

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Criteria

AU-C 265 Communicating Internal Control Related Matters Identified in an Audit requires the following:

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the review of the financial statements.

Also, preparing accruals that are material to the presentation of the financial statements which includes but is not limited to reconciling equity and adjusting significant areas of the trial balance is considered a significant process of internal control. It should be performed by the Authority's staff/fee accountants or addressed as nonaudit procedures to be performed by the auditor, but all threats to independence must be properly mitigated accordingly to *Government Auditing Standards* independence requirements.

Cause

The Authority has not designed and implemented effective procedures and/or workpapers to ensure a timely and accurate financial close.

Effect

Because these adjustments were made/identified by the auditor, and not by the Authority, it shows an internal control weakness in maintaining the general ledger. The effects are the following:

- Risk of misstatements in the financial statements is significantly high
- Untimely financial reporting
- Increased risk of loss of funding sources

Recommendation

We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls, procedures, and workpapers to ensure timely and accurate financial statements. Asking for nonaudit services and technical advice from the auditor or from someone else when these procedures and adjustments are needed is not considered a control deficiency as long as the staff of the Authority can mitigate the risk of a threat of lack of independence by the auditor. This would entail a person with the proper skills, knowledge and experience initiate the financial close or oversee the auditor's nonattest services in accordance with independence requirements set forth by *Government Auditing Standards*.

In addition, we recommend that the Authority review all trial balances, by fund, prior to providing them to the auditor, during the audit process and when adjustments are proposed, and at the end of the audit to ensure correctness. Additionally, we recommend that the Authority ensure that all proposed adjustments by the auditor are reviewed by key officials and that they are approved, prior to the audit completion.

View of Responsible Officials

The auditor's statement of criteria for this finding implies that year-end accruals and equity roll-forwards were not supplied by the auditee to the auditor. This is categorically false. The authority's procedures and work papers did not prevent a timely close. The auditor's adjustments will be implemented or deemed necessary until approval from governmental oversight.

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Corrective Action Plan Timeline: N/A

Designation Of Employee Position Responsible For Meeting Deadline: N/A

Auditor's Rebuttal

The auditor stands by the accuracy of the "Statement of Condition". All proposed auditor adjustments have been reviewed by the Authority and have been accepted as proposed in the audited financial statements.

2017-003–TENANT'S FILES LACKING REQUIRED DOCUMENTATION

Type of Finding: E, F

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: Low Rent Public Housing Program

CFDA Nos. and Program Expenditures: 14.850

Award Number and Program Award Year: As presented in Schedule of Expenditures of Federal Awards.

Compliance Requirement: Eligibility

Questioned Costs: None

Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Statement of Condition

In our review of 25 tenant's files, we noted the following required HUD forms were missing:

- 2 files did not contain the Lead Acknowledgement form.
- 1 file did not contain the Enterprise Income Verification form.

Criteria

HUD requires PHAs, which administers Public Housing, Section 8 Housing Choice Voucher (including the Disaster Housing Assistance Program), Section 8 Moderate Rehabilitation, and Project-Base Voucher housing programs to have the tenants sign a "Lead Acknowledgment Form" and also EIV (Enterprise Income Verification) forms.

Effect

There is an increased likelihood that ineligible clients will be admitted to the program, and federal regulations may have been violated.

Cause

File reviews did not reveal the missing information. The tenant that did not have the Enterprise Income Verification Form was in the program for a very short time.

Recommendation

We recommend that the files be reviewed and updated to contain all HUD required information.

View of Responsible Officials

- i. 2 files lacking Lead Acknowledgement forms: Both files were from tenants housed in 2000 or before, it may not have been a practice at the time. Raton Housing Authority staff will review all files for lead forms, and any other required HUD forms, by 2/28/2018.
- ii. 1 file lacked EIV Form: As a general practice EIV Forms are not included in the file, unless an interim adjustment is made or at annual re-exam.

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Corrective Action Plan Timeline: Effective immediately.

Designation of Employee: Housing Manager

2017-004–LACK OF DEPOSITORY AGREEMENTS WITH FINANCIAL INSTITUTIONS

Type of Finding: E, F

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: Low Rent Public Housing Program

CFDA Nos. and Program Expenditures: 14.850

Award Number and Program Award Year: As presented in Schedule of Expenditures of Federal Awards.

Compliance Requirement: Special Tests and Provisions

Questioned Costs: None

Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Statement of Condition

During the audit it came to our attention that Authority does not have depository agreements with the financial institutions.

Criteria

PHAs are required to enter into depository agreements with their financial institution using the HUD-51999 (OMB No. 2577-0075) or a form required by HUD in the ACC. The agreements serve as safe guards for Federal funds and provide third-party rights to HUD (Section 9 of the ACC).

Effect

The Housing Authority could be at risk of not being in compliance with U.S. Department of Housing and Urban Development requirements, and risks losing their funding.

Cause

The Authority was not aware of the requirement.

Recommendation

We recommend the Authority have depository agreements with the financial institution as required by HUD.

View of Responsible Officials

All banking institutions will have Depository Agreements in place by February 9, 2018, 3 of 4 banking institutions, have them in place as of 1/30/2018, Executive Director has this task. The auditor stated via email on Tuesday, January 30th that this finding would be removed.

Corrective Action Plan Timeline: February 9, 2018.

Designation Of Employee Position Responsible For Meeting Deadline: Executive Director

Auditor's Rebuttal

The auditor cannot remove valid findings. The Authority may be referring to another draft finding that was resolved.

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

2017-005–LACK OF CONTROL OVER DISBURSEMENTS

Type of Finding: B

Statement of Condition

During our review of 25 random disbursements we noted the following:

- 8 out of 25 disbursements were not approved by an authorized employee or board member.
- Reimbursements to the Executive Director (ED) and payment of the ED's credit card, were approved by the ED.
- For 1 out 25 disbursements, the amount paid did not match the backup documentation (check for the Retiree Health insurance was for \$683.08 but the amount on the backup documentation was \$691.68).
- 1 out of 25 disbursements had no backup documentation (the payment was for utilities reimbursement for tenants).

Criteria

Disbursements should be properly supported by receipt of merchandise and transactions, disbursements should be correctly notated with reasonable general ledger account, check stubs and supporting documentation should be attached to original invoices, and checks should only be signed by personnel authorized as a signatory on the account.

Effect

There is an increased risk of the possibility of misstated financial statements due to loss from fraud or error.

Cause

The Authority has not instituted controls to ensure supporting documentation is always present.

Recommendation

The Authority should maintain sufficient documentation to support the disbursement and all disbursements should be signed by authorized signatories.

View of Responsible Officials

- i. All Disbursements are reviewed by the Executive Director and one or more board members. The Board Chairman usually reviews all disbursements when feasible. All disbursements for the month are approved at the Monthly Board Meeting by the entire Board of Commissioners. As of January 1, 2018, additional supporting documentation will also be approved by an authorized employee or board member. Executive Director will verify this.
- ii. Reimbursements to the Executive Director are reviewed by the Board Chairman. As of January 1, 2018, the Board Chairman will sign off on all transactions regarding the Executive Director including use of the Executive Director's credit card.
- iii. HUD-50058 Form utility reimbursements and the rental register should be reviewed as support for tenant utility reimbursements and were available. The tenant utility reimbursements are generated by our Lindsey software, from information submitted on HUD form HUD-50058. More time in the field reviewing tenant files by the Auditor would recommend in order to verify this information. The HUD representative confirmed that utility reimbursement checks do not generally contain separate supporting documents aside from the documents provided as detailed above.
A sample of 25 disbursements carries with it substantial sampling risk due to the size of the population. The auditor did not use statistical sampling, thus the risk associated with the small

CITY OF RATON HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

sample size cannot be accurately quantified. The auditor has the right to determine their sample size, but we do not believe the sample is representative of the population. The auditor did not specify which sampling method was used. The audit finding only states that statistical sampling was not used.

Corrective Action Plan Timeline: January 1, 2018

Designation Of Employee Position Responsible For Meeting Deadline: Executive Director

2017-006–FEDERAL GRANT MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: All programs identified on the Schedule of Expenditures of Federal Awards (SEFA)

CFDA Nos. and Program Expenditures: All CFDA #s presented on the SEFA

Award Number and Program Award Year: As presented in SEFA.

Compliance Requirement: Other – Schedule of Expenditures of Federal Awards preparation

Questioned Costs: None

Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Type of Finding: D

Statement of Condition

The federal revenues were unable to be reconciled to the federal expenses during the audit. As a result, there is an outstanding difference of \$189,028 which is shown on the Schedule of Federal Expenditures (SEFA), reconciliation of federal expenditures to federal revenue. Additionally, the SEFA was not reconciled to the GL prior to the auditor receiving it. As a result, the auditor proposed multiple adjustments in order to adjust the GL to the correct receivable and revenue balances per the SEFA. Finally, it was noted that the SEFA was understated by \$189,028. It has since been corrected and adjustments have been made to federal revenues and receivables.

Criteria

For HUD capital grants, revenue is recognized under GASB 33 and based on allowable grant expenditures.

Also, 2 CFR 200.510 indicates that the auditee must prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 200.502 Basis for Determining Federal Awards Expended. Per 2 CFR 200.502 the determination of when a Federal award is expended should be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards. In addition, 2 CFR Part 200.303 requires the program establish and maintain effective internal controls over Federal awards that provides reasonable assurance of compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

Effect

Without an established process governed by effective internal controls, the Authority may not prevent or detect material misstatements on its SEFA in a timely manner. In addition, the errors could result in improper selections of major program(s) for the single audit, and a substandard single audit.

Cause

The Authority does not have an effective process to ensure that the SEFA is accurate.

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Recommendation

We recommend that the Authority reconcile the SEFA to GL as a yearend financial close procedure. Also, the Authority needs to review all reimbursements in July and the next fiscal year, to ensure all FY17 expenditures are captured in the SEFA and in GL according to the proper GASB and HUD requirements.

View of Responsible Officials

- i. A grant expenditure for the auditor's \$110,665 adjustment was not allowable until FY18 according to New Mexico State contract law and HUD's capital fund guide book. Specific legal references were supplied by the fee accountant to the auditor on 12/18/17. The auditor has chosen to reject HUD's guidance, will take this under review.
- ii. The housing authority is in compliance with 2 CFR 200.510, which states "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended." This criteria was met. The data collection form (DCF) in the REAC FASS-PH submission contains a schedule for "Total Federal Awards Expended Details". This is sufficient for the federal agency (HUD).
- iii. The SEFA is already reconciled to the GL during the year-end process.
- iv. The auditor's supporting documents state that "all expenses are not trackable to the GL". All of the applicable expenses are on the GL, and the GL was provided to the auditor. The supporting document also recommends that expenses paid for with operating subsidies should be tracked separately from other funds in the operating account. This is not required or suggested by HUD, and this recommendation will not be implemented.

The basis of this finding is due to the difference in HUD's guidance and the auditor's opinion. HUD's guidance supersedes the auditor's opinion, and HUD's guidance will be followed.

Corrective Action Plan Timeline: N/A

Designation Of Employee Position Responsible For Meeting Deadline: N/A

Auditor's Rebuttal

The auditor stands by the accuracy of the "Statement of Condition". The auditor researched extensively GASB 33 and the GASB implementation guide related to the accruals and found supporting evidence to support our proposed adjustment. We also discussed this issues with the US Department of HUD Community Capacity Liaison, Public Housing Revitalization Specialist. We believe the New Mexico State contract law and HUD's capital fund guide book that the Authority is referring to provide guidance about how to handle vendor procurement and not accrual accounting under GASB requirements.

2017-007-INSURANCE PROCEEDS

Type of Finding: E, F

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: Low Rent Public Housing Program

CFDA Nos. and Program Expenditures: 14.850

Award Number and Program Award Year: As presented in Schedule of Expenditures of Federal Awards.

Compliance Requirement: Special Tests and Provisions

Questioned Costs: None

Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

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Statement of Condition

During the audit, it came to our attention that the Authority:

1. placed insurance proceeds in the operating account instead of a restricted cash account of the operating account.
2. did not record the unspent insurance proceeds as restricted cash or restricted investments on the FDS up to the amount of the repair. As of June 30, 2017, the Authority had \$301,117.10 in unspent insurance proceeds.

Criteria

Notice PIH 2016-13 issued by the US Department of Housing and Urban Development Office of Public and Indian Housing provides guidance regarding procedures to be followed in the event of a casualty, as well as use restrictions, reporting requirements on insurance proceeds, and eligible uses related to casualties for Operating or Capital Funds.

1. Unspent insurance proceeds must be in a restricted cash account
2. Unspent insurance proceeds normally are recorded as cash or restricted investments on the FDS up to the amount of the repair.

Effect

The Housing Authority could be at risk of being out of compliance with U.S. Department of Housing and Urban Development requirements, and risks losing their funding.

Cause

Staff was not aware of the rules related insurance proceeds since they did not have similar events in the past.

Recommendation

We recommend the Authority follow the requirements as stated under "Criteria".

View of Responsible Officials

- i. The Executive Director has inquired with HUD what the requirements are. No form of written or verbal approval is required by HUD, and the Housing Authority has been in contact with the insurance carrier and adjuster. There is no formal requirement regarding the time line for the repairs.
- ii. The auditor is only correct in stating that the proceeds should have been reported as restricted funds, and this is the only recommendation that will be implemented.

Corrective Action Plan Timeline:

Effective in FY18

Designation Of Employee Position Responsible For Meeting Deadline:

Executive Director and Fee Accountant

Auditor's Rebuttal

The auditor stands by the accuracy of the "Statement of Condition". We removed the comment related to the requirement of written or verbal approval during the draft finding process after corresponding with the US Department of HUD Community Capacity Liaison, Public Housing Revitalization Specialist.

2017-008 –CAPITAL ASSETS

Federal Agency: U.S. Department of Housing and Urban Development

Program Name: All programs identified on the Schedule of Expenditures of Federal Awards (SEFA)

CFDA Nos. and Program Expenditures: All CFDA #s presented on the SEFA

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Award Number and Program Award Year: As presented in SEFA.

Compliance Requirement: Property and Equipment

Questioned Costs: None

Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Type of Finding: A, E, F

Statement of Condition

During our testing of capital assets we identified the following

1. Related to the financial statements:
 - a) The schedule of additions of capital assets was understated by \$283,403.40.
 - b) The capital assets detail ledger provided to us was understated by \$536,613.41
 - c) Depreciation was calculated on additions for the entire year for assets placed in use during the year or at year end.
 - d) \$146,274 in construction in progress was unrecorded and therefore needed to be added to the capital asset list.

2. Related to internal controls and compliance over expenditures of Federal awards used to purchase capital assets:

The capital assets listing we received contained descriptions of the property but did not include: a serial number or other identification number or the source of funding of the property including the Federal award identification number.

Criteria

1. Capital assets are a significant part of the Authority's financial statements and should be tracked in a system where there are controls to ensure accuracy. The capital assets should then be reviewed for accuracy before given to the auditor.
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).

Effect

1. Due to inaccuracies identified in the capital asset listing, there is the risk that capital assets and the financial statements as a whole will be materially inaccurate. Also, the auditors spent an inordinate number of hours identifying errors in order to present the capital assets in the financial statements accurately.
2. The Authority appears to not be in compliance with 2 CFR section 200.313(d)(1)).

Cause

1. The Authority maintains its capital assets in a Microsoft Excel spreadsheet that tracks the assets by category, but the tracking was not monitored accurately. In addition, the spreadsheet contains

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formulas that automated depreciation which was not reviewed and therefore created significant inaccuracies.

2. It appears the Authority has not instituted controls necessary to be in compliance with 2 CFR section 200.313(d)(1)).

Recommendation

We recommend the Authority ensure procedures are put in place, implemented and followed to ensure that all capital assets are accurately accounted for and properly depreciated. This includes not depreciating assets that are part of construction in progress. Lastly, ensure the capital asset detail agree to the general ledger accounts by their proper capital asset categories. We also recommend the Authority take action to ensure it is in compliance with Federal regulations.

View of Responsible Officials

- i. The schedule of capital asset additions is not something we typically prepare, and it was provided to the auditor as a courtesy. It reflects capital asset additions only for the low rent program, and the 2013 CFP, which was closed into the main asset schedule. This only reflects changes to the main asset accounts, and it does not include CFP additions. The auditor was not specific in their request, so stating that material inaccuracies exist in a schedule prepared and delivered as a courtesy is misleading. Additionally, CFP reconciliations and CFP summary roll-forwards were provided to the auditor. The CFP summary roll-forwards show capital assets and soft costs separately. The auditor should have also reviewed these documents, as capital assets are commonly purchased using proceeds from CFPs (Capital Funds Programs).
- ii. The fee accountant provided the auditor with multiple schedules that reflect capital asset details, as each CFP is tracked separately from the main capital asset schedule until the capital fund is closed.
- iii. Historical precedent was used to make this decision. GASB #34 is not specific to HUD. Further, different auditors have different opinions on which convention to use. The authority has been consistent with its depreciation application.
- iv. The \$146,274 construction in progress belongs in FY18, but will be under review.
- v. The auditor states that formulas used to automate depreciation were not reviewed. Review of the depreciation schedule is a listed item on the fee accountant's internal year-end supervisory checklist. Proof of review was remitted with return of physical work from authority.
- vi. The auditor states in the "Statement of Condition" that depreciation expenses should not be calculated for an entire year when the asset is placed in use during the same year. However, the auditor fails to advise which convention (i.e. ½ year, full month, etc.) should be used. It is very difficult to implement advice that isn't given.
- vii. The auditor also does not mention in the "Statement of Condition" that assets classified as construction in progress were depreciated. Instead, the auditor states that \$146,274 construction in progress was unrecorded. The recommendation does not match the statement of condition, but will be reviewed.
- viii. The auditor's supporting schedules for the depreciation adjustments are incorrect. The audit finding correctly states that construction in progress should be reported as such. However, the depreciation detail schedule provided by the auditor erroneously depreciates assets that should be categorized as construction in progress. This does not align with the auditor's recommendation.
- ix. The housing authority and fee accountant will review capital asset and depreciation schedules/procedures to ensure accuracy moving forward.

Corrective Action Plan Timeline: FY18

Designation Of Employee Position Responsible For Meeting Deadline: Executive Director and Fee Accountant

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Auditor's Rebuttal

The auditor stands by the accuracy of the this finding.

2017-009–LATE AUDIT REPORT

Type of Finding: C, G

Statement of Condition

The audit report for the Authority fiscal year ended June 30, 2017 was not submitted by the September 30, 2017 due date. The audit report was submitted February 26, 2018.

Criteria

OSA Rule 2.2.2.10.I.(4) establishes a due date of September 30, 2017 for submission of this audit report to the Office of the State Auditor.

Effect

The report was not submitted as required. Without the audit report being delivered on time, fund and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

Cause

A significant number of key deliverables needed to conduct the audit were not received in accurate form, by the mutually agreed upon deliverable due dates.

Recommendation

We recommend the Authority submit the required deliverable in accurate form and in time for the auditors to complete their procedures to ensure a timely completion of the annual audit.

View of Responsible Officials

- a. The Executive Director will inquire with the auditor as to what type of format is required by the Auditor, in order for the Audit to Submitted by the Deadline required.
- b. The auditor made first contact with the fee accountant on 9/18/17. All files were uploaded by the fee accountant to the auditor's server on or before 9/21/17.
- c. After the initial requests by the auditor, more requests for information were made after the 9/30 deadline and as late as 1/12/18.
- d. The Auditor contract was awarded on June 21, 2017, with Audit Contract signed by the Housing Authority July 28, 2017, signed by the Auditor August 8, 2017. From the beginning of the Audit Process the communication has been poor from the Auditor, three different anticipated Audit submission time lines have gone and past to date.

Corrective Action Plan Timeline: The Housing Authority will procure a different Audit Firm for next year's Audit, which we feel has a better understanding of HUD programs and procedures.

Designation Of Employee Position Responsible For Meeting Deadline: Executive Director

Auditor's Rebuttal

The auditor stands by the accuracy of the finding. The auditor sent the audit assistance list (PBC list) a week after we were notified we were awarded the audit and we required numerous requests for accurate deliverables throughout the entire audit process.

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2017-010—INTERNAL CONTROL: RECONCILE/MONITOR RHCA PAYMENTS

Type of Finding: C, G

Statement of Condition

The Authority is not reconciling payroll to what is being remitted to the Retiree Health Care Authority (RHCA) and the Authority is not ensuring 100% of payroll is being reported to RHCA. Furthermore, the Authority is not ensuring the amount being withdrawn from RHCA is correct.

Criteria

Per the New Mexico State Audit Rule and Retiree Health Care Act, 10-TC-1 to 10-7C-19 NMSA, IPAs shall test to ensure one hundred percent of payroll is reported to NMRHCA. NMRHCA employer and employee contributions are set forth in Section 10-7C-15 NMSA 1978.

Effect

Failure to ensure the proper amount is remitted to RHCA could lead to potential overpayment or underpayment which in turn could lead to late penalty fees and improper allocations to participants.

Cause

Controls have not been implemented to ensure RHCA payments are correct.

Recommendation

The Authority should ensure RHCA payments are reconciled each pay period to ensure the payment remitted is correct. In addition, the RHCA payments should be reconciled as a whole to the payroll to ensure the payroll reported to RHCA is accurate.

View of Responsible Officials

- a. All payments to Retiree Health Care Authority will be compared to against payroll as of 2/1/2018, by the Executive Director; currently the Housing Manager is reviewing the submissions.
- b. This finding is a duplicate. It is also listed as part of 2017-005-Lack of Controls over Disbursements.
- c. The housing authority will correspond with the State to correct future calculations.

Corrective Action Plan Timeline: 2/1/2018

Designation Of Employee Position Responsible For Meeting Deadline: Executive Director

CITY OF RATON HOUSING AUTHORITY
Exit Conference
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An Exit Conference was held in a closed session on February 16, 2018 and attended by the following:

Representing the City of Raton Housing Authority:

John Duran, Chairman
Terry Baca, Executive Director

Representing Hinkle + Landers, PC:

Farley Vener, CPA, CFE, CGMA President & Managing Shareholder

FINANCIAL STATEMENTS

The financial statements of the City of Raton Housing Authority as of June 30, 2017, were substantially prepared by Hinkle + Landers, PC, however the financial statements are the responsibility of management.