

**STATE OF NEW MEXICO  
CITY OF RATON HOUSING AUTHORITY**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**





## **INTRODUCTORY SECTION**



**STATE OF NEW MEXICO  
CITY OF RATON HOUSING AUTHORITY**

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FOR THE YEAR ENDED JUNE 30, 2019

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**STATE OF NEW MEXICO  
CITY OF RATON HOUSING AUTHORITY**

**Board of Commissioners and Management  
June 30, 2019**

**Board of Commissioners**

Chairperson	Ferman Ulibarri
Vice-Chairperson	Terri Segotta
Commissioner	Victor Romero
Commissioner	Margaret Evans
Commissioner	John Duran

**Administrative Officials**

Executive Director	Terry Baca
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**FINANCIAL SECTION**







## INDEPENDENT AUDITOR'S REPORT

Brian Colon, New Mexico State Auditor  
The Office of Management and Budget  
To the Commissioners and Authority Commissioners  
City of Raton Housing Authority  
Raton, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the City of Raton Housing Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Require Supplementary Information*

Accounting principles generally accepted in the United States of America also require that the Management's Discussion and Analysis on pages 3-8 and the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on page 29 and the Net OPEB Liability and Schedule of Contributions on page 30 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standard Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Title 2 U.S. Code Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, introductory, the Financial Data Schedule (FDS) and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of federal awards, the Financial Data Schedule (FDS) and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards, the Financial Data Schedule (FDS) and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

McCabe Group, LLC

*McCabe CPA Group, LLC*

Albuquerque, NM  
September 30, 2019



The management of Housing Authority of Raton, NM presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2019. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

## **FINANCIAL HIGHLIGHTS**

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$2,585,090 at the close of the fiscal year ended 2019.
  - ✓ Of this amount \$2,248,002 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
  - ✓ The remainder of \$337,088 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 25% of the total operating expenses of \$1,324,820 for the fiscal year 2019, which means the Authority might be able to operate about 4 months using the unrestricted assets alone, compared to 3 months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$283,635, a 10% decrease from the prior fiscal year 2018.
- The decrease in net position of these funds was accompanied by an increase in unrestricted cash by \$77,957 from fiscal year 2018.
- The Authority Spent \$12,746 on capital asset additions.
- These changes led to a decrease in total assets by \$204,193 and an increase in total liabilities by \$96,195. As related measure of financial health, there are still over \$17 of current assets covering each dollar of total current liabilities, which compares to \$18 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2019?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Fund Financial Statements**

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

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

**USING THIS ANNUAL REPORT**

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

Public Housing Capital Fund Program	\$ 39,928
Low Rent Public Housing	503,628
Total funding received this current fiscal year	<u>\$ 543,556</u>

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

**Reporting the Housing Authority's Most Significant Funds**

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

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

**FINANCIAL ANALYSIS**

The Housing Authority's net position was \$2,585,090 as of June 30, 2019. Of this amount, \$2,248,002 was invested in capital assets and \$337,088 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general net position.

Housing Authority of Raton, NM

Management's Discussion and Analysis (MD&A)

June 30, 2019

*Tentative and Preliminary Report Pending Completion of Audit*

**CONDENSED FINANCIAL STATEMENTS**

**Condensed Statement of Net Position**

**As of June 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets	\$ 1,249,979	\$ 1,187,123
Capital assets, net of depreciation	2,248,002	2,555,888
Total assets	<u>3,497,981</u>	<u>3,743,011</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred payments to government assistance programs	<u>125,659</u>	<u>84,822</u>
<b>LIABILITIES</b>		
Current liabilities	73,244	66,180
Non-current liabilities	869,239	780,108
Total liabilities	<u>942,483</u>	<u>846,288</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenues from government assistance programs	<u>96,067</u>	<u>112,820</u>
<b>NET POSITION</b>		
Invested in capital assets, net of depreciation	2,248,002	2,555,888
Unrestricted net position	337,088	312,837
Total net position	<u>\$ 2,585,090</u>	<u>\$ 2,868,725</u>

The net position of these funds decreased by \$283,635, or by 10%, from those of fiscal year 2018, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Housing Authority of Raton, NM

Management's Discussion and Analysis (MD&A)

June 30, 2019

*Tentative and Preliminary Report Pending Completion of Audit*

**CONDENSED FINANCIAL STATEMENTS (Continued)**

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position  
Fiscal Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Tenant Revenue	\$ 350,954	\$ 320,411
HUD grants for operations	539,237	522,165
Other non-tenant revenue	59,344	76,146
Other government grants for operations	-	117,420
Total operating revenues	<u>949,535</u>	<u>1,036,142</u>
<b>OPERATING EXPENSES</b>		
General	262,790	98,501
Ordinary maintenance and repairs	330,546	263,131
Administrative expenses and management fees	271,781	400,254
Utilities	43,727	31,480
Tenant services	1,725	1,752
Casualty Loss	93,620	-
Depreciation	320,631	304,224
Total operating expenses	<u>1,324,820</u>	<u>1,099,342</u>
Income (losses) from operations	<u>(375,285)</u>	<u>(63,200)</u>
<b>NON-OPERATING REVENUES</b>		
Interest income	14,403	5,095
Gains from sale or disposal of assets	72,928	-
Total non-operating revenues	<u>87,331</u>	<u>5,095</u>
Income (losses) before capital contributions	<u>(287,954)</u>	<u>(58,105)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>4,319</u>	<u>-</u>
<b>CHANGES IN NET POSITION</b>	<u>(283,635)</u>	<u>(58,105)</u>
<b>NET POSITION - BEGINNING</b>	2,868,725	2,926,830
<b>NET POSITION - END</b>	<u>\$ 2,585,090</u>	<u>\$ 2,868,725</u>



## **EXPLANATIONS OF FINANCIAL ANALYSIS**

Compared with the prior fiscal year, total operating and capital contributions decreased \$82,288 from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$30,543 from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income. Included in this total is other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) which increased by \$4,366.
- Federal revenues from HUD for operations decreased by \$100,348 from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant.
- Federal Capital Funds from HUD increased by \$4,319 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2016 through 2018, and submitted a new grant during fiscal year 2019.
- Total other operating revenue decreased by \$16,802, interest income increased by \$9,308 and gains on sales of assets increased by \$72,928 from the prior fiscal year.

Compared with the prior fiscal year, total operating expenses increased \$225,478, or by 21%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$16,407 from that of the prior fiscal year.
- Maintenance and repairs increased by \$67,415 from that of the prior fiscal year due to changes in the following: Repair staff wages increased by \$15,047 and related employee benefit contributions increased by \$3,381. Materials used increased by \$47,612 and contract labor costs increased by \$1,375.
- General Expenses increased by \$164,289 from that of the prior fiscal year. Payments in lieu of taxes (PILOT) increased by \$1,414. PILOT is calculated as a percentage of rent minus utilities and therefore changed proportionately to the changes in each of these. Insurance premiums increased by \$5,336, other general expenses increased by \$153,419 and bad debts increased by \$1,957. Lastly, compensated absences increased by \$2,163.
- Administrative Expenses decreased by \$128,473 from that of the prior fiscal year due to a combination of factors. Administrative staff salaries increased by \$7,334 and related employee benefit contributions decreased by \$45,353; therefore, total staff salaries and benefit costs decreased. Outside professional fees changed as follows: audit fees increased by \$329 and legal fees decreased by \$970. In addition, staff travel reimbursements increased by \$255, office expenses increased by \$10,875 and sundry expenses decreased by \$100,943.
- Utilities Expense increased by \$12,247 from that of the prior fiscal year because water cost decreased by \$152, electricity cost increased by \$5,437, gas cost increased by \$6,422, and other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) increased by \$540.
- Total Tenant Services decreased by \$27 from that of the prior fiscal year.
- Casualty losses increased by \$93,620 from that of the prior fiscal year.

Housing Authority of Raton, NM

Management's Discussion and Analysis (MD&A)

June 30, 2019

***Tentative and Preliminary Report Pending Completion of Audit***

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2019, the Housing Authority had a total cost of \$12,347,284 invested in a broad range of assets and construction in progress from projects funded in 2016 through 2016, listed below. This amount, not including depreciation, represents increases of \$12,746 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Statement of Capital Assets**

**As of June 30, 2019**

	<u>2019</u>	<u>2018</u>
Land	\$ 258,436	\$ 258,436
Buildings	9,476,831	9,472,510
Leasehold improvements	2,175,183	2,175,183
Furniture and equipment	436,834	428,409
Accumulated Depreciation	(10,099,282)	(9,778,650)
Total	<u>\$ 2,248,002</u>	<u>\$ 2,555,888</u>

As of the end of the 2019 fiscal year, the Authority is still in the process of completing HUD grants of \$287,025 obtained during 2016 fiscal year. A total remainder of \$80,119 will be received and spent for completing these projects during fiscal year 2020.

**Debt**

Non-current liabilities also include accrued annual leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

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

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2020 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**

Exhibit A

STATEMENT OF NET POSITION  
 JUNE 30, 2019

**ASSETS**

*Current assets:*

Cash and cash equivalents	\$	538,002
Certificates of deposit		613,347
Accounts receivable - tenants		2,093
Accounts receivable - other		2,621
Inventory		20,593
Prepaid assets		4,904
Restricted cash and cash equivalents		31,826
Restricted certificate of deposits		36,592

*Non-current assets:*

Land, structures, and equipment (net of accumulated depreciation)		2,248,006
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*Deferred Outflow of Resources*

Deferred Outflows - Pension		118,911
Deferred Outflows - RHCA		-
<i>Total assets and deferred outflow of resources</i>		3,616,895

**LIABILITIES**

*Current liabilities :*

Accounts payable	\$	33,352
Accrued salaries and benefits		2,371
Unearned or unavailable revenue-prepaid rents		5,695

*Current liabilities (payable from restricted assets)*

Tenant deposits		31,826
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*Non-current liabilities :*

Net pension liability - Pension		535,708
Net pension liability - RHCA		278,730

*Deferred Inflow of Resources*

Deferred Inflows - Pension		20,156
Deferred Inflows - RHCA		115,629
<i>Total liabilities</i>		1,023,467

**NET POSITION**

Net investment in capital assets		2,248,006
Unrestricted		345,422
<i>Total net position</i>		2,593,428

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**

Exhibit B

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019

<i>Operating revenues:</i>	
Charges for services	\$ 350,954
Operating grants	503,628
Summer Food Program	72,928
Miscellaneous	(35,491)
<i>Total operating revenues</i>	<u>892,019</u>
 <i>Operating expenses:</i>	
Administration	55,853
Tenant services	11,879
Utilities	43,727
Ordinary maintenance and operations	67,652
Personnel services - salaries and benefits	544,326
Capital fund expense	140,990
Insurance expense	51,935
Other general expenses	58,196
Depreciation	320,626
<i>Total operating expenses</i>	<u>1,295,184</u>
 <i>Operating loss</i>	 <u>(403,165)</u>
 <i>Non-operating revenues(expenses):</i>	
Interest income (expense)	14,403
Gain/(loss) on vacated tenants	(7,304)
Capital grants	120,770
<i>Total non-operating revenues</i>	<u>127,869</u>
 <i>Change in net position</i>	 <u>(275,296)</u>
 <i>Total net position - beginning of year</i>	 2,868,724
<i>Prior period adjustment (Note 13)</i>	-
<i>Total net position - beginning of year (adjusted)</i>	<u>2,868,724</u>
 <i>Total net position - end of year</i>	 <u><u>\$ 2,593,428</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**

Exhibit C

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 960,834
Cash paid to suppliers and employees	(953,205)
<i>Net cash used for operating activities</i>	7,629
 <i>Cash flows used by capital financing activities:</i>	
Acquisition and construction of capital assets	(12,749)
Intergovernmental HUD capital subsidy	120,770
Gain/(loss) on vacated tenants	(7,304)
<i>Net cash used for capital financing activities</i>	100,717
 <i>Cash flows from investing activities:</i>	
Interest received	14,403
<i>Net decrease in cash and cash equivalents</i>	122,749
<i>Cash and cash equivalents - beginning of year</i>	1,097,018
<i>Cash and cash equivalents - end of year</i>	\$ 1,219,767
 <i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (403,165)
Depreciation	320,626
 Adjustments to reconcile operating loss to net cash used for operating activities:	
(Increase) decrease in accounts receivable	49,905
Increase (decrease) in unearned revenue	1,507
(Increase) decrease in inventory	(609)
(Increase) decrease in prepaids	10,604
Increase (decrease) in accounts payable	9,097
Increase (decrease) in accrued expenses	(1,858)
Increase (decrease) in deferred outflows	(34,089)
Increase (decrease) in deferred inflow	22,965
Increase (decrease) in pension liability	89,131
Increase (decrease) in RHCA liability	(54,801)
Increase (decrease) in tenant security deposits	(1,684)
<i>Net cash used for operating activities</i>	\$ 7,629

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
CITY OF RATON HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Note 1. Summary of Significant Accounting Policies**

The City of Raton Housing Authority (the Authority) was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD). The agreement is to provide a conduit for housing funds for disadvantaged New Mexicans.

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 the program, decent, safe and sanitary housing is made available to families having income 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 (LAH) governed by an appointed board of commissioners who employ an administrative staff headed by an executive director.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The Authority has implemented Governmental Accounting Standards Board (GASB) statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2019. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures unless those pronouncements conflict with or contradict GASB pronouncements.

The objective of GASB Statement No. 77 is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with financial-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them and (d) financial position and economic condition and how they have changed over time. The pronouncement is effective as of June 30, 2019. The Authority is not a recipient of significant property tax revenues assessed, calculated and collected by Colfax County. The County is responsible and makes the determination of all individual tax abatements, if any. As of June 30, 2019, the Authority is not aware of tax abatement programs entered by the County which may have a financial effect on the property tax revenue received and due the Authority.

**A. Financial Reporting Entity**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the financial reporting entity was made by applying the criteria set forth in GASB #14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

**STATE OF NEW MEXICO**  
CITY OF RATON HOUSING AUTHORITY  
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**Note 1. Summary of Significant Accounting Policies (Continued)**

A. *Financial Reporting Entity*

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority does not have a component unit.

B. *Basis of Presentation*

All of the Authority's programs are accounted for as business-type activities using proprietary (enterprise) funds for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary.

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 expense are recorded at the time liabilities are incurred. It is the Housing Authority's policy to first apply restricted resources when an expense is incurred for 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.

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

GASB No. 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.



**STATE OF NEW MEXICO**  
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**Note 1. Summary of Significant Accounting Policies (Continued)**

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

***Deferred outflows of resources*** – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

***Deferred inflows of resources*** – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

***Net Position*** – The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's operating revenues consist primarily of charges for services and operating grants. Operating expenses include administration, utilities and ordinary repairs and maintenance expenses as well as general expenses, housing assistance payments, and depreciation expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary funds and the component unit. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

As a general rule, the effect of interfund activity has been eliminated from the proprietary financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Under the HCV program amounts received from HUD to housing assistance payments (HAP) can only be used to pay for current year activities.

D. *Assets, Liabilities, and Equity*

**Cash and Cash Equivalents**

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations. Certificates of deposit with financial institutions are stated at cost, which approximates their market value.

New Mexico Statutes require that financial institutions with public monies on deposit to pledge collateral to the owner of such public monies in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Schedule II).

**Accounts Receivable**

All trade receivables and tenant receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

**STATE OF NEW MEXICO**  
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**Note 1. Summary of Significant Accounting Policies (Continued)**

D. *Assets, Liabilities, and Equity*

**Inventory**

Inventories are valued at lower of average cost or market.

**Prepaid Items**

Prepaid balances are for payments made by the Authority in the current year to provide services that are applicable to future accounting periods.

**Land, Structures and Equipment**

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at the time the contribution is made. Repairs and maintenance are recorded as expenses, while renewals and betterments are capitalized. Assets capitalized have an original cost of \$2,500 or more, per section 12-6-10 NMSA 1978, and a useful life of more than one year. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the Authority's capital assets reported in the basic financial statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Buildings and improvements	33 years
Leasehold improvements	15 years
Computer and software	3 years
Vehicles & Equipment	5 years
Appliances	3 years

**Accounts Payable**

Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Accrued Expenses**

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current maturities of compensated absences, discussed more fully below.

**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.

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**Note 1. Summary of Significant Accounting Policies (Continued)**

D. *Assets, Liabilities, and Equity (Continued)*

**Postemployment Benefits Other Than Pensions (OPEB).** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences**

The Authority's policy does not allow employees to accumulate vacation and sick pay after year-end, therefore, there is no compensated absences liability.

**Cash Flows**

For the purpose of the statement of cash flows, the Authority and its component unit consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Authority's financial statements include management's estimate of the useful lives of capital assets.

**Net Position**

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction and improvement of the assets: debt related to the unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as: lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net assets not included in the above categories.

**Restricted Assets**

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned. The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments. Such contributions are reflected as operating grants in the accompanying financial statements.

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**Note 1. Summary of Significant Accounting Policies (Continued)**

E. *Budgets*

The Authority adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net position. The Authority does not budget for depreciation expense.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Authority's Board of Directors for approval.
5. The Board of Directors approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level. The Authority submitted its budget to the State of New Mexico Department of Finance and Administration.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Project's financial statements include management's estimate of the useful lives of capital assets.

**Note 2. Deposits and Investments**

State statutes authorize the investment of the Authority's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Authority or political subdivision of the State of New Mexico.

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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 a public unit in 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.

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

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

- a) Bonds or negotiable securities of the United States, the state or any county, municipality or town which has a taxable valuation of real property for the preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government; or
- c) In contracts with banks, savings and loans 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 6-10.1 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.

### **Deposits**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution. The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Authority's deposits.

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**Note 2. Cash and Cash Equivalents (Continued)**

The pledged collateral requirements for the Authority is detailed below:

	<b>International Bank</b>	<b>1<sup>st</sup> National Bank</b>	<b>State Farm Bank</b>	<b>1<sup>st</sup> National Bank of Trinidad</b>	<b>Total</b>
Total amount of deposits	\$ 915,022	\$ 100,000	\$ 44,233	\$ 235,000	\$ 1,294,255
FDIC Coverage	( 250,000)	( 100,000)	( 44,233)	( 235,000)	( 629,233)
Total uninsured public funds	665,022	0	0	0	665,022
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	( 662,019)	( 0)	0	0	( 662,019)
Uninsured and uncollateralized	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Collateral requirement (50% of uninsured public funds)	\$ 332,511	\$ 0	\$ 0	\$ 0	\$ 332,511
Total pledged collateral	( 662,019)	( 0)	0	0	( 662,019)
Total (over) under requirement	<u>\$( 329,508)</u>	<u>\$( 0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$( 329,508)</u>

At June 30, 2019, the carrying amount of the Authority's deposits was \$1,219,767 for the Authority.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$665,022 of the Authority's bank balance of \$1,294,255 was exposed to custodial credit risk.

**Note 3. Accounts Receivable**

The Authority considers all receivable balances collectable. The Authority's accounts receivable at June 30, 2019, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
City of Raton Housing Authority			
Accounts receivable – Tenants	\$ 3,113	\$ 1,020	\$ 2,093
Accounts receivable – School Food Program	2,621	0	2,621
Accounts receivable – Other	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 5,734</u>	<u>\$ 1,020</u>	<u>\$ 4,714</u>

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
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**Note 4. Land, Structures, and Equipment**

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land is not subject to depreciation.

	Balance 6/30/2018	Additions	Deletions	Transfers	Balance 6/30/2019
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 258,436	\$ -	\$ -	\$ -	\$ 258,436
Fees and Costs	-	-	-	-	-
<b>Capital Assets, Not Being Depreciated:</b>	<u>258,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,436</u>
<b>Capital Assets, Being Depreciated:</b>					
Architects	394,553	4,318	-	-	398,871
Site Improvement	2,175,183	-	-	-	2,175,183
Dwelling Structures	8,524,574	-	-	-	8,524,574
Dwelling Equipment	140,048	-	-	-	140,048
Non-dwelling Structures	553,385	-	-	-	553,385
Non-dwelling Equipment	288,360	8,426	-	-	296,786
Total Capital Assets, Being Depreciated	<u>12,076,103</u>	<u>12,744</u>	<u>-</u>	<u>-</u>	<u>12,088,847</u>
<b>Total Capital Assets</b>	<u>12,334,539</u>	<u>12,744</u>	<u>-</u>	<u>-</u>	<u>12,347,283</u>
<b>Accumulated Depreciation:</b>					
Architects	(234,689)	(23,877)	-	-	(258,566)
Site Improvement	(1,328,901)	(82,501)	-	-	(1,411,402)
Dwelling Structures	(7,324,579)	(185,952)	-	-	(7,510,531)
Dwelling Equipment	(140,048)	-	-	-	(140,048)
Non-dwelling Structures	(477,439)	(19,326)	-	-	(496,765)
Non-dwelling Equipment	(272,995)	(8,970)	-	-	(281,965)
Total Public Housing Program	<u>(9,778,651)</u>	<u>(320,626)</u>	<u>-</u>	<u>-</u>	<u>(10,099,277)</u>
<b>Total Capital Assets, Net of Depreciation:</b>	<u>\$ 2,555,888</u>	<u>\$ (307,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,248,006</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2019, totaled \$320,626.

**Note 5. Unearned Revenue**

City of Raton Housing Authority recognizes prepaid rent revenue when earned as defined by HUD. Total prepaid revenue at June 30, 2019 was \$5,695.

**Note 6. Risk Management**

City of Raton Housing Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority insures itself against losses through insurance policies purchased through various commercial insurance companies. The Authority pays the annual premiums for its general insurance coverage and all risk of loss is transferred.

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CITY OF RATON HOUSING AUTHORITY  
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**Note 7. PERA Pension Plan**

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

*Benefits provided.* Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

*Contributions.* The contribution requirements of defined benefit plan members and the (name of employer) 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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures in the PERA FY17 annual audit report at [http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2018-CAFR\\_12.22.2018\\_FINAL-with-corrections.pdf](http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2018-CAFR_12.22.2018_FINAL-with-corrections.pdf). The PERA coverage options that apply to the City are the Municipal General Division, Municipal Police Division and Municipal Fire Division.



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**Note 7. PERA Pension Plan (Continued)**

Statutorily required contributions to the pension plan from the Authority are stated and employer did not pay member benefits that were “picked up” by the employer for the year ended June 30, 2019.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of*  
 At June 30, 2019, the employer’s name reported a liability of \$535,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The employer’s name’s proportion of the net pension liability was based on a projection of the employer’s name’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the employer’s name’s proportion was 0.0336 %, which was an increase/decrease of 0.0011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized PERA Fund Municipal General Division pension expense of \$62,955. At June 30, 2019, the Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 15,482	\$ 14,065
Changes of assumptions	48,570	3,080
Net difference between projected and actual Earnings on pension plan investments	39,731	—
Changes in proportion and differences between the Authority’s contributions and proportionate Share of contributions	15,128	3,011
Authority’s contributions subsequent to the measurement date	—	—
Total	<u>\$ 118,911</u>	<u>\$ 20,156</u>

\$118,911 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Note 7. PERA Pension Plan (Continued)**

Fiscal Year	Ending June 30,
2019	\$ 60,108
2020	28,023
2021	8,597
2022	2,027
2023	-

*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, 2016 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
<input type="checkbox"/> Investment rate of return	7.25% annual rate, net of investment expense
<input type="checkbox"/> Payroll growth	3.00% annual rate
<input type="checkbox"/> Projected benefit payment	100 years
<input type="checkbox"/> Projected salary increases	3.25% to 13.50% annual rate
<input type="checkbox"/> Includes inflation at	2.50% annual rate, 2.75% all other years
<input type="checkbox"/> Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
<input type="checkbox"/> Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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:

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 7. PERA Pension Plan (Continued)**

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate if Return
Global Equity	43.5%	7.48%
Risk Reduction and Mitigation	21.5	2.37
Credit Oriented Fixed Income	15.0	5.47
Real Assets	<u>20.0</u>	6.48
Total	100.0%	

*Discount rate:* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority’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 Authority’s net pension liability in each PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

Fiscal Year	1% Decrease <u>(6.25%)</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25%)</u>
<u>Ending June 30,</u> Authority’s proportionate share of the net pension liability	\$ 825,491	\$ 535,708	\$ 296,157

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY18 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Note 8 Post-Employment Benefits – State Retiree Health Care Plan**

*Plan description.* Employees of the Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMHRCA). NMHRCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978, to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMHRCA is an independent agency of the State of New Mexico. The funds administered by NMHRCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMHRCA’s financial information is included with the financial presentation of the State of New Mexico.

*Benefits provided.* The fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 8 Post-Employment Benefits – State Retiree Health Care Plan**

*Employees covered by benefit terms* – At June 30, 2019, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plans membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

*Contributions* – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$10,003 for the year ended June 30, 2019.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2019, the Authority reported a liability of \$278,730 for its production share of net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 20, 2018. At June 30, 2018, the Authority’s proportion was 0.00641 percent.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$9,609. At June 30, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ —	\$ 16,503
Changes of assumptions	—	52,038
Net difference between projected and actual Earnings on pension plan investments	—	3,478
Changes in proportion and differences between the Authority’s contributions and proportionate Share of contributions	—	43,610
Authority’s contributions subsequent to the measurement date	—	—
Total	<u>\$ —</u>	<u>\$ 115,629</u>

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 8 Post-Employment Benefits – State Retiree Health Care Plan**

Deferred outflows of resources totaling \$0 represent Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year <u>Ending June 30,</u>		
2019	\$	(27,537)
2020		(27,537)
2021		(27,537)
2022		(23,370)
2023		<u>(9,648)</u>
Total	\$	(113,701)

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions.

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, lever percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increases	3.25% to 12.50% based on years of service, including inflation
Investment rate of return	7.25% net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

*Rate of Return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected inflation and subtraction expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<b>Asset Class</b>	<b>Long-term Real Rate of Return</b>
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1%
Non U.S. emerging markets	10.2%
Non U.S. developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity – small/mid cap	7.1%

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 8 Post-Employment Benefits – State Retiree Health Care Plan**

*Discount Rate.* The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plans members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

Fiscal Year	1% Decrease	Current Discount	1% Increase
<u>Ending June 30,</u>	<u>(3.08%)</u>	<u>Rate (4.08%)</u>	<u>(5.08%)</u>
Authority’s proportionate share of the net pension liability	\$ 337,328	\$ 278,730	\$ 232,541

The following presents the net OPEB liability of the School, as well as what the School’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 235,624	\$ 278,730	\$ 312,525

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019.

*Payable Changes in the Net OPEB Liability.* At June 30, 2019, the Authority did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**Note 9. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Authority expects such amounts, if any, to be immaterial.

**Note 10. Concentrations**

Approximately 55% percent of the Authority’s revenues are derived from grants from various federal agencies; specifically the U.S. Department of Housing and Urban Development. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

**STATE OF NEW MEXICO**  
CITY OF RATON HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**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 in the fund level.

**Note 12. Subsequent Events**

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, has been evaluated for possible adjustment to the financial statements or disclosures is September 20, 2019. There were no events noted as of this date.

**Note 13. Subsequent Accounting Standard Pronouncements**

In November 2016, GASB Statement No. 83 *Certain Asset Retirement Obligations*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In April 2019, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2019, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In August 2019, GASB Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.





**REQUIRED SUPPLEMENTARY SCHEDULES**

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\***  
**JUNE 30, 2019**

	2019	2018	2017	2016	2015
Proportion of the net pension liability	3.25000%	3.25000%	0.31600%	0.03230%	0.03410%
Proportionate share of the net pension liability	535,708	446,577	504,861	329,326	266,017
Covered-employee payroll	330,125	307,747	283,613	271,512	263,210
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	162%	145%	178%	121%	101%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	69.18%	76.99%	81.50%

\*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the Authority present information for those years for which information is available.

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**

Last 10 Fiscal Years\*\*

Contractually required contribution	69,732	43,764	27,071	26,131	25,929
Contributions in relation to the contractually required contribution	69,732	43,764	27,071	26,131	25,929
Contribution deficiency (excess)	-	-	-	-	-
Authority's covered-employee payroll	330,125	307,747	283,613	271,512	263,210
Contributions as a percentage of covered-employee payroll	21.12%	14.22%	9.55%	9.62%	9.85%

\*\* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**Changes of benefit terms.** The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

**Changes of Assumptions.** ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees, ERB implemented the following changes in assumption for fiscal years 2017. 1) valuation assumptions that changed based on this study: a) Lower wage inflation from 3.75% to 3.00%, b) Investment return will change from 7.75% to 7.25%, c) Minor changes to demographic assumptions, d) Discount rate changed to 5.90% with lower and hier sensitivity rates established at 4.90% and 6.90%, e) members hired after 6/30/2013 will have reduced retirement benefit if they retire befor age 55 and their COLA deferred until age 67, f) COLAs for most retirees reduced until NMERB attains 100% funded status, g) assumed full COLA paid in future years, h) rate of return on pension plan investments to be determined annually.

2) Assumptions that were not changed: a) Inflation will remain at 3.00%

See also the Note IV (B) Actuarial Assumptions of the financial statement disclosure on the Pension Plan

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OF RHCA**  
**Retiree Health Care (RHCA) Plan**  
**Last 10 Fiscal Years\***  
**JUNE 30, 2019**

	2019	2018
Proportion of the net pension liability	0.006410%	0.007360%
Proportionate share of the net OPEB liability	278,730	333,531
Covered-employee payroll	330,125	306,592
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	84%	109%
Plan fiduciary net position as a percentage of the total pension liability	13.14%	11.34%

\*These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the Authority present information for those years for which information is available.

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS**  
**Retiree Health Care (RHCA) Plan**

Last 10 Fiscal Years\*\*

Contractually required contribution	23,371	23,371
Contributions in relation to the contractually required contribution	9,609	11,730
Contribution deficiency (excess)	13,762	11,641
Authority's covered-employee payroll	330,125	306,592
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

\*\* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**Changes of benefit terms.** In the June 30, 2018 actuarial valuation, there was a change of benefit terms as 2018 was the initial valuation.

**Changes of Assumptions.** In the June 30, 2018 actuarial valuation, the expectation of life after disability was adjusted to more closely reflect actual experience. Additional changes of assumptions may occur after the initial 2018 valuation.



**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF CASH AND CASH EQUIVALENTS BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2019**

Financial Institution	International Bank	First National Bank	State Farm Bank
<b><i>BALANCE PER BANK</i></b>			
Admin Operating Fund	\$ 531,993	\$ -	\$ -
Capital Account	2,934	-	-
Summer Food Program Operating Account	45,149	-	-
Maxwell Operating Account	-	-	-
Maxwell Tenant Security Account	24,806	-	-
Repayment agreement	588	-	-
Public Funds Interest	38,846	-	-
Certificate of Deposits	270,706	100,000	44,233
Total on Deposit	915,022	100,000	44,233
Reconciling Items	(74,763)	-	-
Reconciled Balance, June 30, 2019	\$ 840,259	\$ 100,000	\$ 44,233
Petty Cash			
Total Cash per Government-wide Financial Statements			

The accompanying notes are an integral part of these financial statements

Schedule I

<u>1st National Bank - Trinidad</u>	<u>Total</u>
\$ -	\$ 531,993
-	2,934
-	45,149
-	-
-	24,806
-	588
-	38,846
<u>235,000</u>	<u>649,939</u>
235,000	1,294,255
<u>-</u>	<u>(74,763)</u>
<u>\$ 235,000</u>	1,219,492
	<u>275</u>
	<u>\$ 1,219,767</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
**PUBLIC FUNDS**  
**JUNE 30, 2019**

Schedule II

Name of Depository	CUSIP Number	Fair Market Value June 30, 2019	Maturity Date	Name and Location of Safekeeper
International Bank, N.A. FNMA Pool #BJ0913 2.838%	3140H2AP3	662,019	10/1/2047	The Independent Bankers
<b>Total - Wells Fargo</b>		<b>\$ 662,019</b>		

The accompanying notes are an integral part of these financial statements



Housing Authority of the City of Raton (NM008)  
RATON, NM

**Entity Wide Balance Sheet Summary**

Submission Type: Unaudited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$496,234	\$496,234		\$496,234
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$41,180	\$41,180		\$41,180
114 Cash - Tenant Security Deposits	\$31,826	\$31,826		\$31,826
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$569,240	\$569,240		\$569,240
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government	\$71	\$71		\$71
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$3,113	\$3,113		\$3,113
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,020	-\$1,020		-\$1,020
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$588	\$588		\$588
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$2,550	\$2,550		\$2,550
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,302	\$5,302		\$5,302
131 Investments - Unrestricted	\$649,939	\$649,939		\$649,939
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$4,905	\$4,905		\$4,905
143 Inventories	\$21,677	\$21,677		\$21,677
143.1 Allowance for Obsolete Inventories	-\$1,084	-\$1,084		-\$1,084
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$1,249,979	\$1,249,979		\$1,249,979
161 Land	\$258,436	\$258,436		\$258,436
162 Buildings	\$9,476,831	\$9,476,831		\$9,476,831
163 Furniture, Equipment & Machinery - Dwellings	\$140,048	\$140,048		\$140,048
164 Furniture, Equipment & Machinery - Administration	\$296,786	\$296,786		\$296,786
165 Leasehold Improvements	\$2,175,183	\$2,175,183		\$2,175,183
166 Accumulated Depreciation	-\$10,099,282	-\$10,099,282		-\$10,099,282
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,248,002	\$2,248,002		\$2,248,002
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$2,248,002	\$2,248,002		\$2,248,002
200 Deferred Outflow of Resources	\$125,659	\$125,659		\$125,659
290 Total Assets and Deferred Outflow of Resources	\$3,623,640	\$3,623,640		\$3,623,640
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$30,229	\$30,229		\$30,229
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$2,371	\$2,371		\$2,371
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				

333	Accounts Payable - Other Government			
341	Tenant Security Deposits	\$31,826	\$31,826	\$31,826
342	Unearned Revenue	\$5,695	\$5,695	\$5,695
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344	Current Portion of Long-term Debt - Operating Borrowings			
345	Other Current Liabilities			
346	Accrued Liabilities - Other	\$3,123	\$3,123	\$3,123
347	Inter Program - Due To			
348	Loan Liability - Current			
310	Total Current Liabilities	\$73,244	\$73,244	\$73,244
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352	Long-term Debt, Net of Current - Operating Borrowings			
353	Non-current Liabilities - Other			
354	Accrued Compensated Absences - Non Current			
355	Loan Liability - Non Current			
356	FASB 5 Liabilities			
357	Accrued Pension and OPEB Liabilities	\$869,239	\$869,239	\$869,239
350	Total Non-Current Liabilities	\$869,239	\$869,239	\$869,239
300	Total Liabilities	\$942,483	\$942,483	\$942,483
400	Deferred Inflow of Resources	\$96,067	\$96,067	\$96,067
508.4	Net Investment in Capital Assets	\$2,248,002	\$2,248,002	\$2,248,002
511.4	Restricted Net Position			
512.4	Unrestricted Net Position	\$337,088	\$337,088	\$337,088
513	Total Equity - Net Assets / Position	\$2,585,090	\$2,585,090	\$2,585,090
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,623,640	\$3,623,640	\$3,623,640

Housing Authority of the City of Raton (NM008)  
RATON, NM

**Entity Wide Revenue and Expense Summary**

Submission Type: Unaudited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$326,821	\$326,821		\$326,821
70400 Tenant Revenue - Other	\$24,133	\$24,133		\$24,133
70500 Total Tenant Revenue	\$350,954	\$350,954	\$0	\$350,954
70600 HUD PHA Operating Grants	\$539,237	\$539,237		\$539,237
70610 Capital Grants	\$4,319	\$4,319		\$4,319
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue		\$0	\$0	\$0
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$14,403	\$14,403		\$14,403
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$59,344	\$59,344		\$59,344
71600 Gain or Loss on Sale of Capital Assets	\$72,928	\$72,928		\$72,928
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,041,185	\$1,041,185	\$0	\$1,041,185
91100 Administrative Salaries	\$163,469	\$163,469		\$163,469
91200 Auditing Fees	\$17,260	\$17,260		\$17,260
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$357	\$357		\$357
91500 Employee Benefit contributions - Administrative	\$48,250	\$48,250		\$48,250
91600 Office Expenses	\$29,274	\$29,274		\$29,274
91700 Legal Expense	\$1,029	\$1,029		\$1,029
91800 Travel	\$4,024	\$4,024		\$4,024
91810 Allocated Overhead				
91900 Other	\$8,118	\$8,118		\$8,118
91000 Total Operating - Administrative	\$271,781	\$271,781	\$0	\$271,781
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$1,725	\$1,725		\$1,725
92500 Total Tenant Services	\$1,725	\$1,725	\$0	\$1,725
93100 Water	\$8,707	\$8,707		\$8,707
93200 Electricity	\$18,382	\$18,382		\$18,382
93300 Gas	\$12,362	\$12,362		\$12,362
93400 Fuel				
93500 Labor				
93600 Sewer	\$4,276	\$4,276		\$4,276
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$43,727	\$43,727	\$0	\$43,727
94100 Ordinary Maintenance and Operations - Labor	\$172,176	\$172,176		\$172,176
94200 Ordinary Maintenance and Operations - Materials and Other	\$90,804	\$90,804		\$90,804
94300 Ordinary Maintenance and Operations Contracts	\$14,857	\$14,857		\$14,857
94500 Employee Benefit Contributions - Ordinary Maintenance	\$52,709	\$52,709		\$52,709
94000 Total Maintenance	\$330,546	\$330,546	\$0	\$330,546

95100	Protective Services - Labor				
95200	Protective Services - Other Contract Costs				
95300	Protective Services - Other				
95500	Employee Benefit Contributions - Protective Services				
95000	Total Protective Services	\$0	\$0	\$0	\$0
96110	Property Insurance	\$19,451	\$19,451		\$19,451
96120	Liability Insurance	\$16,793	\$16,793		\$16,793
96130	Workmen's Compensation	\$9,027	\$9,027		\$9,027
96140	All Other Insurance	\$6,664	\$6,664		\$6,664
96100	Total insurance Premiums	\$51,935	\$51,935	\$0	\$51,935
96200	Other General Expenses	\$153,419	\$153,419		\$153,419
96210	Compensated Absences	\$21,390	\$21,390		\$21,390
96300	Payments in Lieu of Taxes	\$28,742	\$28,742		\$28,742
96400	Bad debt - Tenant Rents	\$7,304	\$7,304		\$7,304
96500	Bad debt - Mortgages				
96600	Bad debt - Other				
96800	Severance Expense				
96000	Total Other General Expenses	\$210,855	\$210,855	\$0	\$210,855
96710	Interest of Mortgage (or Bonds) Payable				
96720	Interest on Notes Payable (Short and Long Term)				
96730	Amortization of Bond Issue Costs				
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900	Total Operating Expenses	\$910,569	\$910,569	\$0	\$910,569
97000	Excess of Operating Revenue over Operating Expenses	\$130,616	\$130,616	\$0	\$130,616
97100	Extraordinary Maintenance				
97200	Casualty Losses - Non-capitalized	\$93,620	\$93,620		\$93,620
97300	Housing Assistance Payments				
97350	HAP Portability-In				
97400	Depreciation Expense	\$320,631	\$320,631		\$320,631
97500	Fraud Losses				
97600	Capital Outlays - Governmental Funds				
97700	Debt Principal Payment - Governmental Funds				
97800	Dwelling Units Rent Expense				
90000	Total Expenses	\$1,324,820	\$1,324,820	\$0	\$1,324,820
10010	Operating Transfer In	\$35,609	\$35,609	-\$35,609	\$0
10020	Operating transfer Out	-\$35,609	-\$35,609	\$35,609	\$0
10030	Operating Transfers from/to Primary Government				
10040	Operating Transfers from/to Component Unit				
10050	Proceeds from Notes, Loans and Bonds				
10060	Proceeds from Property Sales				
10070	Extraordinary Items, Net Gain/Loss				
10080	Special Items (Net Gain/Loss)				
10091	Inter Project Excess Cash Transfer In				
10092	Inter Project Excess Cash Transfer Out				
10093	Transfers between Program and Project - In				
10094	Transfers between Project and Program - Out				
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$283,635	-\$283,635	\$0	-\$283,635
11020	Required Annual Debt Principal Payments	\$0	\$0		\$0
11030	Beginning Equity	\$2,868,725	\$2,868,725		\$2,868,725
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050	Changes in Compensated Absence Balance				
11060	Changes in Contingent Liability Balance				
11070	Changes in Unrecognized Pension Transition Liability				
11080	Changes in Special Term/Severance Benefits Liability				
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100	Changes in Allowance for Doubtful Accounts - Other				
11170	Administrative Fee Equity				
11180	Housing Assistance Payments Equity				

11190 Unit Months Available	2082	2082	2082
11210 Number of Unit Months Leased	1980	1980	1980
11270 Excess Cash	\$1,034,427	\$1,034,427	\$1,034,427
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$4,319	\$4,319	\$4,319
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0



**COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE**







**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditor's Report**

Brian Colon, New Mexico State Auditor  
The Office of Management and Budget  
To the Commissioners  
City of Raton Housing Authority, Raton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Raton Housing Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report hereon date September 30, 2019.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2018-005 and 2019-001.

## **Responses to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. .

## **Purpose of this Report**

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

MCCABE GROUP, LLC

*McCabe CPA Group, LLC*

Albuquerque, NM  
September 30, 2019





**Report on Compliance for Each Major Federal Program; Report on Internal Control  
Over Compliance; and Report on Schedule of Expenditures of Federal Awards  
Required by Uniform Guidance**

**Independent Auditor's Report**

Brian Colon, New Mexico State Auditor  
The Office of Management and Budget  
To the Commissioners  
City of Raton Housing Authority, Raton, New Mexico

***Report on Compliance for Each Major Federal Program***

We have audited City of Raton Housing Authority's (the 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 Authority's major federal programs for the year ended June 30, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of federal regulations 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



### ***Report on Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

MCCABE GROUP, LLC

*McCabe CPA Group, LLC*

Albuquerque, NM  
September 30, 2019





**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
<i>Direct funding from U.S. Department of Housing and Urban Development</i>		
Public and Indian Housing (1)	14.850	\$ 503,628
Public Housing Capital Fund	14.872	179,380
Total Direct U.S. Department of Housing and Urban Development		683,008
<b>U.S. Department of Agriculture</b>		
<i>Direct funding from U.S. Department of Housing and Urban Development</i>		
Summer Food Service Program for Children	10.559	72,928
Total Direct U.S. Department of Agriculture		72,928
Total Federal Financial Assistance		\$ 755,936

(1) Denotes Major Federal Financial Assistance Program

The accompanying notes are an integral part of these financial statements

**Notes to Schedule of Expenditures of Federal Awards**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Raton Housing Authority (the Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The Authority did not provide any federal awards to sub-recipients during the year.

3. Non-cash Federal Assistance

The Authority did not receive any noncash assistance.

4. Indirect Cost Rate

The Authority has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$	755,936
Total expenditures funded by other sources		<u>620,870</u>
Total expenditures	\$	<u>1,376,806</u>

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule IV

**Section I – Summary of Audit Results**

*Financial Statements:*

1. Type of auditors’ report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	No
c. Noncompliance material to financial statements noted?	No

*Federal Awards:*

1. Internal control over major programs:	
a. Material weakness identified?	No
b. Significant deficiencies identified?	No
2. Type of auditors’ report issued on compliance for major programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
4. Identification of major programs:	

CFDA Number	Federal Program
14.850	Public and Indian Housing

5. Dollar threshold used to distinguish between type A and type B programs:	\$750,000
6. Auditee qualified as low-risk auditee?	Yes

**STATE OF NEW MEXICO**  
CITY OF RATON HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

Schedule IV

**Section I – Financial Statement Findings**

**2018-005– Lack of Controls over Disbursements – Finding that do not Rise to the Level of Significant Deficiency**

*Condition:* During our review of 25 random disbursements we noted 1 out of 25 disbursements indicated a payment for April 2019 health insurance which was paid approximately 2 months late in the amount \$6,230.07. This was an isolated instance due to the tardiness of the invoice from the City of Raton which is outside the Housing Authority’s control. The Housing Authority has reduced the number of instances noted regarding cash disbursements from previous reports.

*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. Disbursements are required to paid timely.

*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.

*Auditor’s Recommendation:* The Authority should maintain sufficient documentation to support the disbursement and all disbursements should be signed by authorized signatories.

*Agency’s Response:* All Disbursements are reviewed by the Executive Director and one or more board members. The Board Chairman usually reviews all disbursements when feasible. In the case noted, the City of Raton did not provide the Authority with the health insurance bill timely and therefore the Authority was not able to process the payment in a timely manner.

*Corrective Action Plan:* Currently and from here forward, all recurring disbursements from the City will be followed-up upon to insure timely processing by the Authority. The Authority has improved controls over cash disbursements. This was an isolated instance resulting from the City of Raton submitting an invoice for health insurance over sixty days after its due date. The Authority is working with the City to insure this is not repeated. The Executive Director is tasked with correcting this finding.

**FS2019-001–EmployeeFiles(Significant Deficiency)**

*Condition:* During our testwork over payroll, we noted that the following items our testwork of payroll transactions:

- Seven employee files did not contain a contract that reflect current employee pay which was adjusted through pay increases.

*Criteria:* The Authority shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations and pay or position change notices.

*Effect:* Without proper documentation of employee contracts, personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations and pay or position change notices properly documented in all employee files, the Authority may unknowingly be processing payroll inaccurately.

**STATE OF NEW MEXICO**  
**CITY OF RATON HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule IV

*Cause:* The Authority is experiencing instances of noncompliance with internal control policies with respect to personnel files and payroll processing as policy requires the proper insurance forms and I-9 forms are located in the employee file. The Authority did not update personnel files due to the amount of changes which occurred during 2019.

*Auditors' Recommendations:* We recommend that the Authority ensure that all employee files contain proper certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations for all employees. In addition, the Authority must process employee pay in accordance with current contracts and pay rates.

*Agency's Response:* The Authority maintains annual spreadsheets which are reviewed by each employee and the Executive Director. In the future, the Authority will insure payroll increases and/or adjustments are initialed by both the employee and the Executive Director and placed in the personnel file.

*Corrective Action Plan:* Verification of payroll adjustments into the file will be implemented by management, specifically the Executive Director, immediately.

**Section II – Federal Award Findings and Questioned Costs**

None

**Section III – Prior Year Audit Findings**

2018-002— Financial Close and Material Adjustments – Resolved  
2018-003– Tenant Files Lacking Required Documentation – Resolved  
2018-005– Lack of Controls over Disbursements – Revised and Repeated  
2018-009– Unauthorized Release of Information to the Public – Resolved  
2018-001– Late Audit Report – Resolved

**Section IV – Other Disclosures**

Auditor Prepared Financials

McCabe Group, LLC assisted in the preparation of the financial statements presented in this report. The Authority's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on September 30, 2019. The following individuals were in attendance:

City of Raton Housing Authority  
Terry Baca, Housing Authority Executive Director  
Ferman Ulibarri, Commissioner

Griego Professional Services, LLC  
J.J. Griego, CPA