

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



Griego Professional Services, LLC
Certified Public Accountants

INTRODUCTORY SECTION

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

TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		ii
FINANCIAL SECTION		
Independent Auditors' Report		1
Management Discussions and Analysis		3
Basic Financial Statements:		
Statement of Net Position	A	9
Statement of Revenues, Expenses and Changes in Net Position	B	10
Statement of Cash Flows	C	11
Notes to Financial Statements		12
REQUIRED SUPPLEMENTAL INFORMATION		
Pension Schedule		29
OPEB Schedule		30
SUPPORTING SCHEDULES		
Schedule of Cash and Cash Equivalents by Depository for Public Funds	I	31
Schedule of Pledged Collateral	II	33
OTHER SUPPLEMENTAL INFORMATION		
Financial Data Schedule		34
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 <i>Government Auditing Standards</i>		39
Report on Compliance for Each major Federal Program; Report on Internal Control over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Uniform Guidance		41
Schedule of Expenditures of Federal Awards	III	43
Schedule of Findings and Questioned Costs	IV	45
Exit Conference		51
Corrective Action Plan		52

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

**Board of Commissioners and Management
June 30, 2018**

Board of Commissioners

Chairperson	John Duran
Vice-Chairperson	Margaret Evans
Commissioner	Dennis M. Morgan
Commissioner	Terri Segotta
Commissioner	Ferman Ulibarri

Administrative Officials

Executive Director	Terry Baca
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FINANCIAL SECTION



Griego Professional Services, LLC
Certified Public Accountants

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, 2018, 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.

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8500 Menaul Blvd. NE, Ste. B295 Albuquerque, NM 87112
Phone: 505.856.2741 - Fax: 505.856.7510

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, 2018, 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 March 18, 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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
March 18, 2019

The management of City of Raton Housing Authority (“Housing Authority”) presents the following discussion and analysis (MD&A) of the Housing Authority’s financial activities for the fiscal year ending June 30, 2018. 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 \$2,868,725 at the close of the fiscal year ended 2018.
 - ✓ Of this amount \$2,555,888 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 \$312,837 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 39% of the total operating expenses of \$799,119 for the fiscal year 2018, which means the Authority might be able to operate about 5 months using the unrestricted assets alone, compared to 11 months in the prior fiscal year.
- The Housing Authority’s total net position decreased by \$62,106, a 2% decrease from the prior fiscal year 2017.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash by \$162,119 from fiscal year 2017.
- The Authority Spent \$1,355,607 on capital asset additions.
- These changes led to a decrease in total assets by \$63,807 and a decrease in total liabilities by \$140,768. As related measure of financial health, there are still over \$18 of current assets covering each dollar of total current liabilities, which compares to \$6 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 2018?" 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.

City of Raton Housing Authority

Management's Discussion and Analysis (MD&A)

June 30, 2018

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	\$ 75,923
Low Rent Public Housing	446,242
Total funding received this current fiscal year	<u>\$ 522,165</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 \$2,868,725 as of June 30, 2018. Of this amount, \$2,555,888 was invested in capital assets and \$312,837 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general net position.

City of Raton Housing Authority
 Management's Discussion and Analysis (MD&A)
 June 30, 2018

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
 As of June 30, 2018**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets	\$ 1,187,123	\$ 1,322,629
Capital assets, net of depreciation	2,555,888	2,394,217
Total assets	3,743,011	3,716,846
DEFERRED OUTFLOWS OF RESOURCES		
Deferred payments to government assistance programs	84,822	174,794
LIABILITIES		
Current liabilities	66,180	224,575
Non-current liabilities	522,488	504,861
Total liabilities	588,668	729,436
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues from government assistance programs	370,440	20,844
NET POSITION		
Invested in capital assets, net of depreciation	2,555,888	2,394,217
Net position restricted for the Housing Choice Voucher program	-	-
Unrestricted net position	312,837	747,143
Total net position	\$ 2,868,725	\$ 3,141,360

City of Raton Housing Authority
 Management's Discussion and Analysis (MD&A)
 June 30, 2018

CONDENSED FINANCIAL STATEMENTS (Continued)

The net position of these funds decreased by \$62,106, or by 2%, from those of fiscal year 2017, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
 Fiscal Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>Changes</u>
OPERATING REVENUES			
Tenant Revenue	\$ 320,411	\$ 278,254	\$ 42,157
HUD grants for operations	522,165	420,670	101,495
Other government grants for operations	117,420	128,661	(11,241)
Total operating revenues	<u>959,996</u>	<u>827,585</u>	<u>132,411</u>
OPERATING EXPENSES			
General	98,501	93,292	5,209
Ordinary maintenance and repairs	263,131	280,938	(17,807)
Administrative expenses and management fees	404,255	401,042	3,213
Utilities	31,480	27,116	4,364
Tenant services	1,752	2,565	(813)
Total operating expenses	<u>799,119</u>	<u>804,953</u>	<u>(5,834)</u>
Income (losses) from operations	<u>160,877</u>	<u>22,632</u>	<u>138,245</u>
NON-OPERATING REVENUES			
Interest income	5,095	3,938	1,157
Other non-tenant revenue	76,146	348,186	(272,040)
NON-OPERATING EXPENSES			
Casualty Loss	-	16,760	(16,760)
Depreciation	304,224	285,724	18,500
Total non-operating revenues (expenses)	<u>(222,983)</u>	<u>49,640</u>	<u>(272,623)</u>
Income (losses) before capital contributions	<u>(62,106)</u>	<u>72,272</u>	<u>(134,378)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>446,665</u>	<u>(446,665)</u>
CHANGES IN NET POSITION	<u>(62,106)</u>	<u>518,937</u>	<u>(581,043)</u>
NET POSITION, BEGINNING OF FISCAL YEAR	3,323,010	2,622,423	700,587
NET POSITION, END OF FISCAL YEAR	<u>\$ 3,260,904</u>	<u>\$ 3,141,360</u>	<u>\$ 119,544</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$586,877 from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$42,157 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 decreased by \$476.
- Federal revenues from HUD for operations increased by \$90,254 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 decreased by \$446,665 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 2014 through 2016, and submitted a new grant during fiscal year 2018.
- Total other non-operating revenue decreased by \$272,040 and interest income increased by \$1,157 from the prior fiscal year.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$4,094, 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 \$18,500 from that of the prior fiscal year.
- Maintenance and repairs decreased by \$17,807 from that of the prior fiscal year due to changes in the following: Repair staff wages decreased by \$7,599 and related employee benefit contributions decreased by \$8,335. Materials used decreased by \$24 and contract labor costs decreased by \$1,849.
- General Expenses increased by \$5,209 from that of the prior fiscal year. Payments in lieu of taxes (PILOT) increased by \$4,272. 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 \$1,114 and bad debts decreased by \$684. Lastly, compensated absences increased by \$507.
- Administrative Expenses increased by \$3,213 from that of the prior fiscal year due to a combination of factors. Administrative staff salaries decreased by \$7,063 and related employee benefit contributions decreased by \$15,314; therefore, total staff salaries and benefit costs decreased. Outside professional fees changed as follows: audit fees increased by \$3,557 and legal fees increased by \$1,809. In addition, staff travel reimbursements decreased by \$8,653, office expenses decreased by \$72,720 and sundry expenses increased by \$101,597.
- Utilities Expense increased by \$4,364 from that of the prior fiscal year because water cost increased by \$919, electricity cost increased by \$1,082, gas cost increased by \$1,096, and other utilities expense (such as labor, benefits, garbage, sewage, and waste removal) increased by \$1,267.
- Total Tenant Services decreased by \$813 from that of the prior fiscal year due to the following combination of factors: other tenant services decreased by \$813.
- Casualty losses decreased by \$16,760 from that of the prior fiscal year.

City of Raton Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Housing Authority had a total cost of \$12,334,538 invested in a broad range of assets and construction in progress from projects funded in 2014 through 2016, listed below. This amount, not including depreciation, represents increases of \$1,355,607 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, 2018**

	<u>2018</u>	<u>2017</u>
Land	\$ 258,436	\$ 253,436
Construction in progress	-	41,393
Buildings	9,472,510	8,521,438
Leasehold improvements	2,175,183	1,760,306
Furniture and equipment	428,409	402,358
Accumulated Depreciation	(9,778,650)	(8,584,714)
Total	<u>\$ 2,555,888</u>	<u>\$ 2,394,217</u>

As of the end of the 2018 fiscal year, the Authority is still in the process of completing HUD grants of \$721,239 obtained during 2014 through 2016 fiscal years. A total remainder of \$126,020 will be received and spent for completing these projects during fiscal year 2019.

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 2019 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 L. Baca, at City of Raton Housing Authority; P. O. 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, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$	448,306
Short term investments		615,205
Accounts receivable - tenants		3,908
Accounts receivable - governments		48,327
Accounts receivable - other		2,384
Inventory		31,190
Prepaid assets		4,295
Restricted cash and cash equivalents		3,479
Restricted certificate of deposits		30,029

Non-current assets:

Land, structures, and equipment (net of accumulated depreciation)		2,555,888
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Deferred Outflow of Resources

Deferred Outflows - Pension		82,429
Deferred Outflows - RHCA		2,393

<i>Total assets and deferred outflow of resources</i>		3,827,833
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LIABILITIES

Current liabilities :

Accounts payable	\$	24,255
Accrued salaries and benefits		4,229
Unearned or unavailable revenue-prepaid rents		4,188

Current liabilities (payable from restricted assets)

Tenant deposits		33,508
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Non-current liabilities :

Net pension liability - Pension		446,577
Net pension liability - RHCA		333,531

Deferred Inflow of Resources

Deferred Inflows - Pension		36,909
Deferred Inflows - RHCA		75,911

<i>Total liabilities</i>		959,108
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NET POSITION

Net investment in capital assets		2,555,888
Restricted		-
Unrestricted		312,837
<i>Total net position</i>		2,868,725

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, 2018

<i>Operating revenues:</i>	
Charges for services	\$ 320,411
Operating grants	446,242
Summer Food Program	117,420
Miscellaneous	76,346
<i>Total operating revenues</i>	<u>960,419</u>
 <i>Operating expenses:</i>	
Administration	48,080
Tenant services	13,531
Utilities	31,480
Ordinary maintenance and operations	35,333
Personnel services - salaries and benefits	517,370
Capital fund expense	104,648
Insurance expense	49,342
Other general expenses	56,293
Depreciation	304,222
<i>Total operating expenses</i>	<u>1,160,299</u>
 <i>Operating loss</i>	 <u>(199,880)</u>
 <i>Non-operating revenues(expenses):</i>	
Interest income (expense)	5,095
Gain/(loss) on vacated tenants	(5,347)
Capital grants	142,027
<i>Total non-operating revenues</i>	<u>141,775</u>
 <i>Change in net position</i>	 <u>(58,105)</u>
 <i>Total net position - beginning of year</i>	 3,141,359
<i>Prior period adjustment (Note 13)</i>	<u>(214,529)</u>
<i>Total net position - beginning of year (adjusted)</i>	2,926,830
 <i>Total net position - end of year</i>	 <u><u>\$ 2,868,725</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, 2018

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 933,140
Cash paid to suppliers and employees	(357,819)
<i>Net cash used for operating activities</i>	575,321
 <i>Cash flows used by capital financing activities:</i>	
Acquisition and construction of capital assets	(845,708)
Intergovernmental HUD capital subsidy	142,027
Gain/(loss) on vacated tenants	(5,347)
<i>Net cash used for capital financing activities</i>	(709,028)
 <i>Cash flows from investing activities:</i>	
Interest received	5,095
<i>Net decrease in cash and cash equivalents</i>	(128,612)
<i>Cash and cash equivalents - beginning of year</i>	580,397
<i>Cash and cash equivalents - end of year</i>	\$ 451,785
 <i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (199,880)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	304,222
(Increase) decrease in accounts receivable	(26,657)
Increase (decrease) in unearned revenue	(9,423)
(Increase) decrease in inventory	94
(Increase) decrease in prepaids	(14,024)
Increase (decrease) in accounts payable	17,656
Increase (decrease) in accrued expenses	1,812
Increase (decrease) in deferred outflows	(58,691)
Increase (decrease) in deferred inflow	104,355
Increase (decrease) in pension liability	117,251
Increase (decrease) in RHCA liability	333,531
Increase (decrease) in tenant security deposits	5,075
<i>Net cash used for operating activities</i>	\$ 575,321

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, 2018

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, 2018. 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, 2018. 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, 2018, 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. The Authority has elected not to participate in PERA.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants in the accompanying financial statements.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018.

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, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 2. Cash and Cash Equivalents (Continued)

The pledged collateral requirements for the Authority is detailed below:

	International Bank	1st National Bank	State Farm Bank	1st National Bank of Trinidad	Total
Total amount of deposits	\$ 710,947	\$ 130,100	\$ 44,233	\$ 235,000	\$ 1,120,280
FDIC Coverage	(450,000)	(130,100)	(44,233)	(235,000)	(859,333)
Total uninsured public funds	260,947	0	0	0	260,947
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	(787,871)	(0)	0	0	(787,871)
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)	\$ 130,474	\$ 0	\$ 0	\$ 0	\$ 130,474
Total pledged collateral	(787,871)	(0)	0	0	(787,871)
Total (over) under requirement	<u>\$(657,397)</u>	<u>\$(0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(657,397)</u>

At June 30, 2018, the carrying amount of the Authority's deposits was \$1,096,919 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, 2018, \$260,947 of the Authority's bank balance of \$1,120,280 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, 2018, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
City of Raton Housing Authority			
Accounts receivable – Tenants	\$ 9,985	\$ 6,077	\$ 3,908
Accounts receivable – School Food Program	48,327	0	48,327
Accounts receivable – Other	2,384	0	2,384
Total	<u>\$ 60,696</u>	<u>\$ 0</u>	<u>\$ 54,619</u>

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 4. Land, Structures, and Equipment

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land is not subject to depreciation.

	Balance 6/30/2017	Additions	Deletions	Transfers	Balance 6/30/2018
Capital Assets, Not Being Depreciated:					
Land	\$ 253,436	\$ -	\$ -	\$ 5,000	\$ 258,436
Fees and Costs	41,393	-	(41,393)	-	-
Capital Assets, Not Being Depreciated:	<u>294,829</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>258,436</u>
Capital Assets, Being Depreciated:					
Architects	333,031	61,522	-	-	394,553
Site Improvement	1,760,306	303,044	-	111,833	2,175,183
Dwelling Structures	7,701,957	-	-	822,617	8,524,574
Dwelling Equipment	140,048	-	-	-	140,048
Non-dwelling Structures	486,449	-	-	66,936	553,385
Non-dwelling Equipment	262,312	-	-	26,048	288,360
Total Capital Assets, Being Depreciated	<u>10,684,103</u>	<u>364,566</u>	<u>-</u>	<u>1,027,434</u>	<u>12,076,103</u>
Total Capital Assets	<u>10,978,932</u>	<u>364,566</u>	<u>(41,393)</u>	<u>1,032,434</u>	<u>12,334,539</u>
Accumulated Depreciation:					
Architects	(211,652)	(23,037)	-	-	(234,689)
Site Improvement	(1,193,068)	(76,915)	-	(58,918)	(1,328,901)
Dwelling Structures	(6,383,617)	(179,568)	-	(761,394)	(7,324,579)
Dwelling Equipment	(139,311)	(737)	-	-	(140,048)
Non-dwelling Structures	(418,110)	(15,979)	-	(43,350)	(477,439)
Non-dwelling Equipment	(238,957)	(7,987)	-	(26,051)	(272,995)
Total Public Housing Program	<u>(8,584,715)</u>	<u>(304,223)</u>	<u>-</u>	<u>(889,713)</u>	<u>(9,778,651)</u>
Total Capital Assets, Net of Depreciation:	<u>\$ 2,394,217</u>	<u>\$ 60,343</u>	<u>\$ (41,393)</u>	<u>\$ 142,723</u>	<u>2,555,888</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, 2018, totaled \$304,223.

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, 2018 was \$4,188.

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.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2017-CAFR_12.22.2017_FINAL-with-corrections.pdf.

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/2017-CAFR_12.22.2017_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.

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, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2017.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. PERA Pension Plan (Continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General Division, at June 30, 2018, the Authority reported a liability of \$446,577 for its proportionate share of the net pension liability. At June 30, 2017, the Authority's proportion was .0325 percent, which there was a change .0009 percent change from its proportion measured as of June 30, 2016 of .03160, due to the insignificance of the difference.

For the year ended June 30, 2018, the Authority recognized PERA Fund Municipal General Division pension expense of \$50,334. At June 30, 2018, 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	\$ 17,547	\$ 22,872
Changes of assumptions	20,594	4,615
Net difference between projected and actual Earnings on pension plan investments	36,639	—
Changes in proportion and differences between the Authority's contributions and proportionate Share of contributions	7,649	9,422
Authority's contributions subsequent to the measurement date	—	—
Total	<u>\$ 82,429</u>	<u>\$ 36,909</u>

\$82,429 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. PERA Pension Plan (Continued)

Fiscal Year	Ending June 30,	\$	
2019		8,963	
2020		39,112	
2021		8,154	
2022		(10,709)	
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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
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	7.48% annual rate, net of investment expense
<input type="checkbox"/> Payroll growth	2.25% annual rate
<input type="checkbox"/> Projected salary increases	3.50% to 14.25% annual rate
<input type="checkbox"/> Includes inflation at	2.75% annual rate

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate if Return
Global Equity	43.5%	7.39%
Risk Reduction and Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	20.0	7.35
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. PERA Pension Plan (Continued)

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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

Fiscal Year <u>Ending June 30,</u>	1% Decrease <u>(6.51%)</u>	Current Discount <u>Rate (7.51%)</u>	1% Increase <u>(8.51%)</u>
Authority’s proportionate share of the net pension liability	\$ 699,934	\$ 446,577	\$ 235,876

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 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 10-7CV-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, 2018

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

Plans membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,379</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</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 \$2,393 for the year ended June 30, 2018.

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

At June 30, 2018, the Authority reported a liability of \$333,531 for its production share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2017. At June 30, 2017, the Authority’s proportion was 0.00736 percent.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$13,260. At June 30, 2018 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	\$ —	\$ 12,799
Changes of assumptions	—	4,798
Net difference between projected and actual Earnings on pension plan investments	—	58,314
Changes in proportion and differences between the Authority’s contributions and proportionate Share of contributions	—	—
Authority’s contributions subsequent to the measurement date	<u>2,393</u>	<u>—</u>
Total	<u>\$ 2,393</u>	<u>\$ 75,911</u>

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Deferred outflows of resources totaling \$2,393 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	\$	(16,139)
2020		(16,139)
2021		(16,139)
2022		(16,139)
2023		<u>(11,355)</u>
Total	\$	(75,911)

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

Valuation Date	June 30, 2018
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	3.50%
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

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:

Asset Class	Long-term Real Rate of Return
U.S. core fixed income	4.10%
U.S. equity – large cap	9.10%
Non U.S. emerging markets	12.2%
Non U.S. developed equities	9.80%
Private equity	13.8%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity – small/mid cap	9.10%

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 3.81% 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, 2028. 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, 3.81% 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 (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

Fiscal Year	1% Decrease	Current Discount	1% Increase
<u>Ending June 30,</u>	<u>(2.81%)</u>	<u>Rate (3.81%)</u>	<u>(4.81%)</u>
Authority’s proportionate share of the net pension liability	\$ 404,568	\$ 333,531	\$ 277,796

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, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the Authority did not report a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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.

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.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, has been evaluated for possible adjustment to the financial statements or disclosures is January 31, 2019. There were no events noted as of this date.

Note 13. Restatement

Beginning net position balances required restatement of (\$214,529).

The adjustment is a result of the Authority absorbing the Maxwell Housing Authority operations on April 30, 2018. Total net assets adjustment required to increase the net position by \$181,650.

An additional adjustment was required to recognize the reduction to net positions relating to GASB 75 implementation of the OPEB liability in which resulted in a decrease to net assets in the amount of (\$396,179).

Note 14. 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, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2017, 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 2018, 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, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2018, 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 2018, 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, 2018. 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, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	3.25000%	0.31600%	0.03230%	0.03410%
Proportionate share of the net pension liability	446,577	504,861	329,326	266,017
Covered-employee payroll	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	145%	178%	121%	101%
Plan fiduciary net position as a percentage of the total pension liability	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	43,764	27,071	26,131	25,929
Contributions in relation to the contractually required contribution	43,764	27,071	26,131	25,929
Contribution deficiency (excess)	-	-	-	-
Authority's covered-employee payroll	307,747	283,613	271,512	263,210
Contributions as a percentage of covered-employee payroll	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 on June 12, 2015, ERB implemented the following changes in assumption for fiscal years 2016. 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, 2018

	2018
Proportion of the net pension liability	0.007360%
Proportionate share of the net OPEB liability	333,531
Covered-employee payroll	306,592
Proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	109%
Plan fiduciary net position as a percentage of the total pension liability	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
Contributions in relation to the contractually required contribution	11,730
Contribution deficiency (excess)	11,641
Authority's covered-employee payroll	306,592
Contributions as a percentage of covered-employee payroll	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, 2017 actuarial valuation, there was a change of benefit terms as 2017 was the initial valuation.

Changes of Assumptions. In the June 30, 2017 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 2017 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, 2018

Financial Institution	International Bank	First National Bank	State Farm Bank
<i>BALANCE PER BANK</i>			
Admin Operating Fund	\$ 362,061	\$ -	\$ -
Capital Account	-	-	-
Summer Food Program Operating Account	2,600	-	-
Maxwell Operating Account	75,573	-	-
Maxwell Tenant Security Account	3,479	-	-
Maxwell CFP Account	-	-	-
Public Funds Interest	31,333	-	-
Certificate of Deposits	<u>235,900</u>	<u>130,100</u>	<u>44,233</u>
 Total on Deposit	 710,946	 130,100	 44,233
 Reconciling Items	 <u>(23,360)</u>	 <u>-</u>	 <u>-</u>
 Reconciled Balance, June 30, 2018	 <u>\$ 687,586</u>	 <u>\$ 130,100</u>	 <u>\$ 44,233</u>
 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>
\$ -	\$ 362,061
-	-
-	2,600
-	75,573
-	3,479
-	-
-	31,333
<u>235,000</u>	<u>645,233</u>
235,000	1,120,279
<u>-</u>	<u>(23,360)</u>
<u>\$ 235,000</u>	1,096,919
	<u>100</u>
	<u>\$ 1,097,019</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, 2018

Schedule II

Name of Depository	CUSIP Number	Fair Market Value June 30, 2018	Maturity Date	Name and Location of Safekeeper
International Bank, N.A. FNMA Pool 2.843%	3140H2AP3	<u>787,871</u>	10/1/2047	The Independent Bankers
Total - Wells Fargo		<u>\$ 787,871</u>		

The accompanying notes are an integral part of these financial statements

Housing Authority of the City of Raton (NM008)
RATON, NM
Financial Data Schedule
Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2018

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$418,277	\$418,277		\$418,277
112 Cash - Restricted - Modernization and Development	\$0	\$0		\$0
113 Cash - Other Restricted	\$0	\$0		\$0
114 Cash - Tenant Security Deposits	\$33,508	\$33,508		\$33,508
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0		\$0
100 Total Cash	\$451,785	\$451,785	\$0	\$451,785
121 Accounts Receivable - PHA Projects	\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$0		\$0
124 Accounts Receivable - Other Government	\$48,327	\$48,327		\$48,327
125 Accounts Receivable - Miscellaneous	\$439	\$439		\$439
126 Accounts Receivable - Tenants	\$9,985	\$9,985		\$9,985
126.1 Allowance for Doubtful Accounts - Tenants	-\$6,077	-\$6,077		-\$6,077
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$1,945	\$1,945		\$1,945
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$54,619	\$54,619	\$0	\$54,619
131 Investments - Unrestricted	\$645,234	\$645,234		\$645,234
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$4,295	\$4,295		\$4,295
143 Inventories	\$32,832	\$32,832		\$32,832
143.1 Allowance for Obsolete Inventories	-\$1,642	-\$1,642		-\$1,642
144 Inter Program Due From	\$0	\$0		\$0
145 Assets Held for Sale	\$0	\$0		\$0
150 Total Current Assets	\$1,187,123	\$1,187,123	\$0	\$1,187,123
161 Land	\$258,436	\$258,436		\$258,436
162 Buildings	\$9,464,210	\$9,464,210		\$9,464,210
163 Furniture, Equipment & Machinery - Dwellings	\$140,048	\$140,048		\$140,048
164 Furniture, Equipment & Machinery - Administration	\$288,361	\$288,361		\$288,361
165 Leasehold Improvements	\$2,175,183	\$2,175,183		\$2,175,183
166 Accumulated Depreciation	-\$9,778,650	-\$9,778,650		-\$9,778,650
167 Construction in Progress	\$0	\$0		\$0
168 Infrastructure	\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,547,588	\$2,547,588	\$0	\$2,547,588
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0		\$0
173 Grants Receivable - Non Current				
174 Other Assets	\$0	\$0		\$0
176 Investments in Joint Ventures	\$0	\$0		\$0
180 Total Non-Current Assets	\$2,547,588	\$2,547,588	\$0	\$2,547,588
200 Deferred Outflow of Resources	\$85,987	\$85,987	\$0	\$85,987
290 Total Assets and Deferred Outflow of Resources	\$3,820,698	\$3,820,698	\$0	\$3,820,698
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$6,418	\$6,418		\$6,418
313 Accounts Payable >90 Days Past Due	\$0	\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$9	\$9		\$9

322	Accrued Compensated Absences - Current Portion				
324	Accrued Contingency Liability				
325	Accrued Interest Payable				
331	Accounts Payable - HUD PHA Programs	\$0	\$0		\$0
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits	\$33,508	\$33,508		\$33,508
342	Unearned Revenue	\$4,188	\$4,188		\$4,188
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0		\$0
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities				
346	Accrued Liabilities - Other	\$22,057	\$22,057		\$22,057
347	Inter Program - Due To				
348	Loan Liability - Current	\$0	\$0		\$0
310	Total Current Liabilities	\$66,180	\$66,180	\$0	\$66,180
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0		\$0
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	\$0	\$0		\$0
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities	\$455,777	\$455,777		\$455,777
350	Total Non-Current Liabilities	\$455,777	\$455,777	\$0	\$455,777
300	Total Liabilities	\$521,957	\$521,957	\$0	\$521,957
400	Deferred Inflow of Resources	\$37,837	\$37,837	\$0	\$37,837
508.4	Net Investment in Capital Assets	\$2,547,588	\$2,547,588		\$2,547,588
511.4	Restricted Net Position				
512.4	Unrestricted Net Position	\$713,316	\$713,316		\$713,316
513	Total Equity - Net Assets / Position	\$3,260,904	\$3,260,904	\$0	\$3,260,904
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,820,698	\$3,820,698	\$0	\$3,820,698

Housing Authority of the City of Raton (NM008)
RATON, NM
Financial Data Schedule
Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2018

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$300,644	\$300,644		\$300,644
70400 Tenant Revenue - Other	\$19,767	\$19,767		\$19,767
70500 Total Tenant Revenue	\$320,411	\$320,411	\$0	\$320,411
70600 HUD PHA Operating Grants	\$522,165	\$522,165		\$522,165
70610 Capital Grants				
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	\$117,420	\$117,420		\$117,420
71100 Investment Income - Unrestricted	\$5,095	\$5,095		\$5,095
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	\$76,146	\$76,146		\$76,146
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,041,237	\$1,041,237	\$0	\$1,041,237
91100 Administrative Salaries	\$156,135	\$156,135		\$156,135
91200 Auditing Fees	\$16,931	\$16,931		\$16,931
91300 Management Fee	\$0	\$0		\$0
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$690	\$690		\$690
91500 Employee Benefit contributions - Administrative	\$93,603	\$93,603		\$93,603
91600 Office Expenses	\$18,399	\$18,399		\$18,399
91700 Legal Expense	\$1,999	\$1,999		\$1,999
91800 Travel	\$3,769	\$3,769		\$3,769
91810 Allocated Overhead				
91900 Other	\$112,729	\$112,729		\$112,729
91000 Total Operating - Administrative	\$404,255	\$404,255	\$0	\$404,255
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$1,752	\$1,752		\$1,752
92500 Total Tenant Services	\$1,752	\$1,752	\$0	\$1,752
93100 Water	\$8,859	\$8,859		\$8,859
93200 Electricity	\$12,945	\$12,945		\$12,945
93300 Gas	\$5,940	\$5,940		\$5,940
93400 Fuel				
93500 Labor				
93600 Sewer	\$3,736	\$3,736		\$3,736
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$31,480	\$31,480	\$0	\$31,480
94100 Ordinary Maintenance and Operations - Labor	\$157,129	\$157,129		\$157,129

94200 Ordinary Maintenance and Operations - Materials and Other	\$43,192	\$43,192		\$43,192
94300 Ordinary Maintenance and Operations Contracts	\$13,482	\$13,482		\$13,482
94500 Employee Benefit Contributions - Ordinary Maintenance	\$49,328	\$49,328		\$49,328
94000 Total Maintenance	\$263,131	\$263,131	\$0	\$263,131
95100 Protective Services - Labor	\$0	\$0		\$0
95200 Protective Services - Other Contract Costs	\$0	\$0		\$0
95300 Protective Services - Other	\$0	\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$16,434	\$16,434		\$16,434
96120 Liability Insurance	\$16,252	\$16,252		\$16,252
96130 Workmen's Compensation	\$8,178	\$8,178		\$8,178
96140 All Other Insurance	\$5,735	\$5,735		\$5,735
96100 Total insurance Premiums	\$46,599	\$46,599	\$0	\$46,599
96200 Other General Expenses				
96210 Compensated Absences	\$19,227	\$19,227		\$19,227
96300 Payments in Lieu of Taxes	\$27,328	\$27,328		\$27,328
96400 Bad debt - Tenant Rents	\$5,347	\$5,347		\$5,347
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$51,902	\$51,902	\$0	\$51,902
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0		\$0
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$799,119	\$799,119	\$0	\$799,119
97000 Excess of Operating Revenue over Operating Expenses	\$242,118	\$242,118	\$0	\$242,118
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$304,224	\$304,224		\$304,224
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,103,343	\$1,103,343	\$0	\$1,103,343
10010 Operating Transfer In	\$75,923	\$75,923	-\$75,923	\$0
10020 Operating transfer Out	-\$75,923	-\$75,923	\$75,923	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0		\$0
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	-\$62,106	-\$62,106	\$0	-\$62,106
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$3,141,360	\$3,141,360		\$3,141,360
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$181,650	\$181,650		\$181,650

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	1938	1938	1938
11210	Number of Unit Months Leased	1879	1879	1879
11270	Excess Cash	\$1,018,865	\$1,018,865	\$1,018,865
11610	Land Purchases	\$0	\$0	\$0
11620	Building Purchases	\$0	\$0	\$0
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



Griego Professional Services, LLC
Certified Public Accountants

**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report hereon date March 18, 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, which we consider to significant deficiencies as item FS 2017-002.

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 2017-004, 2017-005, 2017-009 and 2018-001.

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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
March 18, 2019



Griego Professional Services, LLC
Certified Public Accountants

**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, 2018. 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*, is-sued 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, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying schedule of findings and questioned costs as items FS 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the 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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
March 18, 2019

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
<i>Direct funding from U.S. Department of Housing and Urban Development</i>		
Public and Indian Housing (1)	14.850	\$ 842,999
Public Housing Capital Fund	14.872	142,027
Total Direct U.S. Department of Housing and Urban Development		985,026
U.S. Department of Agriculture		
<i>Direct funding from U.S. Department of Housing and Urban Development</i>		
Summer Food Service Program for Children	10.559	117,420
Total Direct U.S. Department of Agriculture		117,420
Total Federal Financial Assistance		\$ 1,102,446

(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	\$	1,102,446
Total expenditures funded by other sources		<u>57,853</u>
Total expenditures	\$	<u>1,160,299</u>

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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:	

<u>CFDA Number</u>	<u>Federal Program</u>
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, 2018

Schedule IV

Section I – Financial Statement Findings

2017-002— Financial Close and Material Adjustments – Significant Deficiency

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

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

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

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

Cause: The Authority has designed and implemented procedures and/or workpapers related to the financial close through the Authority and its fee accountant. The procedures did not however; capture all accounts. Adjustments were required to pension liability, OPEB liability, as well as to the related deferred outflow and inflow resources and other accounts which effected fund balance and revenue and expenditure accounts after the trial balance was provided.

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

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

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

Additionally, we recommend that the Authority ensure that all proposed adjustments by the auditor are reviewed by key officials and that they are approved, prior to the audit completion.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule IV

Agency's Response: The audit adjustment for pension liability and related accounts was not accurate as the current report from PERA was not utilized. The OPEB adjustments were not performed by the fee accountant and did require adjustment and recognition. The Authority has instructed the fee accountant to complete these adjustments as of the year end June 30, 2019 and to add necessary account to the Authority's chart of accounts.

Corrective Action: The Authority and its fee accountant have added the necessary accounts to the Authority's chart of accounts. Necessary adjustments will be made in the 2019 fiscal year for both OPEB and pension liabilities and related accounts. Equity was and will be reconciled to the REAC submission. Corrections will be implemented by management and the fee accountant immediately.

2017-004 – Housing Authority Leases and Inspections – Other Non-Compliance

Condition: During our test work over Housing's tenant files we noted eleven(11) tenant files where the Community Service Form was not completed, signed and placed in the tenant's file, one instance where the Release of Information/Federal Privacy form was not signed; two instances where the tenant's annual re-exam was not performed or performed timely; two instances where the property inspection form was not in the tenant's file; and two instances where the property inspection form was not signed by the tenant. Management did not make significant progress in implementing the prior year corrective action plan. The clerk responsible for addressing the prior year findings resigned in September 2018.

Criteria: HUD's Occupancy Handbook requires leases to be signed by both the tenant and management. Annual reviews for eligibility also must be complete on or before the expiration date.

Cause: The Village contracted with the Raton Housing Authority to manage the Maxwell Housing Authority. In the transition, the performance of the annual reviews or inspections for Housing tenants did not get done.

Effect: The Village increases their liability when a lease expires as that tenant is not bound to follow those rules and can potentially move out without notice. By not performing annual reviews of tenant files and eligibility this can potentially cause an oversight if rent needs to be adjusted based on the tenant's income. When inspections are not performed this can lead to a risk of property being damaged and not reported on a timely basis.

Auditor's Recommendation: We recommend that the Village communicate with the Raton Housing Authority about the necessity of tenant file maintenance.

Agency's Response: The Village contracted with Raton Housing Authority to manage the operations of the Maxwell Housing Authority, including the maintenance of tenant files. Effective April 1, 2018, the Raton Housing Authority took on full responsibility for operations of the Maxwell Housing Authority.

Corrective Action Plan: As indicated, the City of Raton Housing Authority took over operations and responsibility of the Maxwell Housing Authority as of April 1, 2018. Management immediately implemented a review of all tenant files related to the Maxwell Housing Authority and will continue the review and corrections necessary through June 30, 2019. Corrections to tenant files by the Housing Authority are expected to be completed to June 30, 2019.

2017-005– 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 had backup documentation which did not match the Purchase Order.

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.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule IV

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. All disbursements for the month are approved at the Monthly Board Meeting by the entire Board of Commissioners. As of January 1, 2018, additional supporting documentation will also be approved by an authorized employee or board member. Executive Director will verify this. The item noted in this finding was a result of the Maxwell Housing Authority which was absorbed by the City of Raton Housing Authority and therefore will be corrected in the 2019 fiscal year as the files will be reviewed by the Housing Authority.

Corrective Action Plan: Currently and from here forward, all disbursements are reviewed by the Executive Director and one or more board members. The Board Chairman usually reviews all disbursements when feasible. All disbursements for the month are approved at the monthly board meeting by the entire Board of Commissioners. Supporting documentation will also be approved by an authorized employee or board member. Reimbursements to the Executive Director and reviewed by the Board Chairman. The Authority does not believe the sample is representative of the population and the Authority believes the risk of misstatement is low. The Authority will verify that proper supporting documentation is acquired prior to making documents will be attached to each disbursement. Verification of supporting documentation will be implemented by management and the fee accountant immediately.

2017-009– Late Audit Report – Other Non-compliance

Condition: The audit report for the Authority fiscal year ended June 30, 2018 was not submitted by the September 30, 2018 due date. The audit report was submitted March 10, 2019.

Criteria: OSA Rule 2.2.2.10.I.(4) establishes a due date of September 30, 2018 for submission of this audit report to the Office of the State Auditor.

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

Cause: A significant number of key deliverables needed to conduct the audit were not received in accurate form, by the mutually agreed upon deliverable due dates. This was mainly due to the Authority taking over operations of the Maxwell Housing Authority mid-year. As a result, the Authority was not able to complete closing procedures timely.

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

Agency's Response: The Housing Authority took over Maxwell Housing Authority in April of 2018 which resulted in their former fee accountant getting information to the City of Raton Housing Authority and its fee accountant late. As a result, the Housing Authority was not able to meet the September deadline. We have put procedures in place with the current fee accountant to insure these delays do not occur again, including a policy which requires all new agency “take-overs” are not processed until the beginning of a fiscal year.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule IV

Corrective Action Plan: The Housing Authority and fee accountants will deliver the documents to the auditor by an agreed upon date in future years to ensure a timely audit submission. Corrections will be implemented by management and the fee accountant immediately in order to insure timely submission of the June 30, 2019 audit.

2018-001 – Unauthorized Release of Information to the Public – Other Non-Compliance

Condition: The Authority improperly released information to the public related to fiscal year 2018 financial audit before the audit report became public record. The Authority is required by US Department of Housing and Urban Development to submit the audit report to the Federal Audit Clearing Housing no later than 9 months after year end or March 31.

Criteria: Section 2.2.2.10 J. (3) of the New Mexico Administrative Code states “Neither the IPA nor agency personnel shall release any information to the public relating to the audit at the time of the exit conference or at any other time until the audit report becomes public record.” Section 12-6-5 NMSA 1978 (Report of Audits) provides that an audit report does not become a public record, subject to public inspection, until ten business days after it is released by the State Auditor to the agency audited.

Effect: The information the Authority released to the public is a confidential draft of the audit report. The audit report was subject to revision and was not the final product of the independent public accountant or the Office of the State Auditor. The information released through the Federal Audit Clearing House was not the final audit report and was not the final product of the independent public accountant or the Office of the State Auditor.

Cause: The Authority provided information related to the audit to the public prior to the release of the report to the Federal Audit Clearing House.

Auditors’ Recommendation: The Authority must insure the audit is prepared in a timely fashion in order to meet all report submission deadlines. This is the second year in which the report was not completed until March of the following year. The June 30, 2018 audit report was late due to the Authority taking over responsibility for the Maxwell Housing Authority. The Authority should not have any such obstacles in future years. Completion of the audit report to the State Auditor by the September 30 deadline should insure submission to the Federal Audit Clearinghouse by the March 31 deadline. The Authority must resubmit the revised audit to the Federal Clearinghouse for the year ended June 30, 2018.

Agency’s Response: At the time of the submission, the Authority believed in good faith and in the best interest of its HUD responsibility that submission to the Federal Audit Clearinghouse was necessary while the review from the State Auditor’s Office was pending.

Corrective Action Plan: The City of Raton Housing Authority management will insure all audit report deadlines are met for the June 30, 2019 year end. The Authority has maintained the Maxwell Housing Authority files for an entire year and the Authority’s fee accountant is recording and reporting to the Authority and HUD timely currently.

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule IV

Section II – Federal Award Findings and Questioned Costs

2017-003– Tenant Files Lacking Required Documentation – Other Non-compliance

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

Program Name: Low Rent Public Housing Program CFDA Nos. and Program Expenditures: 14.850
Award Number and Program Award Year: As presented in Schedule of Expenditures of Federal Awards.

Compliance Requirement: Eligibility Questioned Costs: None Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Condition: In our review of 20 tenant’s files, we noted the following required HUD forms were missing:

- A) 4 files did not maintain all social security cards required for tenants of the housing unit
- B) 2 files were lacking tenant applications
- C) 2 files do not appear to maintain citizenship verification
- D) 2 files do not appear to have evidence of a background investigation

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

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

Cause: File reviews did not reveal the missing information.

Auditor’s Recommendation: We recommend that the files be reviewed and updated to contain all HUD required information.

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

Corrective Action Plan: An annual check and checklist will be performed on all files during the year end June 30, 2019 and again at the time of re-exam of each tenant file to verify all required documentation is present. The housing re-examinations are performed annually by the Housing Authority administration. Corrections will be implemented by management prior to June 30, 2019.

Section III – Prior Year Audit Findings

- 2017-001— Controls over Bank Accounts - Resolved
- 2017-002— Financial Close and Material Adjustments – Revised and Repeated
- 2017-003– Tenant Files Lacking Required Documentation – Revised and Repeated
- 2017-004– Lack of Depository Agreements with Financial Institutions - Resolved
- 2017-005– Lack of Controls over Disbursements – Revised and Repeated
- 2017-006– Federal Grant Management - Resolved
- 2017-007– Insurance Proceeds - Resolved
- 2017-008– Capital Assets - Resolved
- 2017-009– Late Audit Report – Revised and Repeated
- 2017-010– Internal Control: Reconcile/Monitor RHCA Payments - Resolved

STATE OF NEW MEXICO
CITY OF RATON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule IV

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, 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 March 18, 2019. The following individuals were in attendance:

City of Raton Housing Authority

Terry Baca, Housing Authority Executive Director
John Duran, Commissioner

Griego Professional Services, LLC

J.J. Griego, CPA

Housing Authority of the City of Raton

PO 297

Raton, New Mexico 87740

March 26, 2019

The Raton Housing Authority (the "Authority") respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Griego Professional Services, LLC

PO Box 37379

Albuquerque, New Mexico 87176

The finding from the June 30, 2018 schedule of findings and questioned costs is discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2017-002— Financial Close and Material Adjustments – Significant Deficiency

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

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

Additionally, we recommend that the Authority ensure that all proposed adjustments by the auditor are reviewed by key officials and that they are approved, prior to the audit completion.

Corrective Action: The Authority and its fee accountant have added the necessary accounts to the Authority's chart of accounts. Necessary adjustments will be made in the 2019 fiscal year for both OPEB and pension liabilities and related accounts. Equity was and will be reconciled to the REAC submission.

OTHER MATTERS/COMPLIANCE

2017-005– 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 had backup documentation which did not match the Purchase Order.

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

Corrective Action Plan: Currently and from here forward, all disbursements are reviewed by the Executive Director and one or more board members. The Board Chairman usually reviews all disbursements when feasible. All disbursements for the month are approved at the monthly board meeting by the entire Board of Commissioners. Supporting documentation will also be approved by an authorized employee or board member. Reimbursements to the Executive Director and reviewed by the Board Chairman. The Authority does not believe the sample is representative of the population and the Authority believes the risk of misstatement is low. The Authority will verify that proper supporting documentation is acquired prior to making documents will be attached to each disbursement.

2017-009– Late Audit Report – Other Non-compliance

Condition: The audit report for the Authority fiscal year ended June 30, 2018 was not submitted by the September 30, 2018 due date. The audit report was submitted March 10, 2019.

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

Corrective Action Plan: The Housing Authority and fee accountants will deliver the documents to the auditor by an agreed upon date in future years to ensure a timely audit submission.

FINDINGS—FEDERAL AWARD AUDIT

2017-003– Tenant Files Lacking Required Documentation – Other Non-compliance

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

Program Name: Low Rent Public Housing Program CFDA Nos. and Program Expenditures: 14.850

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

Compliance Requirement: Eligibility Questioned Costs: None Statistical Sampling: The sample was not intended to be, and was not, a statistically valid sample.

Condition: In our review of 20 tenant's files, we noted the following required HUD forms were missing:

- A) 4 files did not maintain all social security cards required for tenants of the housing unit
- B) 2 files were lacking tenant applications
- C) 2 files do not appear to maintain citizenship verification
- D) 2 files do not appear to have evidence of a background investigation

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

Corrective Action Plan: An annual check and checklist will be performed on all files during the next fiscal year and again at the time of re-exam of each tenant file to verify all required documentation is present. The housing re-examinations are performed annually by the Housing Authority administration.

If there are any questions regarding this plan, please call Terry Baca at (575) 445-8021.

Sincerely yours,



Terry Baca

Executive Director