

**STATE OF NEW MEXICO
CITY OF RATON
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

**STATE OF NEW MEXICO
CITY OF RATON**

<u>CONTENTS</u>	<u>Page</u>
OFFICIAL ROSTER	i
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	31
Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Statement of Fiduciary Assets and Liabilities-Agency Fund	35
Notes to Financial Statements	36

**STATE OF NEW MEXICO
CITY OF RATON**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Airport Fund	66
Schedule of Revenues, Expenditures and Changes in Net Assets – Budget and Actual – Sanitation Fund	67
Schedule of Revenues, Expenditures and Changes in Net Assets – Budget and Actual – Water and Sewer Fund	68
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Combining Balance Sheet – All Non-Major Governmental Funds – By Fund Type	70
Combining Statement of Revenues, Expenditures, and changes in Fund Balances – All Non-Major Governmental Funds – By Fund Type	72
Special Revenue Funds:	
Combining Balance Sheet –Non-Major Special Revenue Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Non-Major Special Revenue Funds	80
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Fire Grants Fund	85
Fire Fund	86
Recreation Fund	87
Lodger’s Tax Fund	88
Law Enforcement Fund	89
EMS Fund	90
Police Grants Fund	91
Local Government Corrections Fund	92
Library Building Fund	93
Library Grants Fund	94
Environmental GRT Fund	95
Revolving Loan Fund	96
Police Narcotics Fund	97
LLEBG Fund	98

**STATE OF NEW MEXICO
CITY OF RATON**

CONTENTS (Cont'd)

Page

SUPPLEMENTARY INFORMATION (Cont'd)

Region IV - North Fund	99
Juvenile Justice Grant Fund	100
ARRA OJP Grant Fund	101
ARRA CWSRF Project Fund	102
ARRA 2nd Street Project Fund	103
ARRA Clayton Highway Project Fund	104
ARRA EMNRD Recycle Grant	105
Track Fire Recovery Fund	106
 Debt Service Funds:	
Combining Balance Sheet–Non-Major Debt Service Funds	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Non-Major Debt Service Funds	112
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
NMFA Loan – Fire Equipment	115
NMFA Loan – Street Improvements Fund	116
NMFA Loan – Welcome Center Fund	117
NMFA Loan - Landfill Fund	118
Wastewater Treatment Fund	119
Recreation Center Fund	120
Aquatic Center Fund	121
Water Trust Board Fund	122
ARRA CWSFR Fund	123
Special Assessments	124
 Capital Projects Funds:	
Combining Balance Sheet –Non-Major Capital Project Funds	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Non-Major Capital Project Funds	128
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
2% Lodgers' Tax Fund	130

**STATE OF NEW MEXICO
CITY OF RATON**

<u>CONTENTS (Cont'd)</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION (Cont'd)	
Street Improvements Fund	131
GRT Swim/Pool Recreation Center	132
NMDOT Projects Fund	133
Historic Buildings Fund	134
Capital Improvements Fund	135
Water Fund	136
Depot Improvement Projects Fund	137
Agency Fund:	
Schedule of Changes in Assets and Liabilities – Agency Fund Municipal Court	140
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Bank Accounts	142
Schedule of Pledged Collateral	143
SINGLE AUDIT SECTION	
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>	147
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	149
Schedule of Expenditures of Federal Awards	152
Notes to Schedule of Expenditures of Federal Awards	153
Schedule of Findings and Questioned Costs	154
Summary Schedule of Prior Year Audit Findings	171
Exit Conference	172

**STATE OF NEW MEXICO
CITY OF RATON
OFFICIAL ROSTER
JUNE 30, 2012**

Elected Officials and Administration

City Commission

Charles Starkovich, Mayor
Christopher Candelaria, Mayor Pro Tem
Sandy Mantz, Commissioner
Neil Segatta, Commissioner
Jimmy Fannelli, Commissioner

Municipal Judge

Roy J. Manfredi

Administration

Pete Mileta, Jr., City Manager
Geneva Trujillo, City Clerk/Treasurer

Raton Water Works

Allen Litchfield, Chairman
Joe Gagliardi, Vice Chairman
Sandy Mantz, Commissioner
Christopher Candelaria, Commissioner

Administration

Dan Campbell, General Manager
Bonnie Cunico, Office Manager

Housing Authority Commissioner

Robert Stoller, Chairperson
Margaret Evans, Vice Chairperson
Mike Morgan, Commissioner
John Duran, Commissioner
Tony Vigil, Commissioner

Administration

Terry Baca, Executive Director
Jimmy Fanelli, City Commissioner

The Public Service Company

Kathy McQueary, President
Mark Jansen, Vice President
Frank Ferri, Treasurer
Neil Segatta, Director
Charles Starkovich, Director

Administration

Glenn Fisher, General Manager
Sandy Chavez, Office Manager

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF RATON
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Raton, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of the City of Raton, New Mexico (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for the major enterprise funds, major capital projects fund and all nonmajor funds presented as Supplementary Information as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Raton, a component unit of the City of Raton, which is a discretely presented component unit and represents 16 percent, 25 percent, and 9 percent, respectively, of the assets, net assets, and revenues of aggregately discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Raton, a component unit of the City of Raton, is based on the report of the other auditors.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The records related to capital assets of the governmental activities, business-type activities, major enterprise funds and discretely presented component unit, Raton Public Service Company, are incomplete, and we were not able to satisfy ourselves by other procedures as to the accuracy of the valuation of such capital assets.

In our opinion, except for the effects of incomplete capital asset records as described in the previous paragraph based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparisons for the major capital projects funds, debt service funds, enterprise funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as Other Supplementary Information in the table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and Other Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the City of Raton, New Mexico (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the current fiscal year.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for the current fiscal year as follows.

- The City's total net assets of governmental activities increased \$172,740 and business-type activities decreased \$177,050 representing less than one percent and less than one percent respectively, of the total net assets of \$43.3 million.
- General revenues from governmental activities accounted for \$5.5 million in revenue, or 49 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.9 million, or 51 percent of total governmental activities revenues. The City had \$1.2 million in general revenues and \$3.0 million of program revenues related to business-type activities.
- The City had \$11.2 million in expenses related to governmental activities, an increase of 32 percent from the prior fiscal year primarily due to capital outlay not being recorded with the associated allocation for depreciation expense. The City had \$3.8 million in expenses related to business-type activities, a 6 percent increase from the prior fiscal year.
- The General Fund had \$4.9 million in revenues, which primarily consisted of municipal and state shared taxes and charges for services. The total expenditures of the General Fund were \$4.8 million. The General Fund's fund balance increased from \$59,655 to \$1.6 million.
- The Airport Fund had \$2.6 million in revenues and \$2.4 million in expenditures. The Airport Fund's fund balance increased from a deficit of \$4,162 to \$199,346, primarily due to FAA and NM State Aviation grant money received and not disbursed by year end.
- The Sanitation Fund operating expenses of \$841,950 exceeded operating revenues of \$818,755. The Sanitation Fund's net assets decreased from a deficit of \$862,862 to a deficit of \$865,959.
- The Water Fund operating revenues of \$3.3 million exceeded operating expenses of \$2.8 million. The Water Fund's net assets decreased from \$24.0 million to \$23.8 million, a decrease of less than one percent.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, culture and recreation, and highways and streets. Gross receipts taxes, property taxes, and charges for services finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water and sewer and sanitation. The services are primarily financed through charges for services.

Fund Financial Statements. 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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Airport Funds, both of which are considered to be major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The City of Raton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Raton uses enterprise funds to account for its water and sewer and sanitation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Under New Mexico Administrative Code Section 2.2.2, governments in New Mexico must include the budgetary comparison statement for the General Fund as a component of the fund financial statements within the basic financial statements.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded liabilities by \$43.3 million at the current fiscal year end.

A large portion of the City's total net assets reflects its investment in capital assets (e.g., land and property, plant and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012	2011	2012	2011		
	Governmental	Governmental	Business-type	Business-type	2012 Total	2011 Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 5,005,970	\$ 4,674,868	\$ 4,591,064	\$ 4,390,804	\$ 9,597,034	\$ 9,065,672
Capital assets, net	25,102,044	26,054,429	21,723,726	22,306,697	46,825,770	48,361,126
Total assets, net	30,108,014	30,729,297	26,314,790	26,697,501	56,422,804	57,426,798
Current and other liabilities	230,380	406,491	312,506	261,613	542,886	668,104
Long-term liabilities	9,481,913	10,099,825	3,067,969	3,324,523	12,549,882	13,424,348
Total liabilities	9,712,293	10,506,316	3,380,475	3,586,136	13,092,768	14,092,452
Invested in capital assets, net of related debt	15,976,801	16,403,077	20,394,405	20,430,049	36,371,206	36,833,126
Restricted	3,146,075	2,669,771			3,146,075	2,669,771
Unrestricted	1,272,845	1,150,133	2,539,910	2,681,316	3,812,755	3,831,449
Total net assets	\$ 20,395,721	\$ 20,222,981	\$ 22,934,315	\$ 23,111,365	\$ 43,330,036	\$ 43,334,346

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$536,109 in governmental activities related to bonds, loans, and capital leases.
- The principal retirement of \$265,965 in business-type activities related to bonds and landfill closure and post closure.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year ended were \$14.5 million. The total cost of all programs and services was \$14.9 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-type Activities	2011 Business-type Activities	2012 Total	2011 Total
Revenues:						
Program revenues:						
Charges for services	\$ 392,767	\$ 1,647,746	\$ 2,952,055	\$ 2,722,708	\$ 3,344,822	\$ 4,370,454
Operating grants and contributions	1,457,002	1,019,090	3,000		1,460,002	1,019,090
Capital grants and contributions	4,010,763	3,212,957			4,010,763	3,212,957
General revenues:						
Gross receipts taxes	3,188,453	3,481,911	1,170,746	1,232,056	4,359,199	4,713,967
Property taxes, levied for general purposes	528,187	646,975			528,187	646,975
Franchise taxes	225,067	97,737			225,067	97,737
Other taxes	539,395	557,563			539,395	557,563
Investment income	7,726	8,049	31,135	33,408	38,861	41,457
Total revenues	<u>10,349,360</u>	<u>10,672,028</u>	<u>4,156,936</u>	<u>3,988,172</u>	<u>14,506,296</u>	<u>14,660,200</u>
Expenses:						
General government	2,673,477	1,943,850			2,673,477	1,943,850
Public safety	6,033,274	4,720,888			6,033,274	4,720,888
Culture and recreation	1,456,224	861,706			1,456,224	861,706
Highways and streets	653,808	575,332			653,808	575,332
Interest on long-term debt	405,255	413,589	107,172	108,843	512,427	522,432
Solid waste			841,950	824,486	841,950	824,486
Water and sewer			2,802,979	2,612,611	2,802,979	2,612,611
Total expenses	<u>11,222,038</u>	<u>8,515,365</u>	<u>3,752,101</u>	<u>3,545,940</u>	<u>14,974,139</u>	<u>12,061,305</u>
Transfers	<u>1,045,418</u>	<u>204,313</u>	<u>(581,885)</u>	<u>(204,313)</u>	<u>463,533</u>	
Changes in net assets	<u>172,740</u>	<u>2,360,976</u>	<u>(177,050)</u>	<u>237,919</u>	<u>(4,310)</u>	<u>2,598,895</u>
Net assets, beginning	<u>20,222,981</u>	<u>17,862,005</u>	<u>23,111,365</u>	<u>22,873,446</u>	<u>43,334,346</u>	<u>40,735,451</u>
Net assets, ending	<u>\$ 20,395,721</u>	<u>\$ 20,222,981</u>	<u>\$ 22,934,315</u>	<u>\$ 23,111,365</u>	<u>\$ 43,330,036</u>	<u>\$ 43,334,346</u>

The following are significant changes that have had an impact on the changes in net assets.

- Total charges for services decreased \$1.0 million, or 7 percent, primarily as a result of a \$500,000 Community Development Block Grant in the prior year not renewed in the current year. Also there was a general decline in all service revenues.
- Governmental activities expenses increased primarily as a result of capital outlays from prior years not being recorded with the associated allocation of depreciation expenses as required by law for reporting purposes.
- Business-type activities expenses increased primarily as a result of increased power costs to run utilities.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2012		2011	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 2,673,477	\$ 1,226,870	\$ 1,943,850	\$ (440,869)
Public safety	6,033,274	(5,341,507)	4,720,888	(3,321,197)
Public works	1,456,224	(1,286,555)	861,706	(762,786)
Culture and recreation	653,808	444,941	575,332	2,302,869
Interest on long-term debt	405,255	(405,255)	413,589	(413,589)
Total	<u>\$ 11,222,038</u>	<u>\$ (5,361,506)</u>	<u>\$ 8,515,365</u>	<u>\$ (2,635,572)</u>
Business-type Activities				
Sanitation	\$ 841,950	\$ (773,851)	\$ 824,486	\$ (791,202)
Water and Sewer	2,910,151	(23,195)	2,721,454	(32,030)
Total	<u>\$ 3,752,101</u>	<u>\$ (797,046)</u>	<u>\$ 3,545,940</u>	<u>\$ (823,232)</u>

- The net cost of all governmental activities this year was \$5.4 million, an increase from the prior fiscal year.
- The net cost of all business-type activities this year was \$797,046 a decrease from the prior fiscal year.
- Net cost of governmental activities of \$5.4 million was financed by general revenues, which are made up of primarily gross receipts taxes of \$3.2 million.
- Net cost of business-type activities of \$797,046 was financed by general revenues, which are made up of primarily gross receipts taxes of \$1.2 million.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$4.7 million, an increase of \$542,452, primarily due to a net change of \$203,508 in the airport fund and \$279,289 in non-major governmental funds.

The General Fund is the principal operating fund of the City. The General Fund's fund balance at the end of the current fiscal year was \$1.6 million, an increase of \$59,655.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$22.9 million, a decrease of \$177,050 from the prior fiscal year.

BUDGETARY HIGHLIGHTS

There were several amendments to the City of Raton's fiscal year 2011-12 operating budget, no material amendments were noted. The budgeted revenue for gross receipts taxes within the general fund was \$649,382 less than what was received by the City. Due to the downturn in the economy the City did not collect as much revenue from gross receipts taxes as anticipated. A statement reporting the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as a basic financial statement.

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the City had invested \$25.1 million in governmental capital assets, and \$21.7 million in business-type capital assets including land, construction in progress, historical treasures, water rights, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase in governmental capital assets prior to depreciation of \$35,000 from the prior fiscal year, and a net increase in business-type capital assets prior to depreciation of \$260,244. Total depreciation expense for the current fiscal year for governmental activities was \$987,385 and for business-type activities was \$843,215.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2012 and June 30, 2011.

	2012 Governmental Activities	2011 Governmental Activities	2012 Business-type Activities	2011 Business-type Activities
Land and depreciable assets	\$ 715,975	\$ 715,975	\$ 3,056,647	3,056,647
Property, plant and equipment	37,019,992	36,984,992	31,783,285	31,523,041
Less: Accumulated depreciation	(12,633,923)	(11,646,538)	(13,116,206)	(12,272,991)
Total	\$ 25,102,044	\$ 26,054,429	\$ 21,723,726	\$ 22,306,697

Additional information on the City's capital assets can be found in Note 7.

Debt Administration. At year end, the City had \$9.1 million in long-term debt outstanding, \$324,624 due within one year for governmental activities. The City had \$2.9 million in long-term debt outstanding, \$232,445 due within one year for business-type activities. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2012 and June 30, 2011.

	Governmental Activities	
	As of June 30, 2012	As of June 30, 2011
Bonds payable	\$ 2,924,594	\$ 2,960,594
Loans payable	6,170,514	6,602,542
Capital leases payable	30,135	88,216
Total	\$ 9,125,243	\$ 9,651,352

**STATE OF NEW MEXICO
CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

	Business-type Activities	
	As of	As of
	June 30, 2012	June 30, 2011
Landfill closure and postclosure	\$ 1,237,390	\$ 1,265,613
Bonds Payable	1,638,906	1,876,648
Total	\$ 2,876,296	\$ 3,142,261

State statutes currently limit the amount of general obligation debt a City may issue to 4 percent of its total assessed valuation for general purposes. State statute currently does not limit the amount of general obligation debt a City may issue for a water and sewer system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the City's administration during the process of developing the fiscal year 2012-13 budget. Among them:

- Fiscal year 2011-12 budget balance carry forward.
- Employee salaries.

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund increased 3.2 percent to \$4.4 million in fiscal year 2012-13. Increased payroll and employee benefit costs is the primary reason for the increase. State aid and property taxes are expected to be the primary funding sources. No new programs were added to the 2012-13 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Raton City Hall, City of Raton, P. O. Box 910, Raton, New Mexico 87740.

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government			Component Units	
	Governmental Activites	Business-type Activites	Total	Raton Public Service Company	Raton Housing Authority
ASSETS					
Current assets:					
Cash and investments	2,094,938	3,497,920	\$ 5,592,858	\$ 571,041	\$ 713,883
Due from other governments	1,933,567		1,933,567		500
Taxes receivable	664,454	264,572	929,026		
Receivables, net	313,011	511,648	824,659	967,362	1,531
Inventory		222,972	222,972	667,786	10,123
Prepaid items				22,867	6,738
Notes receivable		17,216	17,216		
Internal balances					
Cash and investments, restricted				4,957,521	27,392
Total current assets	5,005,970	4,514,328	9,520,298	7,186,577	760,167
Noncurrent assets:					
Notes receivable		76,736	76,736		
Land	588,725	3,056,647	3,645,372	13,841	276,408
Artwork	127,250		127,250		
Property, plant and equipment	37,019,992	31,783,285	68,803,277	21,288,121	9,426,992
Accumulated depreciation	(12,633,923)	(13,116,206)	(25,750,129)	(11,137,164)	(7,139,241)
Total noncurrent assets	25,102,044	21,800,462	46,902,506	10,164,798	2,564,159
Total assets	30,108,014	26,314,790	56,422,804	17,351,375	3,324,326
LIABILITIES					
Current liabilities:					
Accounts payable	208,911	82,138	291,049	527,794	12,066
Accrued salaries and related benefits	21,469	94,072	115,541	2,371	
Due to Raton Public Service Company		13,284	13,284		
Due to Raton Water Works					
Unearned revenue				8,204	2,109
Deposits held for others		123,012	123,012		27,392
Compensated absences payable	125,000	110,000	235,000	24,952	
Interest payable				49,141	
Obligations under capital leases	30,135		30,135		
Loans payable	258,489		258,489	324,439	
Bonds payable	36,000	232,445	268,445		
Payables, restricted				216,371	
Total current liabilities	680,004	654,951	1,334,955	1,153,272	41,567
Noncurrent liabilities:					
Non-current portion of long-term obligations	9,032,289	2,725,524	11,757,813	6,330,802	8,055
Total noncurrent liabilities	9,032,289	2,725,524	11,757,813	6,330,802	8,055
Total liabilities	9,712,293	3,380,475	13,092,768	7,484,074	49,622
NET ASSETS					
Invested in capital assets, net of related debt	15,976,801	20,394,405	36,371,206	3,584,414	2,564,159
Restricted for:					
Special purposes	1,351,380		1,351,380	4,741,150	
Debt service	1,059,071		1,059,071		
Capital outlay	735,624		735,624		
Unrestricted	1,272,845	2,539,910	3,812,755	1,541,737	710,545
Total net assets	\$ 20,395,721	\$ 22,934,315	\$ 43,330,036	\$ 9,867,301	\$ 3,274,704

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/Programs	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 2,673,477	\$ 154,154	\$ 830,718	\$ 2,915,475	\$ 1,226,870
Public safety	6,033,274	65,483	626,284		(5,341,507)
Culture and recreation	1,456,224	169,669			(1,286,555)
Highways and streets	653,808	3,461		1,095,288	444,941
Interest on long-term debt	405,255				(405,255)
Total governmental activities	<u>11,222,038</u>	<u>392,767</u>	<u>1,457,002</u>	<u>4,010,763</u>	<u>(5,361,506)</u>
Business-type activities:					
Water and sewer	2,910,151	2,136,300			
Sanitation	841,950	815,755	3,000		
Total business-type activities	<u>3,752,101</u>	<u>2,952,055</u>	<u>3,000</u>		
Total primary government	<u>\$ 14,974,139</u>	<u>\$ 3,344,822</u>	<u>\$ 2,914,004</u>	<u>\$ 4,010,763</u>	<u>(5,361,506)</u>
Component Units:					
Raton Public Service Company	\$ 7,151,625	\$ 7,513,341	\$		
Raton Housing Authority	841,794	263,411	452,278		
	<u>\$ 7,993,419</u>	<u>\$ 7,776,752</u>	<u>\$ 452,278</u>		
General revenues:					
Taxes:					
					3,188,453
					528,187
					225,067
					539,395
					7,726
Transfers					<u>1,045,418</u>
Total general revenues and transfers					<u>5,534,246</u>
Changes in net assets					172,740
Net assets, beginning of year					20,222,981
Net assets, restatement					
Net assets, restated					<u> </u>
Net assets, end of year					<u>\$ 20,395,721</u>

Net (Expense) Revenue and Changes in Net Assets		Component Units	
Business-type Activities	Primary Government Totals	Raton Public Service Company	Raton Housing Authority
\$	\$ 1,226,870	\$	\$
	(5,341,507)		
	(1,286,555)		
	444,941		
	(405,255)		
	<u>(5,361,506)</u>		
(773,851)	(773,851)		
(23,195)	(23,195)		
(797,046)	(797,046)		
(797,046)	(6,158,552)		
		361,716	(126,105)
		<u>361,716</u>	<u>(126,105)</u>
1,170,746	4,359,199		
	528,187		
	225,067		
	539,395		
31,135	38,861	13,355	4,382
(581,885)	463,533		
<u>619,996</u>	<u>6,154,242</u>	<u>13,355</u>	<u>4,382</u>
(177,050)	(4,310)	375,071	(121,723)
23,111,365	43,334,346	9,037,797	3,406,129
		454,433	(9,702)
		<u>9,492,230</u>	<u>3,396,427</u>
<u>\$ 22,934,315</u>	<u>\$ 43,330,036</u>	<u>\$ 9,867,301</u>	<u>\$ 3,274,704</u>

(This page intentionally left blank)

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF RATON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Airport</u>	<u>Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 452	\$	\$ 2,094,486
Due from other governments	5,619	1,544,717	383,231
Taxes receivable	520,472		143,982
Receivables, net	252,122		60,889
Due from other funds	921,276		396,718
Total assets	<u>\$ 1,699,941</u>	<u>\$ 1,544,717</u>	<u>\$ 3,079,306</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 50,370	\$ 139,836	\$ 18,705
Accrued salaries and related benefits	20,056		1,413
Deferred revenue	49,027		
Due to other funds		1,205,535	112,459
Total liabilities	<u>119,453</u>	<u>1,345,371</u>	<u>132,577</u>
Fund balances (deficits):			
Restricted	143,361	199,346	3,011,116
Unassigned	1,437,127		(64,387)
Total fund balances	<u>1,580,488</u>	<u>199,346</u>	<u>2,946,729</u>
Total liabilities and fund balances	<u>\$ 1,699,941</u>	<u>\$ 1,544,717</u>	<u>\$ 3,079,306</u>

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$ 2,094,938
1,933,567
664,454
313,011
1,317,994

\$ 6,323,964

\$ 208,911
21,469
49,027
1,317,994

1,597,401

3,353,823
1,372,740

4,726,563

\$ 6,323,964

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF RATON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total governmental fund balances		\$ 4,726,563
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 37,735,967	
Less accumulated depreciation	<u>(12,633,923)</u>	25,102,044
<p>Property tax revenues will not be available to pay current period expenditures and, therefore, are deferred in the governmental funds.</p>		
		49,027
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	(2,924,594)	
Loans payable	(6,170,514)	
Capital leases payable	(30,135)	
Compensated absences payable	<u>(356,670)</u>	<u>(9,481,913)</u>
Net assets of governmental activities		<u><u>\$ 20,395,721</u></u>

The notes to the basic financial statements are integral part of this statement.

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

	<u>General</u>	<u>Airport</u>	<u>Non-Major Governmental Funds</u>
Revenues:			
Gross receipts taxes	\$ 2,655,600	\$	\$ 532,853
Property taxes	563,426		
Francise tax	225,067		
Other taxes	27,898		511,497
State grants	527,382	151,415	1,871,164
Federal grants	268,268	2,418,720	230,816
Charges for services	568,786		95,674
Fines and forfeitures	37,202		65,483
Miscellaneous	39,707	399	49,049
Interest income	1,275		6,451
Total revenues	<u>4,914,611</u>	<u>2,570,534</u>	<u>3,362,987</u>
Expenditures:			
Current -			
General government	741,109		240,992
Public safety	2,892,853		173,198
Culture and recreation	164,721		314,223
Highways and streets	456,265		
Capital outlay	587,003	2,434,696	1,951,141
Debt service -			
Principal			526,109
Interest and fees			405,255
Total expenditures	<u>4,841,951</u>	<u>2,434,696</u>	<u>3,610,918</u>
Excess (deficiency) of revenues over expenditures	<u>72,660</u>	<u>135,838</u>	<u>(247,931)</u>
Other financing sources (uses):			
Transfers in	168,941	67,670	1,490,549
Transfers out	(181,946)		(963,329)
Total other financing sources (uses):	<u>(13,005)</u>	<u>67,670</u>	<u>527,220</u>
Changes in fund balances	<u>59,655</u>	<u>203,508</u>	<u>279,289</u>
Fund balances (deficits), beginning of year	1,520,833	(4,162)	2,667,440
Fund balances (deficits), end of year	<u>\$ 1,580,488</u>	<u>\$ 199,346</u>	<u>\$ 2,946,729</u>

The notes to the basic financial statements are an integral part of this statement.

Total
Governmental
Funds

\$ 3,188,453
563,426
225,067
539,395
2,549,961
2,917,804
664,460
102,685
89,155
7,726

10,848,132

982,101
3,066,051
478,944
456,265
4,972,840

526,109
405,255

10,887,565

(39,433)

1,727,160
(1,145,275)

581,885

542,452

4,184,111

\$ 4,726,563

STATE OF NEW MEXICO
CITY OF RATON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net changes in fund balances - total governmental funds \$ 542,452

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 35,000	
Less current year depreciation	<u>(987,385)</u>	(952,385)

Property tax revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.		(35,239)
--	--	----------

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		91,803
---	--	--------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond principal retirement	36,000	
Loan principal retirement	432,028	
Capital lease principal retirement	<u>58,081</u>	<u>526,109</u>

Change in net assets in governmental activities		<u>\$ 172,740</u>
---	--	-------------------

The notes to the basic financial statements are integral part of this statement.

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$ 2,855,497	\$ 2,857,286	\$ 2,207,904	\$ 649,382
Property taxes	557,663	557,663	539,677	(17,986)
Franchise tax	110,000	225,909	225,067	(842)
Other taxes			27,898	27,898
State grants	196,000	232,704	191,087	(41,617)
Charges for services	724,600	734,471	568,763	(165,708)
Fines and forfeitures	49,000	49,292	37,202	(12,090)
Miscellaneous	175,471	36,398	36,719	321
Interest income	3,000	3,000	1,197	(1,803)
Total revenues	<u>4,671,231</u>	<u>4,696,723</u>	<u>3,835,514</u>	<u>437,555</u>
Expenditures:				
Current -				
General government	1,302,997	785,915	671,380	114,535
Public safety	2,841,172	2,856,768	2,797,667	59,101
Culture and recreation	189,008	189,508	187,362	2,146
Highways and streets	506,392	553,756	456,265	97,491
Capital outlay		2,722	3,151	(429)
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>4,839,569</u>	<u>4,388,669</u>	<u>4,115,825</u>	<u>272,844</u>
Excess (deficiency) of revenues over expenditures	<u>(168,338)</u>	<u>308,054</u>	<u>(280,311)</u>	<u>164,711</u>
Other financing sources (uses):				
Transfers in		32,500	32,500	
Transfers out	(272,631)	(295,454)	(180,369)	(115,085)
Loan proceeds				
Total other financing sources (uses)	<u>(272,631)</u>	<u>(262,954)</u>	<u>(147,869)</u>	<u>(115,085)</u>
Net change in fund balance	<u>(440,969)</u>	<u>45,100</u>	<u>(428,180)</u>	<u>49,626</u>
Reconciliation to GAAP basis:				
Revenue accruals			477,064	
Expenditures accruals			(69,729)	
Change in fund balance for fund budgeted separately for the General Fund			80,500	
Change in fund balance - GAAP basis			<u>\$ 59,655</u>	

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

	Enterprise Funds		
	Sanitation	Water and Sewer	Totals
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 72,252	\$ 3,425,668	\$ 3,497,920
Taxes receivable		264,572	264,572
Receivables, net		511,648	511,648
Inventory		222,972	222,972
Notes receivable		17,216	17,216
Due from other funds	98,914		98,914
Total current assets	<u>171,166</u>	<u>4,442,076</u>	<u>4,613,242</u>
Noncurrent assets:			
Notes receivable		76,736	76,736
Land	213,607	2,843,040	3,056,647
Property, plant and equipment	2,482,025	29,301,260	31,783,285
Accumulated depreciation	(2,386,047)	(10,730,159)	(13,116,206)
Total noncurrent assets	<u>309,585</u>	<u>21,490,877</u>	<u>21,800,462</u>
Total assets	<u>480,751</u>	<u>25,932,953</u>	<u>26,413,704</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	19,907	62,231	82,138
Accrued salaries and related benefits	56,065	38,007	94,072
Due to Raton Public Service Company		13,284	13,284
Due to other funds		98,914	98,914
Deposits held for others		123,012	123,012
Compensated absences payable	10,000	100,000	110,000
Bonds payable		232,445	232,445
Total current liabilities	<u>85,972</u>	<u>667,893</u>	<u>753,865</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	1,260,738	1,464,786	2,725,524
Total noncurrent liabilities	<u>1,260,738</u>	<u>1,464,786</u>	<u>2,725,524</u>
Total liabilities	<u>1,346,710</u>	<u>2,132,679</u>	<u>3,479,389</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	309,585	20,084,820	20,394,405
Unrestricted	(1,175,544)	3,715,454	2,539,910
Total net assets	<u>\$ (865,959)</u>	<u>\$ 23,800,274</u>	<u>\$ 22,934,315</u>

The notes to the basic financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

	Enterprise Funds		
	Sanitation	Water and Sewer	Totals
Operating revenues:			
Gross receipts taxes	\$	\$ 1,170,746	\$ 1,170,746
State grants	3,000		3,000
Charges for services	815,583	2,136,300	2,951,883
Miscellaneous	172		172
Total operating revenues	<u>818,755</u>	<u>3,307,046</u>	<u>4,125,801</u>
Operating expenses:			
Francise fee		38,251	38,251
Filter plant		273,139	273,139
Sewer plant		530,785	530,785
Construction and maintenance		239,683	239,683
Solid waste collection	818,629		818,629
General and administrative		901,227	901,227
Depreciation	23,321	819,894	843,215
Total operating expenses	<u>841,950</u>	<u>2,802,979</u>	<u>3,644,929</u>
Operating income (loss)	<u>(23,195)</u>	<u>504,067</u>	<u>480,872</u>
Nonoperating revenues (expenses):			
Investment income	98	31,037	31,135
Interest on long-term debt		(107,172)	(107,172)
Total nonoperating revenues (expenses)	<u>98</u>	<u>(76,135)</u>	<u>(76,037)</u>
Income (loss) before transfers	<u>(23,097)</u>	<u>427,932</u>	<u>404,835</u>
Transfers in	20,000	265,356	285,356
Transfers out		(867,241)	(867,241)
Changes in net assets	<u>(3,097)</u>	<u>(173,953)</u>	<u>(177,050)</u>
Total net assets, beginning of year	(862,862)	23,974,227	23,111,365
Total net assets, end of year	<u>\$ (865,959)</u>	<u>\$ 23,800,274</u>	<u>\$ 22,934,315</u>

The notes to the basic financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Funds		
	Sanitation	Water and Sewer	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 883,654	\$ 1,838,213	\$ 2,721,867
Cash received from taxes		1,170,746	1,170,746
Cash payments to suppliers for goods and services	(265,141)	(1,049,925)	(1,315,066)
Cash payments to employees for services	(485,601)	(1,009,339)	(1,494,940)
Other	(127,137)		(127,137)
Net cash provided by (used for) operating activities	5,775	949,695	955,470
Cash flows from capital and related financing activities:			
Purchase of property	12,578	(272,822)	(260,244)
Principal paid on debt		(237,742)	(237,742)
Interest paid on debt		(107,172)	(107,172)
Transfers from governmental funds	20,000	265,356	285,356
Transfers to governmental funds for capital projects		(867,241)	(867,241)
Net cash provided by (used) for capital and related financing activities	32,578	(1,219,621)	(1,187,043)
Cash flows from investing activities:			
Proceeds from principal of note receivable		16,240	16,240
Investment income	98	31,037	31,135
Net cash provided by investing activities	98	47,277	47,375
Net increase (decrease) in cash and cash equivalents	38,451	(222,649)	(184,198)
Cash and cash equivalents, beginning of year	33,801	3,648,317	3,682,118
Cash and cash equivalents, end of year	\$ 72,252	\$ 3,425,668	\$ 3,497,920
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>			
Operating income (loss)	\$ (23,195)	\$ 504,067	\$ 480,872
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	23,321	819,894	843,215
Post closure costs	(28,223)		(28,223)
Change in assets and liabilities:			
(Increase) decrease in receivables	64,899	(303,982)	(239,083)
(Increase) decrease in other receivables	(98,914)		(98,914)
(Increase) decrease in inventories		(45,629)	(45,629)
Increase (decrease) in accounts payable	8,152	(40,665)	(32,513)
Increase (decrease) in accrued payroll and employee benefits	53,137	31,745	84,882
Increase (decrease) in compensated absences	6,598	2,813	9,411
Increase (decrease) in deposits held for others		5,895	5,895
Increase (decrease) in other liabilities		(24,443)	(24,443)
Total adjustments	28,970	445,628	474,598
Net cash provided by (used for) operating activities	\$ 5,775	\$ 949,695	\$ 955,470

**STATE OF NEW MEXICO
CITY OF RATON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUND
JUNE 30, 2012**

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and investments	<u>\$ 9,252</u>
Total assets	<u><u>\$ 9,252</u></u>
 <u>LIABILITIES</u>	
Deposits held for others	<u>\$ 9,252</u>
Total liabilities	<u><u>\$ 9,252</u></u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Raton, New Mexico (City) was incorporated April 28, 1891. The City operates under a Commission Manager form of Government and provides the following services as authorized by its charter: public safety (fire, emergency service, and ambulance), police, highways and streets, low-income housing, public utilities (water, sewer, electric, and sanitation), health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services.

A. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Consequently, the City's financial statements include only the financial activity of those organizational entities for which its elected governing body is financially accountable. The Housing Authority of the City of Raton and Raton Public Service Company are the component units included in defining the City's reporting entity.

The physical assets of the Raton Public Service Utility System are the property of the City of Raton. The management of the Utility System rests with the Raton Public Service Company (Company), a New Mexico Corporation, pursuant to a franchise contract, Ordinance No. 731, amended by Ordinance No. 942, of the City of Raton. All of the Company's financing is provided by the City through the issuance of municipal revenue bonds. Various bond reserves are established by the terms of the City's bond ordinances. The Company is managed by a board of five directors, three of whom are elected by the Trustees and two of whom are members of the City Commission.

Raton Public Service Company issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Raton Public Service Company, 334 North Second Street, Raton, NM 87740.

The Housing Authority of the City of Raton is governed by a five member Commission, which is appointed by the City Commissioners. The Annual Contribution Contracts (authorizing agreements for funding between the City's Housing Authority and the U.S.

Department of Housing and Urban Development (HUD) are signed by the City Commissioners. The Housing Authority of the City of Raton issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Housing Authority of the City of Raton, PO Box 297, Raton, NM 87740.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City and its component units. For the most part, the effect of internal activity has been removed from these statements. These statements distinguish between governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements, however the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their exchange value. The City does not allocate indirect expenses to functions in the statement of activities.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as revenues when the underlying exchange transaction has occurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipts taxes, state shared taxes, franchise fees, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds. The General Fund includes the Fire Grants, Library Grants, Revolving Loan and Track Fire Recovery Funds. These funds are maintained as separate funds for accounting and budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Airport – This capital projects fund accounts for costs associated with the improvements to airport runways. Funding is provided from FAA federal grants and state funding.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The City reports the following major proprietary funds.

Sanitation Fund – This enterprise fund is used to account for garbage and refuse removal services to the residents of the City of Raton. All activities necessary to provide such services are accounted for in this fund.

Water and Sewer Fund – This enterprise fund accounts for the provisions of water and sewer services to the residents of the City of Raton. All activities necessary to provide such services are accounted for in this fund.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City's enterprise funds are charges to customers for sales and services. Operating expenses for this fund include production costs, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

New Mexico Statutes Annotated (NMSA) authorizes the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of New Mexico, counties, cities, towns, school districts, and special districts as specified by statute.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The State of New Mexico local government investment pool is a pool that is not registered with the United States Securities Exchange Commission. §6-10-101, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per §6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary. The investment in the State of New Mexico local government investment pool approximates the value of the participant's pool share.

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The balance reported for each participating fund as "Cash and Investments" represents the equity of that fund in the pooled cash and investments. Interest earnings on pooled investments is applied to the participating funds based on the average balance.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade receivables are shown net of allowance for uncollectibles.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Taxes

Property Tax Calendar – The City of Raton receives property taxes from the Colfax County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Property taxes are considered delinquent 30 days after their due date. Taxes on real property are a lien against the property from January 1 of the year for which the taxes are imposed.

Property taxes are levied and collected by Colfax County. The County remits to the City amounts collected for the applicable portion of the property taxes in the month following the date of receipt. The City recognizes property taxes as revenue on the modified accrual basis. Property taxes are levied as of January 1st on property values assessed on the same date. The tax levy is payable in two installments, November 10th and April 10th. The property taxes are considered delinquent and subject to lien, penalty, and interest, 30 days after the date on which they are due.

Tax levies are authorized by statute to service payments due on general obligation bonds, which have been authorized pursuant to state law, and for general operating purposes.

Franchise Taxes – By authority of Chapter 3, Article 42 NMSA 1978 and various ordinances, the City imposes a franchise tax on certain public utilities operating within the municipality.

Business Licenses – Under Chapter 3, Article 38 NMSA 1978, the City, by passage of an ordinance, authorized the assessment of a registration fee equal to \$35 per annum for all businesses within the jurisdiction of the City.

Lodgers' Tax – The City, through authority of Chapter 3, §38, NMSA 1978, imposes an occupancy tax on lodging within the municipality. By law, certain restrictions are placed on the expenditure of monies collected as follows. Certain restrictions apply to the usage of Lodger's taxes, including between one-fourth and one-half being used for advertising and promoting applicable facilities and tourist attractions.

Motor Vehicle Registration Fees – Under the provisions of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies within the State, including; the Motor Vehicle Division, State Road fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 1978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B (4) and 66-6-23 B (5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distributions.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Excise Tax on Cigarettes – For the privilege of selling, giving or consuming cigarettes in New Mexico, there is levied an excise tax at the rate of one and five hundredths cents (\$.0455) for each cigarette sold, given or consumed in New Mexico. The taxes are collected pursuant to the provision of Chapter 7, Article 12, paragraph 3 NMSA 1978. The funds distributed to the counties and municipalities under this section shall be used for recreational facilities and salaries of instructors and other employees necessary to the operation of such facilities.

Gasoline Tax – The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposes an excise tax of \$0.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the State pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax – Under authority of Chapter 7, Articles 19 and 19D, NMSA 1978, the City of Raton adopted gross receipts taxing through ordinance. Said ordinances provide for the imposition of gross receipt taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the City after deducting certain administrative costs.

State Gross Receipts Tax – Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total collected, 1.225% of the taxable gross receipts are distributed to the municipality reporting the taxable receipts.

G. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide and proprietary fund financial statements.

H. Capital Assets

Capital assets include land and improvements; buildings and improvements; plant; vehicles, furniture, and equipment; construction in progress; computer software; fine art; and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Information technology equipment including software, is capitalized and included in furniture, fixtures and equipment in accordance with State Law. The City defines capital assets as assets with an initial, individual cost of \$5,000 per Section 12-6-10 NMSA 1978 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Certain capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	20
Furniture, fixtures, and equipment	10
Vehicles	7
Mapping	20
Airport improvements	15

The lives (in years) used for depreciation purposes for the two component units are as follows:

	<u>Housing Authority of the City of Raton</u>	<u>Raton Public Service Co.</u>
Building and structures, hard costs	33	25 – 50
Site and building improvements	15	10 – 20
Equipment and vehicles	3 – 5	3 – 10

I. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. All employees' accrued leave is based on years of service. Fire employees earn between 16 and 21 hours of accrued leave per month. Police earn between 15 and 20 hours per month. Laborers earn between 15 and 21 hours. Water employees earn between 10 and 15 hours. Combined vacation and sick leave not used in excess of 700 hours is forfeited at year end. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Resources from the General Fund are generally used to liquidate compensated absences.

J. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

L. Budgets

The General, Special Revenue, Debt Service, Capital Projects, and Proprietary Fund budgets are subject to approval by the New Mexico Department of Finance and Administration (DFA), Local Government Division. During the month of May, public hearings are conducted to obtain taxpayer comments. Prior to June 1, the City submits to the DFA a proposed operating budget for the fiscal year commencing the following July 1. The budget is prepared by fund and function and includes proposed expenditures, which include carryover encumbrances and accounts payable, and the means of financing them. Prior to July 1, DFA grants interim approval for the City to operate on the proposed budget subject to adjustments and/or revisions prior to final subsequent approval before the first Monday in September. Such approval is contingent upon the City Council adopting the proposed budget in accordance with applicable state statutes, and sufficient funds being available for anticipated fiscal year expenditures. Prior to July 31, the City Council adopts by resolution a formal budget and such budget is presented to DFA for final approval. Line items within each budget may be over-expended; however the legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level.

Section 6-6-6, NMSA, 1978 Compilation prohibits municipalities from making expenditures in excess of the approved budget. For these purposes the budget referred to is the fund's total budget.

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a management official delegated that authority by the formal City Council action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

The table below provides detail of the major components of the City's fund balance classifications at year end.

	<u>General Fund</u>	<u>Airport</u>	<u>Non-Major Governmental Funds</u>
Fund Balances:			
Restricted:			
Debt service	\$	\$	\$ 1,059,071
Capital projects		199,346	536,278
Lodgers' tax			205,160
Library building			366,691
Environmental GRT			299,930
Other purposes	143,361		543,986
Unassigned	<u>1,437,127</u>		<u>(64,387)</u>
Total fund balances	<u>\$ 1,580,488</u>	<u>\$ 199,346</u>	<u>\$ 2,946,729</u>

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the City's deposits was \$6,806,926 and the bank balance was \$7,368,555. The difference represents outstanding checks, deposits, and other reconciling items.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has a specific deposit policy for custodial credit risk; which follows New Mexico law. All deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. The City's agreement with its sole depository requires pledged collateral of 102% of the public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank at year end consists of the following.

Deposits	\$ 6,806,926
Less: FDIC	<u>1,139,849</u>
Total uninsured public funds	5,667,077
50% collateral requirement	2,833,539
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>(3,899,202)</u>
Total under (over) collateralized	<u>\$ (1,065,663)</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

At year end the City's investments consisted of the following.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>Credit Risk Concentrations</u>
State Treasurer's Investment Pool	\$ 561,629	\$ 561,629	100%

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no investment policy that would further limit its investment choices. The *New MexiGROW* Local Government Investment Pool (LGIP), a government investment pool is rated AAAM by Standard & Poor's and is authorized by the New Mexico State statute. The weighted average maturity of the State Treasurer's local government pool was 50 days at year end.

Custodial Credit Risk - Investments. To control custody risk State law and the City adopted Investment Policy requires all securities and all collateral for time and demand deposits as well as repurchase agreement collateral be transferred delivery versus payment and held by an independent party required to provide original safekeeping receipts. Repurchase agreements must be collateralized to 102%.

The City's investment in the New Mexico State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the Office of the State Treasurer disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the Office of the State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87504-0608.

Information concerning deposits and investments, including collateral requirements, of the City's component units is found in the component unit's separately issued financial statements.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City’s individual major funds, non-major governmental funds in the aggregate, and component units, were as follows.

	<u>General Fund</u>	<u>Airport</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Due from other governmental entities:				
Due from Federal government	\$	\$ 1,543,279	\$ 85,521	\$ 1,628,800
Due from State government	5,619	1,438	297,710	304,767
Total	<u>\$ 5,619</u>	<u>\$ 1,544,717</u>	<u>\$ 383,231</u>	<u>\$ 1,933,567</u>

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Component Units</u>	
				<u>Raton Public Service Company</u>	<u>Housing Authority</u>
Accounts receivable	\$ 552,351	\$ 90,425	\$ 511,648	\$ 1,109,570	\$ 949
Allowance for doubtful accounts	(300,229)	(67,245)		142,208	
Interest receivable		37,709			582
Receivables, net	<u>\$ 252,122</u>	<u>\$ 60,889</u>	<u>\$ 511,648</u>	<u>\$ 967,362</u>	<u>\$ 1,531</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue consisted of unavailable delinquent property taxes of \$49,027 in the General Fund.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – NOTES RECEIVABLE

At year end, the City had the following long-term notes receivable.

	Original Amount	Interest Rates	Term	Outstanding Receivable June 30, 2012	Due Within One Year
Business-type activities:					
National Rifle Association	\$ 368,925	5.00%	7/1/2012 - 7/1/2016	\$ 76,736	\$ 17,216
				<u>\$ 76,736</u>	<u>\$ 17,216</u>

Future revenues for the business-type activities notes receivable at year end are summarized as follows.

Year ending June 30:	
2013	\$ 17,216
2014	17,708
2015	18,692
2016	19,676
2017	<u>20,660</u>
Total	<u>\$ 93,952</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 588,725	\$	\$	\$ 588,725
Artwork	127,250			127,250
Total capital assets, not being depreciated	715,975			715,975
Capital assets, being depreciated:				
Buildings	9,407,636			9,407,636
Furniture and equipment	3,396,344			3,396,344
Improvements	20,368,961			20,368,961
Vehicles	3,812,051	35,000		3,847,051
Total capital assets being depreciated	36,984,992	35,000		37,019,992
Less accumulated depreciation for:				
Buildings	(2,658,840)	(116,378)		(2,775,218)
Furniture and equipment	(1,968,677)	(75,905)		(2,044,582)
Improvements	(4,491,844)	(414,870)		(4,906,714)
Vehicles	(2,527,177)	(380,232)		(2,907,409)
Total accumulated depreciation	(11,646,538)	(987,385)		(12,633,923)
Total capital assets, being depreciated, net	25,338,454	(952,385)		24,386,069
Governmental activities capital assets, net	\$ 26,054,429	\$ (952,385)	\$	\$ 25,102,044
Business-type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,056,647	\$	\$	\$ 3,056,647
Total capital assets, not being depreciated	3,056,647			3,056,647
Capital assets, being depreciated:				
Buildings	199,613			199,613
Furniture and equipment	1,465,859			1,465,859
Improvements	667,888			667,888
Vehicles	1,025,161	260,244		1,285,405
Infrastructure	28,164,520			28,164,520
Total capital assets being depreciated	31,523,041	260,244		31,783,285
Less accumulated depreciation for:				
Buildings	(121,806)	(6,348)		(128,154)
Furniture and equipment	(1,374,728)	(37,592)		(1,412,320)
Improvements	(15,414)	(14,542)		(29,956)
Vehicles	(939,895)	(1,565)		(941,460)
Infrastructure	(9,821,148)	(783,168)		(10,604,316)
Total accumulated depreciation	(12,272,991)	(843,215)		(13,116,206)
Total capital assets, being depreciated, net	19,250,050	(582,971)		18,667,079
Business-type activities capital assets, net	\$ 22,306,697	\$	\$	\$ 21,723,726

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – CAPITAL ASSETS (Cont'd)

A summary of component unit capital asset activity for the current fiscal year follows.

Component Units

Raton Public Service Company	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 13,841	\$	\$	\$ 13,841
Franchise	17,000			17,000
Total capital assets, not being depreciated	<u>30,841</u>			<u>30,841</u>
Capital assets, being depreciated:				
Buildings and improvements	19,660,830	94,559		19,755,389
Vehicles, furniture, and equipment	1,515,732			1,515,732
Total capital assets being depreciated	<u>21,176,562</u>	<u>94,559</u>		<u>21,271,121</u>
Less total accumulated depreciation	<u>(10,776,050)</u>	<u>(361,114)</u>		<u>(11,137,164)</u>
Total capital assets, being depreciated, net	<u>10,400,512</u>	<u>(266,555)</u>		<u>10,133,957</u>
Capital assets, net	<u>\$ 10,431,353</u>	<u>\$ (266,555)</u>	<u>\$</u>	<u>\$ 10,164,798</u>

Raton Housing Authority	Beginning Balance	Restatement	Increase	Decrease	Reclassification	Ending Balance
Capital assets, not being depreciated:						
Land	\$ 253,436	\$	\$	\$	\$	\$ 253,436
Indirect Costs	19,646	(28,151)			8,505	
Fees and Costs	11,010	404	11,558			22,972
Total capital assets, not being depreciated	<u>284,092</u>	<u>(27,747)</u>	<u>11,558</u>		<u>8,505</u>	<u>276,408</u>
Capital assets, being depreciated:						
Architect	229,256	30,862			(5,172)	254,946
Site Improvement	1,409,259	(2,240)	15,049		(90)	1,421,978
Furniture, equipment, machinery – dwellings	6,860,689	(8,808)	162,774		(597)	7,014,058
Furniture, equipment, machinery – non-dwellings	678,679	(1,769)	62,144	(398)	(2,646)	736,010
Total depreciable capital assets	<u>9,177,883</u>	<u>18,045</u>	<u>239,967</u>	<u>(398)</u>	<u>(8,505)</u>	<u>9,426,992</u>
Less accumulated depreciation for:						
Architect	(90,660)		(18,528)			(109,188)
Site Improvement	(950,149)		(37,973)			(988,122)
Furniture, equipment, machinery – dwellings	(5,351,123)		(171,274)		1,566	(5,520,831)
Furniture, equipment, machinery – non-dwellings	(481,043)		(38,889)	398	(1,566)	(521,100)
Total accumulated depreciation	<u>(6,872,975)</u>		<u>(266,664)</u>	<u>398</u>		<u>(7,139,241)</u>
Total capital assets, being depreciated, net	<u>2,304,908</u>	<u>18,045</u>	<u>(26,697)</u>		<u>(8,505)</u>	<u>2,287,751</u>
Capital assets, net	<u>\$ 2,589,000</u>	<u>\$ (9,702)</u>	<u>\$ (15,139)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,564,159</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows.

Governmental Activities:	
General government	\$ 364,972
Public safety	429,436
Culture and recreation	187,522
Highway and streets	5,455
Total depreciation expense – governmental activities	<u>\$ 987,385</u>
Business-Type Activities:	
Water works	\$ 819,894
Sanitation	23,321
Total depreciation expense – business-type activities	<u>\$ 843,215</u>

NOTE 7 – BONDS PAYABLE

Governmental activities. The Waste Water System Revenues Bonds Series 2006 were issued to finance construction of the waste water treatment plant. The Bonds were issued pursuant to §§3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 2006 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with Net Revenues of the waste water system, transferred to governmental funds for payment.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Governmental activities:					
Waste Water System Revenue					
Bonds 2006A	\$ 2,627,154	4.375%	7/1/46	\$ 2,447,154	\$ 30,000
Waste Water System Revenue					
Bonds 2006B	510,400	4.375%	7/1/46	477,440	6,000
Total				<u>\$ 2,924,594</u>	<u>\$ 36,000</u>

Pledged Revenues – governmental activities – The City has pledged future waste water revenues to repay outstanding bonds of \$3.1 million as of June 30, 2012. Proceeds from the original loan issuances provided financing for the construction of the waste water treatment plant. The Waste Water System Revenue Bonds are paid solely from the City’s waste water revenues and are payable through 2046. Total annual principal and interest payments for all Waste Water bonds are expected to require less than 45% of gross revenue. Total principal and interest to be paid on the loans is \$5.8 million. The current total waste water revenues were 2.1 million and the total principal and interest paid on the loans was \$165,526 or 8% of waste water revenues.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – BONDS PAYABLE (Cont'd)

Business-type activities. The Joint Water and Sewer Improvement Revenue Bonds, Series July 14, 1976, were issued to provide funds to extend, enlarge, better, repair, and otherwise improve the City's Joint Water and Sewer System and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to §§3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 1976 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with Net Revenues of the Joint Systems.

The Gross Receipts Tax Improvement Revenue Bonds, Series 1982, were issued to provide funds to defray the cost of acquiring, constructing, and improving solid waste disposal and recycling facilities and all costs incidental to the foregoing and the issuance of the Bonds. The Bonds were issued pursuant to §§3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 2008 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to §§7-1-6.4 NMSA 1978, as amended.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Business-type activities:					
Water and Sewer Bond Series 1976	\$ 750,000	5%	7/1/16	\$ 191,000	\$ 33,000
GRT Bond Series 1982	4,550,000	5%	12/1/18	1,447,906	204,742
				<u>\$ 1,638,906</u>	<u>\$ 237,742</u>

Pledged Revenues – business-type activities – The City has pledged future water system revenues and gross receipts tax revenues to repay outstanding bonds of \$1.9 million as of June 30, 2012. Proceeds from the original loan issuances provided financing for the construction of major capital facilities and acquisition of equipment. The 1976 bonds are paid solely from the City's water system revenue and are payable through 2016. The 1982 bonds are paid solely from the City's gross receipts tax and are payable through 2018. Total annual principal and interest payments on the 1976 bonds are expected to require less than 2% of gross revenue and total annual principal and interest payments on the 1982 bonds are expected to require less than 22% of gross revenue. Total principal and interest to be paid on the loans is \$2.2 million. The current total water system revenues were \$2.1 million and the total principal and interest paid on the 1976 bonds was \$38,600 or 2% of water system revenues. The current total gross receipts tax revenues were \$1.2 million and the total principal and interest paid on the 1982 bonds was \$265,356 or 22% of gross receipts tax revenues.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 – BONDS PAYABLE (Concl'd)

Annual debt service requirements to maturity on the bonds for governmental and business-type activities at year end are summarized as follows.

Year ending June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 36,000	\$ 128,000	\$ 232,445	\$ 76,586
2014	37,000	126,500	243,546	64,710
2015	47,000	124,900	256,165	52,241
2016	47,000	122,800	269,327	39,129
2017	47,000	120,800	283,059	25,347
2018-22	262,000	572,000	354,364	13,160
2023-27	333,000	508,400		
2028-32	405,000	429,100		
2033-37	501,000	332,600		
2038-42	620,000	212,600		
2043-46	589,594	65,500		
Total	<u>\$ 2,924,594</u>	<u>\$ 2,743,200</u>	<u>\$ 1,638,906</u>	<u>\$ 271,173</u>

NOTE 8 – LOANS PAYABLE

NMFA Loans – The City entered into several debt finance agreements with New Mexico Finance Authority (NMFA) to finance various constructions projects and purchase equipment. The principal and interest payments are recorded in the four NMFA Loans funds, all non-major governmental funds. The NMFA Loans are as follows.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2012	Due Within One Year
Governmental activities:					
Welcome Center	\$ 663,909	3.00%	May 2015	\$ 260,357	\$ 39,249
Recreation Center	3,248,772	3.00%	May 2032	2,836,125	96,679
Water Trust Board	70,000	3.00%	May 2018	43,724	7,242
Aquatics Center	2,410,000	3.00%	May 2033	2,270,000	60,000
NMED Wastewater Facility Construction	115,247	3.00%	May 2031	110,505	4,838
Fire Equipment	643,750	3.00%	May 2021	643,750	50,481
Total				<u>\$ 6,164,461</u>	<u>\$ 258,489</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – LOANS PAYABLE (Concl'd)

Principal and interest payments on the governmental loans payable at year end are summarized as follows.

Year ending June 30:	Governmental Activities	
	Principal	Interest
2013	\$ 258,489	\$ 252,754
2014	288,517	244,901
2015	299,983	236,176
2016	305,264	256,802
2017	312,827	217,933
2018-22	1,412,903	925,243
2023-27	1,306,857	653,187
2028-32	1,634,621	328,717
2033-36	345,000	19,010
Total	<u>\$ 6,164,461</u>	<u>\$ 3,134,723</u>

Pledged Revenues – governmental activities – The City has pledged future gross receipts tax revenues to repay outstanding loans of \$8.3 million as of June 30, 2012. Proceeds from the original loan issuances provided financing for the construction of major capital facilities and acquisition of equipment. The Recreation Center and Aquatic Center loans are paid solely from the City's gross receipts tax and are payable through 2032 and 2033, respectively. Total annual principal and interest payments for all NFMA loans are expected to require less than 9% of gross revenue. Total principal and interest to be paid on the loans is \$9.2 million. The current total gross receipts tax revenues were \$3.1 million and the total principal and interest paid on the loans was \$703,845 or 22% of gross receipts tax revenues.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES

The City has acquired an ambulance under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the EMS Fund, a non-major governmental fund, are used to pay the capital lease obligation.

The assets acquired through capital leases that meet the City’s capitalization threshold are as follows.

	Governmental Activities
Asset:	
Vehicles	\$ 173,856
Less: Accumulated depreciation	103,713
Total	\$ 69,143

At June 30, 2012, the future minimum lease obligations is 30,887, due in fiscal year 2013, and the net present value of this minimum lease payment is \$30,135.

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the City to place a final cover on the City-operated landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be incurred after the date the landfill stops accepting waste, the City reports these closure and post closure care costs as a liability as of each balance sheet date. The \$1,237,390 reported as landfill closure and post closure care liability at year end in the Sanitation Fund represents management's estimate based on an expert hired to estimate the costs for standard monitoring and compliance.

These payments are based on what it would cost to perform all closure and post closure care in 2012. The City expects to close the landfill in 2013. The City anticipates funding these costs with increased user charges and use of Environmental Gross Receipts Tax and available grants.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 448,473	\$ 222,620	\$ 314,423	\$ 356,670	\$ 125,000
Capital leases	88,216		58,081	30,135	30,135
Loans payable	6,602,542		432,028	6,170,514	258,489
Bonds payable	2,960,594		36,000	2,924,594	36,000
Total	<u>10,099,825</u>	<u>222,620</u>	<u>840,532</u>	<u>9,481,913</u>	<u>449,624</u>
Business-type Activities:					
Compensated absences	182,262	87,078	77,667	191,673	110,000
Bonds payable	1,876,648		237,742	1,638,906	232,445
Landfill closure and postclosure	1,265,613		28,223	1,237,390	
Total	<u>3,324,523</u>	<u>87,078</u>	<u>343,632</u>	<u>3,067,969</u>	<u>342,445</u>
Component Unit:					
Compensated absences	99,322	9,527	9,040	99,809	24,952
Loans payable	7,197,944		617,560	6,580,384	324,439
Total	<u>\$ 7,297,266</u>	<u>\$ 9,527</u>	<u>\$ 626,600</u>	<u>\$ 6,680,193</u>	<u>\$ 349,391</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Net Operating Transfers, which were made to close out funds and to supplement grants, were as follows.

	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
General	\$ 168,941	\$ 181,946
Airport	67,670	
Non-Major Governmental Funds:		
Fire		19,153
Recreation	28,102	
Lodgers' Tax		209,266
EMS	61,775	
Environmental GRT		26,972
Region IV North	2,822	
ARRA CWSRF Project	7,048	7,048
ARRA 2nd Street Project	26,722	
NMFA Loan- Fire Equipment	19,153	
NMFA Loan- Street Improvements	17,755	13,580
NMFA Loan- Welcome Center	48,530	
NMFA Loan- Landfill	26,972	
Wastewater Treatment	254,313	
Recreation Center	208,992	
Aquatic Center	175,946	
Water Trust Board	7,351	
ARRA CWSRF Project	7,048	
2% Lodgers' Tax	209,266	81,030
Street Improvements	13,580	213,991
NMDOT Projects	169,514	
Capital Improvements		384,938
Water	205,660	7,351
Proprietary Funds:		
Sanitation	20,000	
Water and Sewer	265,356	867,241
Total	<u>\$ 2,012,516</u>	<u>\$ 2,012,516</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Concl'd)

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the City is waiting for grant reimbursements. The composition of interfund balances as of year end is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 921,276	\$
Airport		1,205,535
Non-Major Governmental Funds:		
Fire	324,567	
Lodgers' Tax	72,151	
Juvenile Justice Grant		4,422
ARRA OJP Grant		19,448
ARRA 2 nd Street Project		9,825
ARRA Clayton Highway Project		24,430
ARRA EMNRD Recycle Grant		54,334
Proprietary Funds:		
Sanitation	98,914	
Water and Sewer		98,914
Total	<u>\$ 1,416,908</u>	<u>\$ 1,416,908</u>

NOTE 13 – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by the 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 that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City council that resolution of these matters will not have a material adverse effect on the financial condition of the City.

STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – RISK MANAGEMENT

The City 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. Therefore, the City joined the New Mexico Self-Insurers' Fund Risk Pool (Pool), together with other cities and towns in the State for its property and liability insurance. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. The City pays an annual premium to the Pool for its general insurance coverage. The agreement provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the annual aggregate per policy for general liability and property claims.

The City also participates in the New Mexico Self-Insurers' Fund (the "Fund"), which services the City's worker's compensation claims. Through this arrangement, the City retains risks associated with worker's compensation claims up to \$250,000 per accident.

The City currently reports all of its risk management activities in its General Fund. The General Fund pays the worker's compensation claims and premiums, which are then reimbursed by the City's other Funds.

The New Mexico Self-Insurers' Fund (Fund) charges a "premium" to the City to cover expenses of the Fund (including, but not limited to, reinsurance expenses, claims adjusting, rating, underwriting, safety and loss control, reporting, and administration). This "premium" is equal to 20% of the earned normal premium, which is based on a percentage of the City's current payroll. Additionally, the "premium" charge includes a factor for recent actual claims experience.

The City's employees have health and accident insurance coverage with the Risk Management Division of the New Mexico General Services Department (RMD). RMD is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The City pays a monthly premium to RMD for employees' health and accident insurance coverage. The agreement provides that RMD will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – WATER FRANCHISE AGREEMENT

The City passed Ordinance No. 824, effective March 15, 1991, granting a utility franchise to the Raton Water Board for the operation of the City's water and sewer system. The franchise will exist for 25 years. The City retains the authority to determine rates and charges for the services provided. The ordinance sets forth the provisions for the use of the City's property and the imposition of the franchise fee to be paid to the City by the board. The agreement calls for the water and sewer utility to be included in the City's annual budget, requires quarterly financial reporting, and annually audited financial statements.

NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description – Substantially all of the full-time employees of the City participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article II NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit public employee retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy – Plan members are required to contribute 7% to 16.3% for municipal plan members (ranges from 4.0% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute between 7% and 21.25% for law enforcement plan members; for all plan members (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended June 30, 2012, 2011, and 2010 were \$336,157, \$331,653 and \$408,342, respectively, which were equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 17 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

Plan Description. The City of Raton contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (§10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

**NOTE 17 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN
(Concl'd)**

The Retiree Health Care Act (§10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2013	2.000	1.000

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$59,481, \$46,331, and \$31,249, respectively, which equal the required contributions for each year.

NOTE 18 – OTHER

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds including:

A. Deficit Fund Balance of Individual Funds. The following funds reported a deficit fund balance at June 30, 2012.

City:	<u>Deficit</u>
Non-Major Governmental Funds:	
ARRA Clayton Highway Project	\$ 24,430
ARRA EMNRD Recycle Grant	39,957
Proprietary Funds:	
Sanitation	<u>865,959</u>
Total	<u>\$ 930,346</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 18 – OTHER (Concl'd)

The deficits arose because of operations during the year and prior years. Additional revenues in fiscal year 2012-13 are expected to eliminate the deficits.

NOTE 19 – SUBSEQUENT EVENTS

On October 18, 2012, the Raton Public Service (RPS) watsila unit, unit used to generate electricity, tripped off line and was destroyed. The loan used to purchase the unit is under the City's name, however, it is paid by RPS. While the extent of the loss is not presently determinable, RPS believes that its insurance coverage is adequate to fully cover the amount of the loss.

NOTE 20 – RESTATEMENT – RPS ACCOUNTS RECEIVABLE

RPS restated the previously issued financial statement's net assets in the amount of \$454,433. This correction was made to beginning net assets to exclude July 2011 billings recorded in 2012 which should have been accrued by debiting accounts receivable and crediting revenue at June 30, 2011.

NOTE 21 – RESTATEMENT – RATON HOUSING AUTHORITY CAPITAL ASSETS

The Raton Housing Authority also restated the previously issued financial statement's net assets in the amount of \$9,702. The correction made was related to the 2009 and 2010 CFP soft cost expended in prior year. The restatement can be seen in detail within the Capital Assets footnote, Note 6.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - AIRPORT
YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		258,119	149,977	(108,142)
Federal grants		2,208,635	875,440	(1,333,195)
Charges for services				
Fines and forfeitures				
Miscellaneous		400	400	
Interest income				
Total revenues		<u>2,467,154</u>	<u>1,025,817</u>	<u>(1,441,337)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	2,355,039	2,513,413	2,294,860	218,553
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>2,355,039</u>	<u>2,513,413</u>	<u>2,294,860</u>	<u>218,553</u>
Excess (deficiency) of revenues over expenditures	<u>(2,355,039)</u>	<u>(46,259)</u>	<u>(1,269,043)</u>	<u>(1,269,043)</u>
Other financing sources (uses):				
Transfers in		70,000	67,670	2,330
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>70,000</u>	<u>67,670</u>	<u>2,330</u>
Net change in fund balance			<u>(1,201,373)</u>	<u>(1,201,373)</u>
Reconciliation to GAAP basis:				
Revenue accruals			1,544,717	
Expenditures accruals			<u>(139,836)</u>	
Change in fund balance - GAAP basis			<u>\$ 203,508</u>	

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - SANITATION
YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Operating revenues:				
Gross receipts taxes	\$	\$	\$	\$
State grants	3,000	3,000	3,000	
Charges for services	830,000	830,000	815,583	(14,417)
Miscellaneous		172	172	
Total operating revenues	<u>833,000</u>	<u>833,172</u>	<u>818,755</u>	<u>(14,417)</u>
Operating expenses:				
Franchise fee				
Filter plant				
Sewer plant				
Construction and maintenance				
Solid waste collection	773,219	801,304	781,788	19,516
General and administrative				
Total operating expenses	<u>773,219</u>	<u>801,304</u>	<u>781,788</u>	<u>19,516</u>
Non-operating revenues (expenses)				
Interest income	1,000	1,000	98	902
Interest and fees				
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>98</u>	<u>902</u>
Other financing sources (uses):				
Transfers in		20,000	20,000	
Transfers out				
Total other financing sources (uses)		<u>20,000</u>	<u>20,000</u>	
Change in net assests			<u>57,065</u>	<u>57,065</u>
Unbudgeted expenses and revenues				
Depreciation expense			(23,321)	
Addition to Landfill Closure Costs			(28,223)	
Change in accounts payable and accrued liabilities			(8,618)	
Change in Net Assets - GAAP basis			<u>\$ (3,097)</u>	

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - WATER AND SEWER
YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Operating revenues:				
Gross receipts taxes	\$	\$	\$ 1,170,746	\$ 1,170,746
Charges for services	2,893,825	2,893,825	2,136,300	(757,525)
Miscellaneous				
Total operating revenues	<u>2,893,825</u>	<u>2,893,825</u>	<u>3,307,046</u>	<u>413,221</u>
Operating expenses:				
Franchise fee	53,035	38,251	38,251	
Filter plant	378,705	273,139	273,139	
Sewer plant	735,930	530,785	530,785	
Construction and maintenance	332,319	239,683	239,683	
Solid waste collection		524,224		524,224
General and administrative	1,249,545	1,143,452	901,227	242,225
Total operating expenses	<u>2,749,534</u>	<u>2,749,534</u>	<u>1,983,085</u>	<u>766,449</u>
Non-operating revenues (expenses)				
Interest income	5,000	5,000	31,037	(26,037)
Interest and fees			(107,172)	107,172
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>(76,135)</u>	<u>81,135</u>
Other financing sources (uses):				
Transfers in			265,356	(265,356)
Transfers out	(149,291)		(867,241)	867,241
Total other financing sources (uses)	<u>(149,291)</u>		<u>(601,885)</u>	<u>601,885</u>
Change in net assests			<u>645,941</u>	<u>645,941</u>
Unbudgeted expenses and revenues				
Depreciation expense			(819,894)	
Change in Net Assets - GAAP basis			<u>\$ (173,953)</u>	

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30, 2012**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and investments	\$ 858,596	\$ 1,050,258	\$ 185,632
Due from other governments	103,021		280,210
Taxes receivable	69,633		74,349
Receivables, net	52,076	8,813	
Due from other funds	396,718		
Total assets	<u><u>\$ 1,480,044</u></u>	<u><u>\$ 1,059,071</u></u>	<u><u>\$ 540,191</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 14,792	\$	\$ 3,913
Accrued salaries and related benefits	1,413		
Due to other funds	112,459		
Total liabilities	<u>128,664</u>		<u>3,913</u>
Fund balances (deficits):			
Restricted	1,415,767	1,059,071	536,278
Unassigned	(64,387)		
Total fund balances	<u>1,351,380</u>	<u>1,059,071</u>	<u>536,278</u>
 Total liabilities and fund balances	 <u><u>\$ 1,480,044</u></u>	 <u><u>\$ 1,059,071</u></u>	 <u><u>\$ 540,191</u></u>

Total Non-
Major
Governmental
Fund

\$ 2,094,486
383,231
143,982
60,889
396,718

\$ 3,079,306

\$ 18,705
1,413

112,459

132,577

3,011,116

(64,387)

2,946,729

\$ 3,079,306

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Gross receipts taxes	\$ 216,915	\$	\$ 315,938
Other taxes	318,665		192,832
State grants	619,328		1,251,836
Federal grants	191,934		38,882
Charges for services	95,674		
Fines and forfeitures	65,483		
Miscellaneous	38,118		10,931
Interest income	2,948	3,099	404
Total revenues	<u>1,549,065</u>	<u>3,099</u>	<u>1,810,823</u>
Expenditures:			
Current -			
General government	235,094		5,898
Public safety	173,198		
Culture and recreation	314,223		
Capital outlay	423,764		1,527,377
Debt service -			
Principal	58,081	468,028	
Interest and fees	3,694	401,561	
Total expenditures	<u>1,208,054</u>	<u>869,589</u>	<u>1,533,275</u>
Excess (deficiency) of revenues over expenditures	<u>341,011</u>	<u>(866,490)</u>	<u>277,548</u>
Other financing sources (uses):			
Transfers in	126,469	766,060	598,020
Transfers out	(262,439)	(13,580)	(687,310)
Total other financing sources (uses):	<u>(135,970)</u>	<u>752,480</u>	<u>(89,290)</u>
Changes in fund balances	<u>205,041</u>	<u>(114,010)</u>	<u>188,258</u>
Fund balances, beginning of year	1,146,339	1,173,081	348,020
Fund balances, end of year	<u>\$ 1,351,380</u>	<u>\$ 1,059,071</u>	<u>\$ 536,278</u>

Total Non-
Major
Governmental
Funds

\$ 532,853
511,497
1,871,164
230,816
95,674
65,483
49,049
6,451
3,362,987

240,992
173,198
314,223
1,951,141

526,109
405,255
3,610,918

(247,931)

1,490,549
(963,329)
527,220

279,289

2,667,440

\$ 2,946,729

SPECIAL REVENUE FUNDS

Fire Grants – to account for funds designated for fire expenditures relating to training and equipping fire fighters. The fund was created administratively by ordinance.

Fire – to account for the operations and maintenance of the fire department. Funding is provided by a distribution from the fire protection fund established by §59A-6-5NMSA 1978 as authorized by §59A-53-2.

Recreation – to account for the operations and maintenance of recreation facilities. Funding managed and/or owned by the City is provided by recreational fees charged to users and cigarette taxes received pursuant to §7-12-15 NMSA 1978 which provides that the cigarette taxes received under this section shall be used for recreational facilities.

Lodgers' Tax – to account for the lodger's tax imposed pursuant to Ordinance 597; as amended by Ordinance 780, as authorized under §3-38-13 through 3-38-24 NMSA 1978. Ordinance 780 imposes a tax of 5% on gross taxable rent for lodging. The City must use not less than 40% of the tax collected for advertising, publicizing and promoting tourist-related attractions, facilities and events.

Law Enforcement Protection – to account for the maintenance and improvement of the City's police department in order to enhance the efficiency and attractiveness of law enforcement services. Funding is provided by distributions from the New Mexico Law Enforcement Protection Fund as provided for under Chapter 29 Article 13, NMSA 1978.

EMS – to account for fund received from the New Mexico Emergency Medical Services Fund as authorized by Chapter 24 Article 10A NMSA 1978 for use in the establishment and enhancement of local emergency medical services in order to reduce injury and loss of life.

Police Grants – to account for funds designated for law enforcement expenditures relating to training and equipping law enforcement personnel. The fund was created administratively by ordinance.

Local Government Corrections – to account for the correction fees (\$10) imposed pursuant to 35-14-11 B.(1) NMSA 1978. The correction fees shall be used for municipal jailer or juvenile detention officer training, for the construction planning, construction, operation and maintenance of a municipal jailor juvenile detention facility, for paying the cost of housing municipal prisoners in a City jailor housing juveniles in a detention facility or for complying with match or contribution requirements for the receipt of federal funds relating to jails of juvenile detention facilities.

Library Building – to account for the resources donated to the City for the specific benefit of the library. The city of Raton operates a free library as authorized by 3-18-14 NMSA 1978.

Library Grants – to account for funds designated for library uses. This fund was created administratively by ordinance.

Environmental GRT – to account for gross receipts taxes authorized by City Ordinance Pursuant to authority granted under 7-19D-10. The tax imposed is limited to 1/16% and its use is restricted to the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, sewer systems and related facilities.

Revolving Loan – to account for the collection on an economic development loan. The loan was made from CDBG funds, which were passed through the State of New Mexico, and the fund was created administratively by ordinance.

Police Narcotics – to account for monies received from the sale of seized assets, which were sold under authority of the Federal Law Enforcement Assistant Act of 1965 (Public Law 98-197 (89-197)). Funds were distributed to the City pursuant to 29-1-10.1 NMSA 1978. Funds must be spent for law enforcement activities.

LLEBG – to account for funds designated for law enforcement expenditures relating to training and equipping law enforcement personnel. Authority is NMSA 6-1-6.

Region IV - North – to account for funds designated for law enforcement expenditures relating to implementation and operation of a multi-jurisdictional drug task force program. Grant funds are awarded to the Department of Public Safety by the Federal Bureau of Justice Assistance which is a component of the Office of Justice Programs. A sub grant agreement is made by and between the Department of Public Safety and the City of Raton pursuant to the authority of the consolidated appropriations act of 2005, Public Law 108-447.

Juvenile Justice Grant – to account for funds designated by the Children, Youth, and Families Department (CYFD) to provide supervision to juveniles who have been referred to juvenile probation and parole office. The City acts as the fiscal agent for the grant funds, which are used to serve youth in Colfax County.

ARRA OJP Grant - to account for funds received from American Recovery and Reinvestment Act grants for the OJP Project.

ARRA CWSRF Project - to account for funds received from American Recovery and Reinvestment Act grants for the CWSRF Project.

ARRA 2nd Street Project - to account for funds received from American Recovery and Reinvestment Act grants for the 2nd Street Project.

ARRA Clayton Highway - to account for funds received from American Recovery and Reinvestment Act grants for the Clayton Highway Project.

ARRA ENMRD - to account for funds received from American Recovery and Reinvestment Act grants for the ENMRD Project.

Track Fire Recovery - to account for grant funding received for recovery efforts from the Track Fire.

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	<u>Fire</u>	<u>Recreation</u>	<u>Lodgers' Tax</u>
<u>ASSETS</u>			
Cash and investments	\$	\$ 200	\$ 98,162
Due from other governments			
Taxes receivable		23,206	34,847
Receivables net			
Due from other funds	324,567		72,151
Total assets	<u>\$ 324,567</u>	<u>\$ 23,406</u>	<u>\$ 205,160</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$ 4,975	\$
Accrued salaries and related benefits		1,413	
Due to other funds			
Total liabilities		<u>6,388</u>	
Fund balances:			
Restricted	324,567	17,018	205,160
Unassigned			
Total fund balances	<u>324,567</u>	<u>17,018</u>	<u>205,160</u>
Total liabilities and fund balances	<u>\$ 324,567</u>	<u>\$ 23,406</u>	<u>\$ 205,160</u>

<u>Law Enforcement</u>	<u>EMS</u>	<u>Police Grants</u>	<u>Local Government Corrections</u>	<u>Library Building</u>	<u>Environmental GRT</u>
\$ 12,691	\$ 11,455	\$	\$ 58,176	\$ 366,691	\$ 274,597 17,500 11,580
<u>\$ 12,691</u>	<u>\$ 11,455</u>	<u>\$</u>	<u>\$ 58,176</u>	<u>\$ 366,691</u>	<u>\$ 303,677</u>
\$	\$	\$	\$	\$	\$ 3,747
					<u>3,747</u>
12,691	11,455		58,176	366,691	299,930
<u>12,691</u>	<u>11,455</u>		<u>58,176</u>	<u>366,691</u>	<u>299,930</u>
<u>\$ 12,691</u>	<u>\$ 11,455</u>	<u>\$</u>	<u>\$ 58,176</u>	<u>\$ 366,691</u>	<u>\$ 303,677</u>

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Police Narcotics	LLEBG	Region IV- North	Juvenile Justice Grant
<u>ASSETS</u>				
Cash and investments	\$ 33,618	\$ 3,006	\$	\$
Due from other governments				15,149
Taxes receivable				
Receivables net	52,076			
Due from other funds				
Total assets	<u>\$ 85,694</u>	<u>\$ 3,006</u>	<u>\$</u>	<u>\$ 15,149</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$	\$	\$ 6,070
Accrued salaries and related benefits				
Due to other funds				4,422
Total liabilities				<u>10,492</u>
Fund balances:				
Restricted	85,694	3,006		4,657
Unassigned				
Total fund balances	<u>85,694</u>	<u>3,006</u>		<u>4,657</u>
Total liabilities and fund balances	<u>\$ 85,694</u>	<u>\$ 3,006</u>	<u>\$</u>	<u>\$ 15,149</u>

<u>ARRA OJP Grant</u>	<u>ARRA CWSRF Project</u>	<u>ARRA 2nd Street Project</u>	<u>ARRA Clayton Highway Project</u>	<u>ARRA EMNRD Recycle Grant</u>	<u>Totals</u>
\$ 19,448	\$	\$ 36,547	\$	\$ 14,377	\$ 858,596
					103,021
					69,633
					52,076
					396,718
<u>\$ 19,448</u>	<u>\$</u>	<u>\$ 36,547</u>	<u>\$</u>	<u>\$ 14,377</u>	<u>1,480,044</u>
\$	\$	\$	\$	\$	\$ 14,792
					1,413
19,448		9,825	24,430	54,334	112,459
<u>19,448</u>		<u>9,825</u>	<u>24,430</u>	<u>54,334</u>	<u>128,664</u>
		26,722			1,415,767
			(24,430)	(39,957)	(64,387)
		<u>26,722</u>	<u>(24,430)</u>	<u>(39,957)</u>	<u>1,351,380</u>
<u>\$ 19,448</u>	<u>\$</u>	<u>\$ 36,547</u>	<u>\$</u>	<u>\$ 14,377</u>	<u>\$ 1,480,044</u>

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Fire</u>	<u>Recreation</u>	<u>Lodgers' Tax</u>
Revenues:			
Gross receipts taxes	\$	\$ 141,097	\$
Other taxes		4	318,661
State grants	364,748		
Federal grants			
Charges for services		95,674	
Fines and forfeitures			
Miscellaneous		32,395	1,411
Interest income	511		239
Total revenues	<u>365,259</u>	<u>269,170</u>	<u>320,311</u>
Expenditures:			
Current -			
General government			115,145
Public safety	111,280		
Culture and recreation		314,223	
Capital outlay	11,604	1,614	
Debt service -			
Principal			
Interest and fees			
Total expenditures	<u>122,884</u>	<u>315,837</u>	<u>115,145</u>
Excess (deficiency) of revenues over expenditures	<u>242,375</u>	<u>(46,667)</u>	<u>205,166</u>
Other financing sources (uses):			
Transfers in		28,102	
Transfers out	(19,153)		(209,266)
Total other financing sources (uses):	<u>(19,153)</u>	<u>28,102</u>	<u>(209,266)</u>
Changes in fund balances	<u>223,222</u>	<u>(18,565)</u>	<u>(4,100)</u>
Fund balances, beginning of year	101,345	35,583	209,260
Fund balances, end of year	<u>\$ 324,567</u>	<u>\$ 17,018</u>	<u>\$ 205,160</u>

<u>Law Enforcement</u>	<u>EMS</u>	<u>Police Grants</u>	<u>Local Government Corrections</u>	<u>Library Building</u>	<u>Environmental GRT</u>
\$	\$	\$	\$	\$	\$ 75,818
27,800	17,568	137,203			17,500
5,530			11,035		
	1,820			2,492	
19	15		66	1,700	350
<u>33,349</u>	<u>19,403</u>	<u>137,203</u>	<u>11,101</u>	<u>4,192</u>	<u>93,668</u>
				2,581	52,367
17,465	11,695		6,345		
11,734		137,203			17,500
	58,081				
	3,694				
<u>29,199</u>	<u>73,470</u>	<u>137,203</u>	<u>6,345</u>	<u>2,581</u>	<u>69,867</u>
<u>4,150</u>	<u>(54,067)</u>		<u>4,756</u>	<u>1,611</u>	<u>23,801</u>
	61,775				
	<u>61,775</u>				<u>(26,972)</u>
					<u>(26,972)</u>
<u>4,150</u>	<u>7,708</u>		<u>4,756</u>	<u>1,611</u>	<u>(3,171)</u>
8,541	3,747		53,420	365,080	303,101
<u>\$ 12,691</u>	<u>\$ 11,455</u>	<u>\$</u>	<u>\$ 58,176</u>	<u>\$ 366,691</u>	<u>\$ 299,930</u>

(Continued)

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Police Narcotics</u>	<u>LLEBG</u>	<u>Region IV - North</u>
Revenues:			
Gross receipts taxes	\$	\$	\$
Other taxes			
State grants			
Federal grants			707
Charges for services			
Fines and forfeitures	54,448		
Miscellaneous			
Interest income	48		
Total revenues	<u>54,496</u>	<u> </u>	<u>707</u>
Expenditures:			
Current -			
General government			
Public safety	1,490		3,529
Culture and recreation			
Capital outlay	29,812		
Debt service -			
Principal			
Interest and fees			
Total expenditures	<u>31,302</u>	<u> </u>	<u>3,529</u>
Excess (deficiency) of revenues over expenditures	<u>23,194</u>	<u> </u>	<u>(2,822)</u>
Other financing sources (uses):			
Transfers in			2,822
Transfers out			
Total other financing sources (uses):	<u> </u>	<u> </u>	<u>2,822</u>
Changes in fund balances	<u>23,194</u>	<u> </u>	<u> </u>
Fund balances, beginning of year	62,500	3,006	
Fund balances (deficits), end of year	<u>\$ 85,694</u>	<u>\$ 3,006</u>	<u>\$</u>

<u>Juvenile Justice Grant</u>	<u>ARRA OJP Grant</u>	<u>ARRA CWSRF Project</u>	<u>ARRA 2nd Street Project</u>	<u>ARRA Clayton Highway Project</u>	<u>ARRA EMNRD Recycle Grant</u>
\$	\$	\$	\$	\$	\$
54,509					
15,149	20,638				149,910
<u>69,658</u>	<u>20,638</u>				<u>149,910</u>
65,001	21,394				
				24,430	189,867
<u>65,001</u>	<u>21,394</u>			<u>24,430</u>	<u>189,867</u>
<u>4,657</u>	<u>(756)</u>			<u>(24,430)</u>	<u>(39,957)</u>
		7,048	26,722		
		(7,048)			
			<u>26,722</u>		
<u>4,657</u>	<u>(756)</u>		<u>26,722</u>	<u>(24,430)</u>	<u>(39,957)</u>
	756				
<u>\$ 4,657</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,722</u>	<u>\$ (24,430)</u>	<u>\$ (39,957)</u>

(Continued)

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2012**

	Totals
Revenues:	
Gross receipts taxes	\$ 216,915
Other taxes	318,665
State grants	619,328
Federal grants	191,934
Charges for services	95,674
Fines and forfeitures	65,483
Miscellaneous	38,118
Interest income	2,948
Total revenues	1,549,065
Expenditures:	
Current -	
General government	235,094
Public safety	173,198
Culture and recreation	314,223
Capital outlay	423,764
Debt service -	
Principal	58,081
Interest and fees	3,694
Total expenditures	1,208,054
Excess (deficiency) of revenues over expenditures	341,011
Other financing sources (uses):	
Transfers in	126,469
Transfers out	(262,439)
Total other financing sources (uses):	(135,970)
Changes in fund balances	205,041
Fund balances, beginning of year	1,146,339
Fund balances, end of year	\$ 1,351,380

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - FIRE GRANTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		133,943	133,943	
Charges for services		2,000	23	(1,977)
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>135,943</u>	<u>133,966</u>	<u>(1,977)</u>
Expenditures:				
Current -				
General government				
Public safety		134,352	94,589	39,763
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>134,352</u>	<u>94,589</u>	<u>39,763</u>
Excess (deficiency) of revenues over expenditures		<u>1,591</u>	<u>39,377</u>	<u>(37,786)</u>
Other financing sources (uses):				
Transfers in				
Transfers out		(1,577)	(1,577)	
Issuance of loans				
Total other financing sources (uses)		<u>(1,577)</u>	<u>(1,577)</u>	
Net change in fund balance			<u>37,800</u>	<u>37,800</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance for fund budgeted separately for the General Fund			<u>(37,800)</u>	
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - FIRE
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental	372,000	372,000	364,748	(7,252)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income	1,000	1,000	511	(489)
Total revenues	<u>373,000</u>	<u>373,000</u>	<u>365,259</u>	<u>(7,741)</u>
Expenditures:				
Current -				
General government				
Public safety		143,714	111,280	32,434
Culture and recreation				
Highways and streets				
Capital outlay		319,014	11,604	307,410
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>462,728</u>	<u>122,884</u>	<u>339,844</u>
Excess (deficiency) of revenues over expenditures	<u>373,000</u>	<u>(89,728)</u>	<u>242,375</u>	<u>242,375</u>
Other financing sources (uses):				
Transfers in				
Transfers out	(23,732)	(23,732)	(19,153)	(4,579)
Issuance of loans				
Total other financing sources (uses)	<u>(23,732)</u>	<u>(23,732)</u>	<u>(19,153)</u>	<u>(4,579)</u>
Net change in fund balance			<u>223,222</u>	<u>223,222</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 223,222</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - RECREATION
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$ 142,774	\$ 117,891	\$ 24,883
Other taxes		5	4	(1)
Intergovernmental				
Charges for services		146,330	95,674	(50,656)
Fines and forfeitures				
Miscellaneous		43,217	32,395	(10,822)
Interest income				
Total revenues		<u>332,326</u>	<u>245,964</u>	<u>(86,362)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		5,000	1,614	3,386
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>377,433</u>	<u>309,449</u>	<u>67,984</u>
Excess (deficiency) of revenues over expenditures		<u>(45,107)</u>	<u>(63,485)</u>	<u>(63,485)</u>
Other financing sources (uses):				
Transfers in		37,500	28,102	9,398
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>37,500</u>	<u>28,102</u>	<u>9,398</u>
Net change in fund balance			<u>(35,383)</u>	<u>(35,383)</u>
Reconciliation to GAAP basis:				
Revenue accruals			23,206	
Expenditures accruals			(6,388)	
Change in fund balance - GAAP basis			<u>\$ (18,565)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LODGERS' TAX
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes	320,000	320,000	283,814	(36,186)
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous	950	1,412	1,411	(1)
Interest income		500	239	(261)
Total revenues	<u>320,950</u>	<u>321,912</u>	<u>285,464</u>	<u>(36,448)</u>
Expenditures:				
Current -				
General government	296,679	147,997	115,145	32,852
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>296,679</u>	<u>147,997</u>	<u>115,145</u>	<u>32,852</u>
Excess (deficiency) of revenues over expenditures		<u>173,915</u>	<u>170,319</u>	<u>3,596</u>
Other financing sources (uses):				
Transfers in	192000			
Transfers out	(242,896)	(202,500)	(209,266)	6,766
Issuance of loans				
Total other financing sources (uses)	<u>(50,896)</u>	<u>(202,500)</u>	<u>(209,266)</u>	<u>6,766</u>
Net change in fund balance			<u>(38,947)</u>	<u>(38,947)</u>
Reconciliation to GAAP basis:				
Revenue accruals			34,847	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (4,100)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants	27,800	27,800	27,800	
Federal grants		5,530	5,530	
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income	100	100	19	(81)
Total revenues	<u>27,900</u>	<u>33,430</u>	<u>33,349</u>	<u>(81)</u>
Expenditures:				
Current -				
General government				
Public safety	36,441	24,256	17,465	6,791
Culture and recreation				
Highways and streets				
Capital outlay		17,715	11,734	5,981
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>36,441</u>	<u>41,971</u>	<u>29,199</u>	<u>12,772</u>
Excess (deficiency) of revenues over expenditures	<u>(8,541)</u>	<u>(8,541)</u>	<u>4,150</u>	<u>4,150</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>4,150</u>	<u>4,150</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 4,150</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - EMS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants	17,537	17,537	17,568	31
Charges for services				
Fines and forfeitures				
Miscellaneous	1,000	1,820	1,820	
Interest income		1,000	15	(985)
Total revenues	<u>18,537</u>	<u>20,357</u>	<u>19,403</u>	<u>(954)</u>
Expenditures:				
Current -				
General government				
Public safety	18,537	18,537	11,695	6,842
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal	58,081	58,081	58,081	
Interest and fees	3,694	3,694	3,694	
Total expenditures	<u>80,312</u>	<u>80,312</u>	<u>73,470</u>	<u>6,842</u>
Excess (deficiency) of revenues over expenditures	<u>(61,775)</u>	<u>(59,955)</u>	<u>(54,067)</u>	<u>(7,796)</u>
Other financing sources (uses):				
Transfers in	61,775	61,775	61,775	
Transfers out				
Issuance of loans				
Total other financing sources (uses)	<u>61,775</u>	<u>61,775</u>	<u>61,775</u>	
Net change in fund balance			<u>7,708</u>	<u>7,708</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 7,708</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - POLICE GRANTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		137,204	137,204	
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>137,204</u>	<u>137,204</u>	
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		137,204	137,204	
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>137,204</u>	<u>137,204</u>	
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LOCAL GOVERNMENT CORRECTIONS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures	10,000	10,000	11,035	1,035
Miscellaneous				
Interest income		66	66	
Total revenues	<u>10,000</u>	<u>10,066</u>	<u>11,101</u>	<u>1,035</u>
Expenditures:				
Current -				
General government				
Public safety	10,000	10,000	6,345	3,655
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>6,345</u>	<u>3,655</u>
Excess (deficiency) of revenues over expenditures		<u>66</u>	<u>4,756</u>	<u>(2,620)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>4,756</u>	<u>4,756</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 4,756</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LIBRARY BUILDING
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous		2,493	2,492	(1)
Interest income	4,000	4,000	1,700	(2,300)
Total revenues	<u>4,000</u>	<u>6,493</u>	<u>4,192</u>	<u>(2,301)</u>
Expenditures:				
Current -				
General government	600	2,600	2,581	19
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>600</u>	<u>2,600</u>	<u>2,581</u>	<u>19</u>
Excess (deficiency) of revenues over expenditures	<u>3,400</u>	<u>3,893</u>	<u>1,611</u>	<u>(2,320)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			1,611	<u>1,611</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 1,611</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LIBRARY GRANTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		32,893	24,303	(8,590)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income			1	1
Total revenues		<u>32,893</u>	<u>24,304</u>	<u>(8,589)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation		32,893	23,084	9,809
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>32,893</u>	<u>23,084</u>	<u>9,809</u>
Excess (deficiency) of revenues over expenditures			<u>1,220</u>	<u>1,220</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>1,220</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals			(597)	
Change in fund balance for fund budgeted separately for the General Fund			(623)	
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ENVIRONMENTAL GRT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$ 71,388	\$ 71,388	\$ 64,238	\$ 7,150
Other taxes				
State grants		25,000		(25,000)
Charges for services				
Fines and forfeitures				
Miscellaneous	26,000			
Interest income		1,000	350	(650)
Total revenues	<u>97,388</u>	<u>97,388</u>	<u>64,588</u>	<u>(18,500)</u>
Expenditures:				
Current -				
General government	102,500	102,500	48,620	53,880
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	25,000	25,000	17,500	7,500
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>66,120</u>	<u>61,380</u>
Excess (deficiency) of revenues over expenditures	<u>(30,112)</u>	<u>(30,112)</u>	<u>(1,532)</u>	<u>(79,880)</u>
Other financing sources (uses):				
Transfers in				
Transfers out	(32,366)	(32,366)	(26,972)	(5,394)
Issuance of loans				
Total other financing sources (uses)	<u>(32,366)</u>	<u>(32,366)</u>	<u>(26,972)</u>	<u>(5,394)</u>
Net change in fund balance			<u>(28,504)</u>	<u>(28,504)</u>
Reconciliation to GAAP basis:				
Revenue accruals			29,080	
Expenditures accruals			(3,747)	
Change in fund balance - GAAP basis			<u>\$ (3,171)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - REVOLVING LOAN
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		77	77	
Total revenues		<u>77</u>	<u>77</u>	
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures				
Excess (deficiency) of revenues over expenditures		<u>77</u>	<u>77</u>	<u>77</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>77</u>	<u>77</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance for fund budgeted separately for the General Fund			<u>(77)</u>	
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - POLICE NARCOTICS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures		2,372	2,372	
Miscellaneous				
Interest income	200	200	48	(152)
Total revenues	<u>200</u>	<u>2,572</u>	<u>2,420</u>	<u>(152)</u>
Expenditures:				
Current -				
General government				
Public safety	6,000	1,500	1,490	10
Culture and recreation				
Highways and streets				
Capital outlay		31,000	29,812	1,188
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>6,000</u>	<u>32,500</u>	<u>31,302</u>	<u>1,198</u>
Excess (deficiency) of revenues over expenditures	<u>(5,800)</u>	<u>(29,928)</u>	<u>(28,882)</u>	<u>(1,350)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(28,882)</u>	<u>(28,882)</u>
Reconciliation to GAAP basis:				
Revenue accruals			52,076	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 23,194</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - LLEBG
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues				
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			\$	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - REGION IV - NORTH
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Federal grants		3,288	707	(2,581)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>3,288</u>	<u>707</u>	<u>(2,581)</u>
Expenditures:				
Current -				
General government				
Public safety		3,529	3,529	
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>3,529</u>	<u>3,529</u>	
Excess (deficiency) of revenues over expenditures			<u>(2,822)</u>	<u>(2,822)</u>
Other financing sources (uses):				
Transfers in		2,822	2,822	
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>2,822</u>	<u>2,822</u>	
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - JUVENILE JUSTICE GRANT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State Grants		91,584	54,509	(37,075)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>91,584</u>	<u>54,509</u>	<u>(37,075)</u>
Expenditures:				
Current -				
General government		80,185	58,931	21,254
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>80,185</u>	<u>58,931</u>	<u>21,254</u>
Excess (deficiency) of revenues over expenditures			<u>(4,422)</u>	<u>(4,422)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(4,422)</u>	
Reconciliation to GAAP basis:				
Revenue accruals			15,149	
Expenditures accruals			(6,070)	
Change in fund balance - GAAP basis			<u>\$ 4,657</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ARRA OJP GRANT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Federal grants		11,586	1,190	(10,396)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>11,586</u>	<u>1,190</u>	<u>(10,396)</u>
Expenditures:				
Current -				
General government				
Public safety		22,525	21,394	1,131
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>22,525</u>	<u>21,394</u>	<u>1,131</u>
Excess (deficiency) of revenues over expenditures			<u>(20,204)</u>	<u>(20,204)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(20,204)</u>	
Reconciliation to GAAP basis:				
Revenue accruals			19,448	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (756)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ARRA CWSRF PROJECT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous		7,049		(7,049)
Interest income				
Total revenues		<u>7,049</u>		<u>(7,049)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in			7,048	(7,048)
Transfers out			(7,048)	7,048
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ARRA 2ND STREET PROJECT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Federal grants		36,547		(36,547)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>36,547</u>		<u>(36,547)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in		26,722	26,722	
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>26,722</u>	<u>26,722</u>	
Net change in fund balance			<u>26,722</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 26,722</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ARRA CLAYTON HIGHWAY PROJECT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Federal grants		69,885		(69,885)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>69,885</u>		<u>(69,885)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		24,430	24,430	
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>24,430</u>	<u>24,430</u>	
Excess (deficiency) of revenues over expenditures			<u>(24,430)</u>	<u>(24,430)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(24,430)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (24,430)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -ARRA EMNRD RECYCLE GRANT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Property taxes				
Franchise tax				
Other taxes				
Federal grants		190,000	135,533	(54,467)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues		<u>190,000</u>	<u>135,533</u>	<u>(54,467)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		190,000	189,867	133
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>190,000</u>	<u>189,867</u>	<u>133</u>
Excess (deficiency) of revenues over expenditures			<u>(54,334)</u>	<u>(54,334)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(54,334)</u>	
Reconciliation to GAAP basis:				
Revenue accruals			14,377	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (39,957)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - TRACK FIRE RECOVERY
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		176,155	172,430	(3,725)
Federal grants		291,016	268,268	(22,748)
Charges for services				
Fines and forfeitures				
Miscellaneous		134,864	2,988	(131,876)
Interest income		2,989		(2,989)
Total revenues		<u>605,024</u>	<u>443,686</u>	<u>(161,338)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		583,852	583,852	
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>583,852</u>	<u>583,852</u>	
Excess (deficiency) of revenues over expenditures			(140,166)	(140,166)
Other financing sources (uses):				
Transfers in			136,441	(136,441)
Transfers out				
Issuance of loans				
Total other financing sources (uses)			<u>136,441</u>	<u>(136,441)</u>
Net change in fund balance			<u>(3,725)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals			45,725	
Change in fund balance for fund budgeted separately for the General Fund			<u>94,441</u>	
Change in fund balance - GAAP basis			<u>\$ 136,441</u>	

DEBT SERVICE FUNDS

NMFA Loan – Fire Equipment – to account for local option municipal gross receipts taxes levied to repay New Mexico Finance Authority.

NMFA Loan - Street Improvements – to accumulate monies for the repayment of a loan received from NMFA. Funding is provided by the revenues derived from (1) the one-eighth of one percent increment of municipal infrastructure gross receipts tax imposed by the City of Raton pursuant to §7-19D-11 NMSA 1978 and City Ordinance No. 830; and (2) the municipal road gasoline tax revenues received by the City of Raton from the State pursuant to §7-1-6.27 NMSA 1978.

NMFA Loan - Welcome Center – to accumulate monies for the repayment of the loan received from NMFA. 40% of the revenues generated by the occupancy tax imposed on lodging in the City of Raton pursuant to the Lodger's Tax Act, §§3-38-13 to 3-38-24, NMSA 1978 and City Ordinance No. 597 adopted on March 9, 1971, as amended by City Ordinance No. 780 adopted on September 27, 1988, is pledged for the repayment of the loan.

NMFA Loan - Landfill – to accumulate monies for the repayment of the loan received from NMFA. Revenues provided by the municipal environmental services gross receipts tax, authorized under Governmental Unit Ordinance No. 921, adopted on February 25, 2003, and was authorized pursuant to City Resolution No. 2004-17 adopted on July 26, 2004 as amended by Resolution No. 2004-19 adopted on September 14, 2004, is pledged for the repayment of the loan.

Wastewater Treatment – to accumulate monies for the repayment of the loan received from NMFA. Revenue provided by the one-sixteenth of one percent (.0625%) municipal environmental services gross receipts tax, authorized under Governmental Unit Ordinance No. 921, adopted on February 25, 2003, and was authorized pursuant to City Resolution No. 2008-11 adopted May 15, 2008 is pledged for the repayment of the loan.

Recreation Center - to accumulate monies for the repayment of the loan received from NMFA. Revenues provided by the municipal gross receipts tax imposed, authorized under Governmental Unit Ordinance No. 951, adopted on March 13, 2007, and was authorized pursuant to Section 7-19D-9 NMSA 1978 is pledged for the repayment of this loan.

Aquatic Center – to accumulate monies for the repayment of the loan received from NMFA. Revenues provided by municipal gross receipts tax imposed, authorized under Governmental Unit Ordinance No. 951, adopted on March 13, 2007, and was authorized pursuant to Section 7-19D-9 NMSA 1978 is pledged for the repayment of this loan.

Water Trust Board Loan – to accumulate monies for the repayment of the loan received from the Water Trust Board. Revenue provided by net revenues of the City's municipally owned combined water and wastewater utility system, as authorized by Ordinance No. 954, adopted October 14, 2008.

ARRA CWSRF – to account for funds received from American Recover and Reinvestment Act Grants for the CWSRF Project.

Special Assessment Districts – to account for monies due from taxpayers who benefited from improvements made in the Special Assessment Districts.

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - NON- MAJOR DEBT SERVICE FUNDS
JUNE 30, 2012**

	<u>NMFA Loan - Fire Equipment</u>	<u>NMFA Loan Street Improvements</u>	<u>NMFA Loan - Welcome Center</u>
<u>ASSETS</u>			
Cash and investments	\$ 3	\$	\$ 57,663
Due from other governments			
Taxes receivable			
Receivables net			
Due from other funds			
Total assets	<u>\$ 3</u>	<u>\$</u>	<u>\$ 57,663</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable			
Accrued salaries and related benefits			
Total liabilities	<u></u>	<u></u>	<u></u>
Fund balances:			
Restricted	3		57,663
Unassigned			
Total fund balances	<u>3</u>	<u></u>	<u>57,663</u>
Total liabilities and fund balances	<u>\$ 3</u>	<u>\$</u>	<u>\$ 57,663</u>

<u>NMFA Loan - Landfill</u>	<u>Wastewater Treatment</u>	<u>Recreation Center</u>	<u>Aquatic Center</u>	<u>Water Trust Board</u>	<u>ARRA CWSRF</u>
\$ 13,548	\$ 488,628	\$ 259,388	\$ 231,028	\$	\$
		8,813			
<u>\$ 13,548</u>	<u>\$ 488,628</u>	<u>\$ 268,201</u>	<u>\$ 231,028</u>	<u>\$</u>	<u>\$</u>
13,548	488,628	268,201	231,028		
<u>13,548</u>	<u>488,628</u>	<u>268,201</u>	<u>231,028</u>		
<u>\$ 13,548</u>	<u>\$ 488,628</u>	<u>\$ 268,201</u>	<u>\$ 231,028</u>	<u>\$</u>	<u>\$</u>

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - NON- MAJOR DEBT SERVICE FUNDS
JUNE 30, 2012**

	<u>Special Assessment District</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and investments	\$	\$ 1,050,258
Due from other governments		
Taxes receivable		
Receivables net		8,813
Due from other funds		
Total assets	\$	\$ 1,059,071
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable		
Accrued salaries and related benefits		
Total liabilities		
Fund balances:		
Restricted		1,059,071
Unassigned		
Total fund balances		1,059,071
Total liabilities and fund balances	\$	\$ 1,059,071

(This page intentionally left blank)

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	NMFA Loan - Fire Equipment	NMFA Loan - Street Improvements	NMFA Loan - Welcome Center
Revenues:			
Interest income	\$	\$ 317	\$ 215
Total revenues	<u>317</u>	<u>317</u>	<u>215</u>
Expenditures:			
Debt service -			
Principal		197,862	37,472
Interest and fees	19,150	4,484	13,424
Total expenditures	<u>19,150</u>	<u>202,346</u>	<u>50,896</u>
Excess (deficiency) of revenues over expenditures	<u>(19,150)</u>	<u>(202,029)</u>	<u>(50,681)</u>
Other financing sources (uses):			
Transfers in	19,153	17,755	48,530
Transfers out		(13,580)	
Total other financing sources (uses):	<u>19,153</u>	<u>4,175</u>	<u>48,530</u>
Changes in fund balances	<u>3</u>	<u>(197,854)</u>	<u>(2,151)</u>
Fund balances, beginning of year		197,854	59,814
Fund balances, end of year	<u>\$ 3</u>	<u>\$</u>	<u>\$ 57,663</u>

<u>NMFA Loan - Landfill</u>	<u>Wastewater Treatment</u>	<u>Recreation Center</u>	<u>Aquatic Center</u>	<u>Water Trust Board</u>	<u>ARRA CWSRF</u>
\$ 59	\$ 607	\$ 914	\$ 987	\$	\$
<u>59</u>	<u>607</u>	<u>914</u>	<u>987</u>		
31,421	36,000	93,306	60,000	7,224	4,743
945	129,526	115,654	115,946	127	2,305
<u>32,366</u>	<u>165,526</u>	<u>208,960</u>	<u>175,946</u>	<u>7,351</u>	<u>7,048</u>
<u>(32,307)</u>	<u>(164,919)</u>	<u>(208,046)</u>	<u>(174,959)</u>	<u>(7,351)</u>	<u>(7,048)</u>
26,972	254,313	208,992	175,946	7,351	7,048
<u>26,972</u>	<u>254,313</u>	<u>208,992</u>	<u>175,946</u>	<u>7,351</u>	<u>7,048</u>
<u>(5,335)</u>	<u>89,394</u>	<u>946</u>	<u>987</u>		
18,883	399,234	267,255	230,041		
<u>\$ 13,548</u>	<u>\$ 488,628</u>	<u>\$ 268,201</u>	<u>\$ 231,028</u>	<u>\$</u>	<u>\$</u>

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Assessment District	Totals
Revenues:		
Interest income	\$	\$ 3,099
Total revenues		3,099
Expenditures:		
Debt service -		
Principal		468,028
Interest and fees		401,561
Total expenditures		869,589
Excess (deficiency) of revenues over expenditures		(866,490)
Other financing sources (uses):		
Transfers in		766,060
Transfers out		(13,580)
Total other financing sources (uses):		752,480
Changes in fund balances		(114,010)
Fund balances, beginning of year		1,173,081
Fund balances, end of year	\$	\$ 1,059,071

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN - FIRE EQUIPMENT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues				
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees		23,732	19,150	4,582
Total expenditures		23,732	19,150	4,582
Excess (deficiency) of revenues over expenditures			(19,150)	(19,150)
Other financing sources (uses):				
Transfers in			19,153	(19,153)
Transfers out				
Issuance of loans				
Total other financing sources (uses)			19,153	(19,153)
Net change in fund balance			3	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			\$ 3	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN - STREET IMPROVEMENTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		318	317	(1)
Total revenues		<u>318</u>	<u>317</u>	<u>(1)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		203,392	197,862	5,530
Interest and fees		4,500	4,484	16
Total expenditures		<u>207,892</u>	<u>202,346</u>	<u>5,546</u>
Excess (deficiency) of revenues over expenditures			<u>(202,029)</u>	<u>(202,029)</u>
Other financing sources (uses):				
Transfers in	-	106,522	17,755	88,767
Transfers out		(13,580)	(13,580)	
Issuance of loans				
Total other financing sources (uses)		<u>92,942</u>	<u>4,175</u>	<u>88,767</u>
Net change in fund balance			<u>(197,854)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (197,854)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN - WELCOME CENTER
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		100	215	115
Total revenues		<u>100</u>	<u>215</u>	<u>115</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		37,472	37,472	
Interest and fees		13,424	13,424	
Total expenditures		<u>50,896</u>	<u>50,896</u>	
Excess (deficiency) of revenues over expenditures			<u>(50,681)</u>	<u>(50,681)</u>
Other financing sources (uses):				
Transfers in		50,896	48,530	2,366
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>50,896</u>	<u>48,530</u>	<u>2,366</u>
Net change in fund balance			<u>(2,151)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (2,151)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN - LANDFILL
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		100	59	(41)
Total revenues		<u>100</u>	<u>59</u>	<u>(41)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		31,421	31,421	
Interest and fees		945	945	
Total expenditures		<u>32,366</u>	<u>32,366</u>	
Excess (deficiency) of revenues over expenditures			<u>(32,307)</u>	<u>(32,307)</u>
Other financing sources (uses):				
Transfers in		32,366	26,972	5,394
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>32,366</u>	<u>26,972</u>	<u>5,394</u>
Net change in fund balance			<u>(5,335)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (5,335)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - WASTEWATER TREATMENT
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous		254,304		(254,304)
Interest income		607	607	
Total revenues		<u>254,911</u>	<u>607</u>	<u>(254,304)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		36,000	36,000	
Interest and fees		129,600	129,526	74
Total expenditures		<u>165,600</u>	<u>165,526</u>	<u>74</u>
Excess (deficiency) of revenues over expenditures		<u>89,311</u>	<u>(164,919)</u>	<u>(75,608)</u>
Other financing sources (uses):				
Transfers in			254,313	(254,313)
Transfers out				
Issuance of loans				
Total other financing sources (uses)			<u>254,313</u>	<u>(254,313)</u>
Net change in fund balance			<u>89,394</u>	<u>89,394</u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 89,394</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - RECREATION CENTER
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		913	914	1
Total revenues		<u>913</u>	<u>914</u>	<u>1</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal	366,436	93,306	93,306	
Interest and fees		115,654	115,654	
Total expenditures	<u>366,436</u>	<u>208,960</u>	<u>208,960</u>	
Excess (deficiency) of revenues over expenditures			<u>(208,046)</u>	<u>(208,046)</u>
Other financing sources (uses):				
Transfers in	37,500	208,960	208,992	(32)
Transfers out				
Issuance of loans				
Total other financing sources (uses)	<u>37,500</u>	<u>208,960</u>	<u>208,992</u>	<u>(32)</u>
Net change in fund balance			<u>946</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 946</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - AQUATIC CENTER
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income		987	987	
Total revenues		<u>987</u>	<u>987</u>	
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		60,000	60,000	
Interest and fees		115,946	115,946	
Total expenditures		<u>175,946</u>	<u>175,946</u>	
Excess (deficiency) of revenues over expenditures			<u>(174,959)</u>	<u>(174,959)</u>
Other financing sources (uses):				
Transfers in		175,946	175,946	
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>175,946</u>	<u>175,946</u>	
Net change in fund balance			<u>987</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 987</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - WATER TRUST BOARD
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues				
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		7,224	7,224	
Interest and fees		128	127	1
Total expenditures		<u>7,352</u>	<u>7,351</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures			<u>(7,351)</u>	<u>(7,351)</u>
Other financing sources (uses):				
Transfers in		7,352	7,351	1
Transfers out				
Issuance of loans				
Total other financing sources (uses)		<u>7,352</u>	<u>7,351</u>	<u>1</u>
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ARRA CWSFR
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues				
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal		4,744	4,743	1
Interest and fees		2,306	2,305	1
Total expenditures		7,050	7,048	2
Excess (deficiency) of revenues over expenditures			(7,048)	(7,048)
Other financing sources (uses):				
Transfers in		7,049	7,048	1
Transfers out				
Issuance of loans				
Total other financing sources (uses)		7,049	7,048	1
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			\$	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - SPECIAL ASSESSMENTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues				
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures				
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance				
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			\$	

CAPITAL PROJECTS FUNDS

2% Lodgers' Tax Building – to account for a portion of the Lodger's Tax set aside for the expansion, renovation and improvements to the Raton Welcome Center and other city owned buildings.

Street Improvements – to account for costs associated with the improvements to city streets. Funding is provided by Gasoline Taxes, State Co-op agreements and other reimbursements.

GRT Swim/Pool Recreation Center Fund – to account for funds spent to build the new aquatic recreation center.

NMDOT Projects – to account for funds received from the state for costs associated with the Raton Mapping Project. Funding is provided by the New Mexico State Highway and Transportation Department.

Historical Building Fund – to account for fund related to improving and restoring the City's historic buildings.

Capital Improvements – to account for 1/4% Municipal Gross Receipts Tax adopted by Ordinance No. 937 on January 25, 2005, pursuant to authority granted by 7-19D-11. Tax increase effective July 2005 and use is restricted to Aquatic/Recreation Center design and construction and municipal infrastructure improvements.

Water – to account for costs associated with the construction of a new Wastewater Treatment Facility. Funding is provided from USDA loans, grant funding and local funding/Raton Water Works.

Depot Improvement Projects – to account for costs associated with the multi-modal transportation center. Funding is provided by FHWA administration grants and state mainstreet program grants.

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING BALANCE SHEET - NON- MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

	<u>2% Lodgers' Tax</u>	<u>Street</u>	<u>GRT Swim/Pool Recreation</u>
<u>ASSETS</u>			
Cash and investments	\$ 15,105	\$ 89,313	\$ 48,421
Due from other governments			
Taxes receivable		27,416	
Total assets	<u>\$ 15,105</u>	<u>\$ 116,729</u>	<u>\$ 48,421</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 3,913	\$	\$
Total liabilities	<u>3,913</u>		
Fund balances:			
Restricted	11,192	116,729	48,421
Unassigned			
Total fund balances	<u>11,192</u>	<u>116,729</u>	<u>48,421</u>
 Total liabilities and fund balances	 <u>\$ 15,105</u>	 <u>\$ 116,729</u>	 <u>\$ 48,421</u>

<u>NMDOT Projects</u>	<u>Historic Buildings</u>	<u>Capital Improvement</u>	<u>Water</u>	<u>Depot Improvement Projects</u>	<u>Totals</u>
\$ 13 280,210	\$	\$ 32,780	\$	\$	185,632 280,210
		46,933			74,349
<u>\$ 280,223</u>	<u>\$</u>	<u>\$ 79,713</u>	<u>\$</u>	<u>\$</u>	<u>540,191</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,913</u>
					3,913
280,223		79,713			536,278
<u>280,223</u>	<u></u>	<u>79,713</u>	<u></u>	<u></u>	<u>536,278</u>
<u>\$ 280,223</u>	<u>\$</u>	<u>\$ 79,713</u>	<u>\$</u>	<u>\$</u>	<u>\$ 540,191</u>

**STATE OF NEW MEXICO
CITY OF RATON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>2% Lodgers' Tax</u>	<u>Street Improvements</u>	<u>GRT Swim/Pool Recreation Center</u>
Revenues:			
Gross receipts taxes	\$	\$	\$
Other taxes		192,832	
State grants		38,397	
Federal grants			
Miscellaneous			7,470
Interest income	57	145	
Total revenues	<u>57</u>	<u>231,374</u>	<u>7,470</u>
Expenditures:			
Current -			
General government			
Capital outlay	125,922	52,773	7,620
Total expenditures	<u>125,922</u>	<u>52,773</u>	<u>7,620</u>
Excess (deficiency) of revenues over expenditures	<u>(125,865)</u>	<u>178,601</u>	<u>(150)</u>
Other financing sources (uses):			
Transfers in	209,266	13,580	
Transfers out	(81,030)	(213,991)	
Total other financing sources (uses):	<u>128,236</u>	<u>(200,411)</u>	
Changes in fund balances	<u>2,371</u>	<u>(21,810)</u>	<u>(150)</u>
Fund balances (deficits), beginning of year	8,821	138,539	48,571
Fund balances, end of year	<u>\$ 11,192</u>	<u>\$ 116,729</u>	<u>\$ 48,421</u>

<u>NMDOT Projects</u>	<u>Historic Buildings</u>	<u>Capital Improvements</u>	<u>Water</u>	<u>Depot Improvement Projects</u>	<u>Totals</u>
\$	\$	\$ 315,938	\$	\$	\$ 315,938
906,981	17,904		278,707	9,847	1,251,836
3,461				38,882	38,882
11		191			10,931
<u>910,453</u>	<u>17,904</u>	<u>316,129</u>	<u>278,707</u>	<u>48,729</u>	<u>1,810,823</u>
		5,898			5,898
<u>799,744</u>	<u>17,904</u>	<u>5,898</u>	<u>474,811</u>	<u>48,603</u>	<u>1,527,377</u>
<u>799,744</u>	<u>17,904</u>	<u>5,898</u>	<u>474,811</u>	<u>48,603</u>	<u>1,533,275</u>
<u>110,709</u>		<u>310,231</u>	<u>(196,104)</u>	<u>126</u>	<u>277,548</u>
169,514			205,660		598,020
<u>169,514</u>		<u>(384,938)</u>	<u>(7,351)</u>		<u>(687,310)</u>
<u>280,223</u>		<u>(384,938)</u>	<u>198,309</u>		<u>(89,290)</u>
		(74,707)	2,205	126	188,258
		154,420	(2,205)	(126)	348,020
<u>\$ 280,223</u>	<u>\$</u>	<u>\$ 79,713</u>	<u>\$</u>	<u>\$</u>	<u>\$ 536,278</u>

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - 2% LODGERS' TAX
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income	200	200	57	(143)
Total revenues	<u>200</u>	<u>200</u>	<u>57</u>	<u>(143)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	178,357	208,715	122,009	86,706
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>178,357</u>	<u>208,715</u>	<u>122,009</u>	<u>86,706</u>
Excess (deficiency) of revenues over expenditures			<u>(121,952)</u>	<u>(121,952)</u>
Other financing sources (uses):				
Transfers in	202,500	202,500	209,266	(6,766)
Transfers out	(83,396)	(83,396)	(81,030)	(2,366)
Issuance of loans				
Total other financing sources (uses)	<u>119,104</u>	<u>119,104</u>	<u>128,236</u>	<u>(9,132)</u>
Net change in fund balance			<u>6,284</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals			(3,913)	
Change in fund balance - GAAP basis			<u>\$ 2,371</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - STREET IMPROVEMENTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes	200,000	200,000	165,417	(34,583)
State grants	38,397	38,397	38,397	
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income	200	200	145	(55)
Total revenues	<u>238,597</u>	<u>238,597</u>	<u>203,959</u>	<u>(34,638)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	51,196	52,774	52,774	
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>51,196</u>	<u>52,774</u>	<u>52,774</u>	
Excess (deficiency) of revenues over expenditures			<u>151,185</u>	<u>151,185</u>
Other financing sources (uses):				
Transfers in		13,580	13,580	
Transfers out	(253,830)	(302,758)	(213,991)	(88,767)
Issuance of loans				
Total other financing sources (uses)	<u>(253,830)</u>	<u>(289,178)</u>	<u>(200,411)</u>	<u>(88,767)</u>
Net change in fund balance			<u>(49,226)</u>	
Reconciliation to GAAP basis:				
Revenue accruals			27,416	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (21,810)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GRT SWIM/POOL RECREATION CENTER
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Property taxes				
Franchise tax				
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous		12,000	7,470	(4,530)
Interest income				
Total revenues		<u>12,000</u>	<u>7,470</u>	<u>(4,530)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		12,000	7,620	4,380
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>12,000</u>	<u>7,620</u>	<u>4,380</u>
Excess (deficiency) of revenues over expenditures			<u>(150)</u>	<u>(150)</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>(150)</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (150)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NMDOT PROJECTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants	746,081	746,081	746,081	
Charges for services				
Fines and forfeitures				
Miscellaneous		3,461	3,461	
Interest income	12	12	11	(1)
Total revenues	<u>746,093</u>	<u>749,554</u>	<u>749,553</u>	<u>(1)</u>
Expenditures:				
Current -				
General government	\$	\$		
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	538,036	799,745	799,745	
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>538,036</u>	<u>799,745</u>	<u>799,745</u>	
Excess (deficiency) of revenues over expenditures			<u>(50,192)</u>	<u>(50,192)</u>
Other financing sources (uses):				
Transfers in	118,164	169,514	169,514	
Transfers out				
Issuance of loans				
Total other financing sources (uses)	<u>118,164</u>	<u>169,514</u>	<u>169,514</u>	
Net change in fund balance			<u>119,322</u>	
Reconciliation to GAAP basis:				
Revenue accruals			160,901	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 280,223</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - HISTORIC BUILDINGS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants		25,000	17,904	(7,096)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues	<u> </u>	<u>25,000</u>	<u>17,904</u>	<u>(7,096)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay	895,205	25,000	17,904	7,096
Debt service -				
Principal				
Interest and fees				
Total expenditures	<u>895,205</u>	<u>25,000</u>	<u>17,904</u>	<u>7,096</u>
Excess (deficiency) of revenues over expenditures	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$ 285,550	\$ 285,550	\$ 269,005	\$ 16,545
Other taxes				
Intergovernmental				
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income	588	1,000	191	(809)
Total revenues	<u>286,138</u>	<u>286,550</u>	<u>269,196</u>	<u>15,736</u>
Expenditures:				
Current -				
General government		5,898	5,898	
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay				
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>5,898</u>	<u>5,898</u>	
Excess (deficiency) of revenues over expenditures			<u>263,298</u>	<u>15,736</u>
Other financing sources (uses):				
Transfers in	14,808	103,356		103,356
Transfers out	(47,680)	(384,906)	(384,938)	32
Issuance of loans				
Total other financing sources (uses)	<u>(32,872)</u>	<u>(281,550)</u>	<u>(384,938)</u>	<u>103,388</u>
Net change in fund balance			<u>(121,640)</u>	
Reconciliation to GAAP basis:				
Revenue accruals			46,933	
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ (74,707)</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - WATER
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants	278,707	278,707	278,707	
Charges for services				
Fines and forfeitures				
Miscellaneous		205,661		(205,661)
Interest income				
Total revenues	<u>278,707</u>	<u>484,368</u>	<u>278,707</u>	<u>(205,661)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		477,016	474,811	2,205
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>477,016</u>	<u>474,811</u>	<u>2,205</u>
Excess (deficiency) of revenues over expenditures			<u>(196,104)</u>	<u>(196,104)</u>
Other financing sources (uses):				
Transfers in			205,660	(205,660)
Transfers out			(7,351)	7,351
Issuance of loans				
Total other financing sources (uses)			<u>198,309</u>	<u>(198,309)</u>
Net change in fund balance			<u>2,205</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 2,205</u>	

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - DEPOT IMPROVEMENT PROJECTS
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:				
Gross receipts taxes	\$	\$	\$	\$
Other taxes				
State grants	200,000	200,000	9,847	(190,153)
Federal grants	695,331	695,331	38,882	(656,449)
Charges for services				
Fines and forfeitures				
Miscellaneous				
Interest income				
Total revenues	<u>895,331</u>	<u>895,331</u>	<u>48,729</u>	<u>(846,602)</u>
Expenditures:				
Current -				
General government				
Public safety				
Culture and recreation				
Highways and streets				
Capital outlay		895,205	48,603	846,602
Debt service -				
Principal				
Interest and fees				
Total expenditures		<u>895,205</u>	<u>48,603</u>	<u>846,602</u>
Excess (deficiency) of revenues over expenditures			<u>126</u>	<u>126</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Issuance of loans				
Total other financing sources (uses)				
Net change in fund balance			<u>126</u>	
Reconciliation to GAAP basis:				
Revenue accruals				
Expenditures accruals				
Change in fund balance - GAAP basis			<u>\$ 126</u>	

(This page intentionally left blank)

AGENCY FUND

Municipal Court – to account for fines generated from the municipal court system.

STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND MUNICIPAL COURT
YEAR ENDED JUNE 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Cash and investments	\$ <u>9,520</u>	\$ _____	\$ <u>268</u>	\$ <u>9,252</u>
Total assets	\$ <u>9,520</u>	\$ _____	\$ <u>268</u>	\$ <u>9,252</u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>9,520</u>	\$ _____	\$ <u>268</u>	\$ <u>9,252</u>
Total liabilities	\$ <u>9,520</u>	\$ _____	\$ <u>268</u>	\$ <u>9,252</u>

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF BANK ACCOUNTS
JUNE 30, 2012**

Bank	Account Type	Type of Deposit	Total Deposits with Bank	Reconciling Items	Reconciled Balance
International Bank	Checking	Interest Bearing	\$ 892,364	\$ (205,163)	\$ 687,201
International Bank	Checking	Non- Interest Bearing	85,000		85,000
International Bank	Checking	Non-Interest Bearing	48,421		48,421
International Bank	Checking	Interest Bearing	1,186,231	(127,915)	1,058,316
International Bank	Checking	Non-Interest Bearing	25,000		25,000
International Bank	Checking	Non-Interest Bearing	10,000		10,000
International Bank	Checking	Interest Bearing	59,696	2,556	62,252
International Bank	Checking	Interest Bearing	359,916	19,715	379,631
International Bank	Checking	Interest Bearing	107,519	1,478	108,997
International Bank	Checking	Non-Interest Bearing	4,777	340	5,117
International Bank	Checking	Interest Bearing	32,517	(1,240,565)	(1,208,048)
International Bank	Checking	Non-Interest Bearing	100,187	(100,187)	
International Bank	Checking	Non-Interest Bearing	4,226	412	4,638
International Bank	Checking	Interest Bearing	3,084	1,529	4,613
The First National Bank of New Mexico	CD	Interest Bearing	103,675		103,675
The First National Bank of New Mexico	CD	Interest Bearing	80,000		80,000
The First National Bank of New Mexico	CD	Interest Bearing	149,700		149,700
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	314		314
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	13,234		13,234
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	8,475		8,475
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	49,188		49,188
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	231,027		231,027
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	49,689		49,689
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	209,699		209,699
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	3		3
International Bank	Checking	Interest Bearing	174,412	(120,464)	53,948
International Bank	Checking	Interest Bearing	86,899	(558)	86,341
International Bank	Checking	Interest Bearing	97,910		97,910
International Bank	Checking	Interest Bearing	22,508	18,000	40,508
International Bank	Checking	Interest Bearing	628,608	(25,527)	603,081
Bank of America	Checking	Non-Interest Bearing	945		945
Bank of America	Checking	Non-Interest Bearing	980		980
International Bank	Checking	Non-Interest Bearing	397		397
The First National Bank of New Mexico	CD	Interest Bearing	487,725		487,725
The First National Bank of New Mexico	CD	Interest Bearing	613,169		613,169
International Bank	CD	Interest Bearing	150,660		150,660
International Bank	CD	Interest Bearing	97,347		97,347
International Bank	CD	Interest Bearing	826,271		826,271
International Bank	CD	Interest Bearing	366,782		366,782
Petty cash - City of Raton	Petty cash - City of Raton				652
			<u>7,368,555</u>	<u>(1,776,349)</u>	<u>5,592,858</u>

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2012**

	International Bank	First National Bank of New Mexico	Bank of America	New Mexico State Treasurer's Investment Pool	Total
Bank Accounts:					
Checking accounts	\$ 5,370,732	\$	\$ 1,925	\$ 561,629	\$ 5,934,286
Savings accounts					
Certificates of deposit		1,434,269			1,434,269
Total amount of deposits	<u>5,370,732</u>	<u>1,434,269</u>	<u>1,925</u>	<u>561,629</u>	<u>7,368,555</u>
Less: FDIC coverage	887,924	250,000	1,925		
STO Collateral-Separately issued financials				561,629	
Total uninsured public funds	<u>4,482,808</u>	<u>1,184,269</u>			<u>5,667,077</u>
Collateral requirements (Per 6-10-10 & 6-10-17, NMSA 1978):					
50% of uninsured time and demand accounts	2,241,404	592,135			
Total collateral required	<u>2,241,404</u>	<u>592,135</u>			<u>2,833,539</u>
Pledged collateral:					
FHLB, matures 12/2012, CUSIP 3133XDTB7	76,650				
Bernalillo SD #1, matures 8/2013, CUSIP 085279HE4	275,797				
FHLB, matures 6/2014, CUSIP 3133XKTV7	1,956,240				
FHLB, matures 6/2014, CUSIP 3133XKTV7	108,680				
FHLB, matures 6/2014, CUSIP 3133XKTV7	624,910				
FHLB, TORRANCE ETC CNTYS NM MUN SD 8, matures 7/1/2015, CUSIP 891400J53		159,574			
FHLB, ROOSEVELT CNTY NM GROSS RECPTS, matures 6/1/2017, CUSIP 776461AL9		26,880			
FHLB, ROOSEVELT CNTY NM GROSS RECPTS, matures 6/1/2017, CUSIP 776461AL9		26,880			
FHLB, FNMA ARM - Pool # 729128, matures 11/1/2033, CUSIP 31402HA50		8,267			
FHLB, ROY NM SCH DIST NO 003, matures 10/1/2015, CUSIP 780040BB6		16,580			
FHLB, ROY NM SCH DIST NO 003, matures 10/1/2016, CUSIP 7800408C4		16,921			
FHLB, SPRINGER NM MUN SCH DIST NO 24, matures 7/15/2013, CUSIP 850395CA0		104,407			
FHLB, SPRINGER NM MUN SCH DIST NO 24, matures 7/15/2014, CUSIP 850395CB8		106,926			
FHLB, LOGAN NM SCH DIST NO 32, matures 4/17/2017, CUSIP 5410668A3		144,570			
FHLB, BELEN NM CONS SCD NO 002, matures 8/1/2014, CUSIP 077581NM4		245,920			
Total collateral	<u>3,042,277</u>	<u>856,925</u>			<u>3,899,202</u>
Over / (under) secured	<u>\$ 800,873</u>	<u>\$ 264,791</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,065,663</u>
Custodial Credit Risk:					
Insured	\$ 887,924	\$ 250,000	\$ 1,925	\$	\$ 1,139,849
Collateralized with securities held by pledging financial institution's trust department	3,042,277	856,925			3,899,202
Uninsured and uncollateralized	1,440,531	327,344		561,629	2,329,504
Total deposits	<u>\$ 5,370,732</u>	<u>\$ 1,434,269</u>	<u>\$ 1,925</u>	<u>\$ 561,629</u>	<u>\$ 7,368,555</u>
Location of collateral:					
First Community Bank, Dallas, TX					
Federal Home Loan Bank, Dallas, TX					

(This page intentionally left blank)

SINGLE AUDIT SECTION

(This page intentionally left blank)

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

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Raton, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, budgetary comparisons of the general fund and major special revenue fund and combining and individual funds and related budgetary comparisons presented as supplementary information of City of Raton, New Mexico as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. The report was qualified because we were unable to perform procedures to satisfy ourselves as to the accuracy of the capital assets due to incomplete records. We did not audit the financial statements of the Housing Authority of the City of Raton, a component unit of the City of Raton, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Raton, a component unit of the City of Raton, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Raton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Raton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Raton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned responses as items 02-1, 07-1 and 09-4 to be material weaknesses. For the component units, we consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 04-05(RPS) to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 09-2, 10-01, 10-04, and 12-01 items to be significant deficiencies. For the component units, we consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 11-01(RPS) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Raton, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 02-01, 09-2, 10-04, and 04-05 (RPS).

The City of Raton, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Raton, New Mexico's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the City, the City Council, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 27, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditors' Report

Mr. Hector H. Balderas
New Mexico State Auditor

Honorable Mayor, Members of the City Council
of the City of Raton, New Mexico

Compliance

We have audited the City of Raton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Raton's major federal programs for the year ended June 30, 2012. City of Raton's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Raton's management. Our responsibility is to express an opinion on the City of Raton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Raton'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. Our audit does not provide a legal determination of the City of Raton's compliance with those requirements.

In our opinion, the City of Raton complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA 09-4, SA 11-02, SA 12-02 and SA 12-03.

Internal Control Over Compliance

Management of the City of Raton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Raton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Raton'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA 09-4, SA 11-02, SA 12-02 and SA 12-03. A significant deficiency in internal control over compliance is a deficiency, or 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.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Raton as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012, which contained a qualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The City of Raton's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Raton's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council, the New Mexico State Auditor, the New Mexico Legislature, and applicable others within the City, federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

November 27, 2012

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<u>U.S. Department of Transportation</u>				
Direct program:				
Airport Improvement Program	20.106	3-35-0033-13	\$ 330	\$
Airport Improvement Program	20.106	2-20-3-35-33-14	1,337,534	
Airport Improvement Program	20.106	725-3-35-33-15	<u>958,202</u>	
Total CFDA 20.106				2,296,066
Passed through New Mexico Department of Transportation:				
Highway Planning and Construction, Recovery Act	20.205	ES41230		<u>24,430</u>
Total U.S. Department of Transportation				2,320,496
<u>U.S. Department of Agriculture</u>				
Direct program:				
Capital Improvement and Maintenance, Recovery Act	10.687	N/A		48,602
Passed through New Mexico Department of Natural Resources:				
Watershed Protection and Flood Prevention, Recovery Act	10.904	69-8CO-11-001		247,111
Passed through State of New Mexico, Energy and Minerals Department:				
Cooperative Forestry Assistance Grant	10.664	9-DG-11031600-84	263,711	
Forrestry Grant	10.028	2009-SST9	<u>94,590</u>	
Total passed through State of New Mexico, Energy and Minerals Department				<u>358,301</u>
Total U.S. Department of Agriculture				654,014
<u>U.S. Department of Justice</u>				
Direct programs:				
Asset Forfeiture Program	16.000	NM0040100		31,303
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG REV REGION IV FU 2011	3,529	
Edward Byrne Memorial Justice Assistance Grant (JAG) Program, Recovery Act	16.804	2009-SB-B9-3030	<u>21,392</u>	
Total JAG Program Cluster				24,921
Passed through NM Children, Youth and Families Department:				
Juvenile Accountability Block Grants	16.523	N/A		<u>64,999</u>
Total U.S. Department of Justice				121,223
<u>U.S. Department of Homeland Security</u>				
Direct program:				
Homeland Security Grant Program	97.067	2009-SS-T9-0000030		291,016
<u>U.S. Department of Energy</u>				
Passed through State of New Mexico, Energy and Minerals Department:				
Energy Efficiency and Conservation Block Grant, Recovery Act	81.128	DE-EE 0000681		<u>189,867</u>
Total Expenditures of Federal Awards				<u>\$ 3,576,616</u>

**STATE OF NEW MEXICO
CITY OF RATON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City of Raton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *Catalog of Federal Domestic Assistance*.

NOTE 3 – SUBRECIPIENTS

The City did not provide any federal awards to subrecipients during the year.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,576,616
Total expenditures funded by other sources	<u>7,310,949</u>
Total expenditures	<u>\$ 10,887,565</u>

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes X no

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: 02-01

Type of Finding: Material weakness, noncompliance

Description: Capital Assets (City and Raton Water Works)

CONDITION

The City did not have adequate internal controls in place over capital assets. During our review of capital assets we noted the following:

- There were no formal policies or procedures for capital assets including disposal of capital assets.
- Infrastructure assets were not included in the capital asset listing.
- A physical inventory has not been performed since fiscal year 2007. The inventory taken by the outside firm did not agree to the amounts posted in the general ledger for capital assets.
- Equipment items were not always tagged with a unique identifying number.
- Depreciation expense was not always calculated by individual depreciable assets based on estimated useful lives. Additionally, not all additions of the current year were added to the listing at total cost.
- A reconciliation must be performed between the capital asset additions and capital outlay expenditures recorded on the general ledger to ensure applicable assets are properly capitalized.

CRITERIA

GASB 34 requires governments to report general infrastructure assets in the Statement of Net Assets. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of items on the inventory list at the end of each fiscal year.

EFFECT

The City's internal controls over capital assets were not adequate to ensure that a misstatement for capital assets would be prevented and/or detected. As a result, material misstatement may occur and a Qualified opinion was issued on the financial statements. In addition, lack of an annual inventory and incomplete supporting documentation could lead to theft, misuse or unauthorized disposal without detection.

CAUSE

The City has not had adequate resources to correct deficiencies and update capital asset records. The City has hired an outside consultant to assist with capital assets corrections; however, the work is not yet completed.

RECOMMENDATION

The City should dedicate resources to design and implement effective internal control procedures to ensure capital assets are properly valued, classified, and presented in accordance with generally accepted accounting principles.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 02-01

MANAGEMENT RESPONSE

The City will continue to implement our internal control system to ensure accurate capital asset inventory; to include value and classification in accordance with generally accepted accounting principles. The City retained a consultant in April 2012 to conduct a physical inventory of the City's assets, but it was not complete as of this report dissemination.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: 07-1

Type of Finding: Material weakness

Description: Internal Controls Over Financial Reporting (City and Raton Water Works)

CONDITION

The City and Raton Water Works did not prepare a trial balance in accordance with generally accepted accounting principles (GAAP). There were several journal entries posted to convert the City's trial balance to the modified accrual basis of accounting. The Raton Water Works trial balance also required adjustments to convert to the full accrual basis of accounting, with is GAAP for enterprise funds.

Additionally, we noted the City and Raton Water Works do not have a policies for review and approval of journal entries.

CRITERIA

The Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards (GASB)*, Section 1100 requires governments to prepare financial statements on the modified accrual basis for governmental type funds and full accrual basis for enterprise funds.

Sufficient internal controls require a policy related to the authorization and preparation of journal entries as well as the maintenance of physical records to ensure compliance with Section 6-6-3 NMSA 1978.

EFFECT

The City and Water Works may not have the ability to prevent and detect material misstatements in their financial statements.

CAUSE

The City and Water Works keep their books on the cash basis and have not taken to necessary steps to convert them to the modified accrual basis.

RECOMMENDATION

We recommend the City and Water Works convert their trial balance to the applicable generally accepted basis prior to the audit. Additionally, we recommend maintaining and training financial staff.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Reference Number: 07-1

MANAGEMENT RESPONSE

The City of Raton and Raton Water Works made progress towards resolving this finding but will continue to work with our audit firm to provide the necessary accrual entries in order to convert the trial balances to the modified accrual basis for governmental fund types and full accrual basis for the enterprise fund which will insure proper compliance with generally accepted accounting principles. Training has been conducted and will continue to be an emphasis in this remedy.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 09-2

Type of Finding: Significant deficiency, noncompliance

Description: Stale-dated Checks (City)

CONDITION

During review of bank reconciliations, we noted 43 checks dated prior to June 30, 2011. The total amount of the checks was \$22,411.

CRITERIA

New Mexico Statutes, Section 6-10-57, NMSA 1978 compilation requires local public bodies to cancel checks that are unpaid for one year after they become payable.

EFFECT

The City is not in compliance with state statute regarding stale-dated checks.

CAUSE

The City does not have a policy or procedure in effect to monitor and void stale-dated checks.

RECOMMENDATION

We recommend that the City implement a procedure to monitor outstanding checks, that checks disbursed by the City be printed to read "Void after one year," and that all stale dated checks are reclassified as liabilities and escheated to the state when required.

MANAGEMENT RESPONSE

The City has updated their check stock to include the wording "VOID AFTER 1 YEAR" and will have personnel work on researching prior outstanding checks for proper handling as well as monitoring of the current outstanding checks for proper voiding.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

Reference Number: 10-01

Type of Finding: Significant deficiency

Description: Internal Controls over the Disbursements Cycle (City)

CONDITION

The City did not have adequate internal controls in place over the cash disbursements cycle. During our review we noted the following:

- The City did not have a process to review the master vendor listing in the computerized system for errors or fraudulent vendors.
- Pre-numbered purchase orders were tracked manually in a spreadsheet; however, the spreadsheet was not updated consistently and thoroughly during the fiscal year.
- For three of forty disbursements tested, we noted the purchase order was issued subsequent to the receipt of goods or services.
- For two of forty disbursements tested, we noted no purchase order was issued.

CRITERIA

Policies and procedures should be maintained to ensure proper accounting and ensure that the internal control structure is adequate and in operation. Additionally, the internal control structure should specifically address segregation of duties and adequate review procedures.

Per 13-1-77 NMSA 1978 a purchase order is document issued by the purchasing office that directs a contractor to deliver items of tangible personal property, services or construction. Therefore, the purchase order should be issued prior to making purchases.

EFFECT

Improper cash disbursements could be processed, as well as cash disbursements could be made to incorrect vendors or could be made without the receipt of the goods services. Additionally, transactions could be processed without knowledge of management. The City may also be spending funds that are not budgeted for and available.

CAUSE

Management did not have procedures in place to ensure that internal controls and segregation of duties existed within the disbursements cycle.

RECOMMENDATION

The City should implement internal controls and procedures over the disbursements cycle to ensure that cash disbursements are proper and approved for propriety. Additionally, to help monitor the volume of purchases due to budget constraints and ensure that purchases are initiated with proper approval, we recommend that purchase orders be prepared and approved before goods and /or services are received. Management should review this process, identify how these instances are occurring, continue to train staff and implement stronger controls.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 10-01

MANAGEMENT RESPONSE

The City will implement internal controls and new procedures over the disbursement cycle to ensure cash disbursements and journal entries are proper and approved for propriety based on a new Commission adopted purchase order (POs) and procurement policy, adopted November 13, 2012. City Manager will review all purchase orders prior to disbursement.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 10-04

Type of Finding: Significant deficiency, noncompliance

Description: Procurement Policies and Procedures (City)

CONDITION

During our review of procurement transactions, we noted the policies and procedures and documentation over procurement at the City are not adequate. This resulted in contracts awarded for which it is not easily determinable if they are valid or have been through an adequate procurement process. We were unable to determine if adequate procurement had been followed for the following items:

- We noted two vendors that received more than \$50,000 in FY12. The City could not locate documentation supporting compliance with procurement code.
- We noted one vendor used as a sole source vendor, however, there was no approved documentation approving the vendor as a sole source vendor.

CRITERIA

City management is responsible for implementing adequate procurement policies and procedures that are specific to the needs of the City and in compliance with NMAC 1.4.1.

EFFECT

The City is not in compliance with state statute and does not have adequate practices in place regarding procurement.

CAUSE

The City has not established complete policies and procedures regarding procurement and monitored enforcement.

RECOMMENDATION

The City should allocate resources to implement written policies regarding procurement that are adequate to the needs of the City and in compliance with state statutes regarding procurement. Once the policies and procedures are approved, they should be implemented and also monitored for compliance.

MANAGEMENT RESPONSE

The City will implement internal controls and a new Commission adopted purchase order (PO) and procurement policy on November 13, 2012. Staff will be required to attend in-house procurement training.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 12-01

Type of Finding: Significant deficiency

Description: Internal Controls over Bank Reconciliation (City)

CONDITION

We noted the bank accounts for the General Fund accounts, Special Revenue Pooled accounts and Municipal Court accounts were not properly reconciled at year end for a total variance of (\$19,041) from the reconciled balance to the book balance.

CRITERIA

Timely and accurate bank reconciliations are crucial in that they assist management in identifying errors and other problems promptly.

EFFECT

Errors or defalcations may not be detected in a timely and the general ledger balances may be inaccurate.

CAUSE

The City has been short staffed and lacked sufficient time to properly research and reconcile the bank accounts.

RECOMMENDATION

We recommend that Management allocate sufficient time to ensure that all bank accounts are properly reconciled prior to preparation of the monthly financial statements. Unknown or old items should be researched and addressed and any necessary adjustments should be posted with a second reviewer involved.

MANAGEMENT RESPONSE

The City of Raton concurs that performing timely bank reconciliations is a crucial internal control that assists management in identifying errors and defalcations. The City of Raton will try to increase staffing levels once the budget improves to insure the City Clerk/Treasurer can perform said duties, more timely, as required by ordinance.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 04-05 (RPS)

Type of Finding: Material weakness, compliance

Description: Capital Assets

CONDITION

RPS did not have adequate internal controls in place over capital assets. During our review of capital assets we noted the following:

1. There were no formal policies or procedures for capital assets including disposals of capital assets.
2. A capital asset listing is not maintained including acquisitions, disposals, historical costs, depreciation expense and accumulated depreciation by individual asset.
3. A physical inventory has not been completed since fiscal year 2007. The inventory taken by the outside firm did not agree to the amounts posted in the general ledger for capital assets. Additionally, there were unresolved errors in the detail listings from the physical inventory.
4. Equipment items were not tagged with a unique identifying number.
5. Documentation to support the historical cost of assets is not maintained
6. Depreciation expense is not calculated for individual depreciable assets based on estimated useful lives.

CRITERIA

GASB 34 requires governments to report general infrastructure assets in the Statement of Net Assets. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of items on the inventory list at the end of each fiscal year.

EFFECT

RPS's controls over capital assets with respect to financial reporting are not adequate to ensure that a misstatement for capital assets would be prevented and/or detected.

CAUSE

Adequate policies and procedures are not in place with regard to capital assets due to resource limitations, resulting in a lack of schedules being maintained for such assets.

RECOMMENDATION

RPS should dedicate resources to design and implement effective internal control procedures to ensure capital assets are properly valued and classified and presented in accordance with generally accepted accounting principles.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)**

Reference Number: 04-05 (RPS)

MANAGEMENT RESPONSE

Management understands that this is a huge undertaking, and one that needs to be completed in collaboration with the City. An outside consultant has been brought in to aid in creating an inventory of all capital related items, as well as a depreciation schedule for these items. Management expects this to be completed during before the end of fiscal year 2013.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (Concl'd)**

Reference Number: 11-02 (RPS)

Type of Finding: Significant deficiency

Description: Disbursement Cycle

CONDITION

RPS did not have adequate procedures and controls over the disbursement cycle. During our review we noted for four of 25 cash disbursements reviewed, a purchase order was not created.

CRITERIA

RPS management is responsible for establishing and maintaining internal controls, including controls for the accounts payable cycle. Controls should include consistent use of purchase orders, proper approval for cash disbursements, and cancellation of purchase documentation upon receipt of goods and subsequent payment.

EFFECT

Improper cash disbursements could be processed, as well as cash disbursements could be made to incorrect vendors or could be made without the receipt of the goods or services.

CAUSE

Management did not always ensure that procedures over the accounts payable cycle were followed and procedures were not designed to ensure that such errors were detected or prevented.

RECOMMENDATION

RPS should enhance controls and procedures over the accounts payable cycle to ensure that all cash disbursements are processed through consistent controls.

MANAGEMENT RESPONSE

RPS has already put in place a new policy regarding the signing and authorization of Purchase Orders. In the new policy, Purchase Orders are reviewed by Management, through a consistent form of control. This new policy has been documented within the written Accounting Policy document and immediate action was taken to ensure that situations like this are captured through the process and a purchase order is issued.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Reference Number: SA 09-4

Program Names:

Asset Forfeiture Program

CFDA Numbers:

16.000

Grantor Numbers:

NM004100

Federal Agencies:

U.S. Department of Justice

Applicable ARRA Programs: None

Questioned Costs: None noted

Type of Finding: Noncompliance, significant deficiency

Compliance Requirement: Equipment and real property management

CONDITION

Equipment items acquired with federal program funds were not properly tagged or recorded on the inventory listing with an identifying number. Federal assets are not tracked separately from City assets.

CRITERIA

According to OMB Circular A-87, equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, and appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

EFFECT

The City was not in compliance with program requirements which could result in a reduction of future funding. Federal asset locations and values are not being tracked properly.

CAUSE

Property tags are not currently utilized by the City to track assets. The City has hired an outside consultant to assist in this research and the project is not yet completed.

RECOMMENDATION

The City should develop written procedures to identify and track assets acquired with federal funds and implement procedures to tag and track equipment.

MANAGEMENT RESPONSE

The City of Raton will work with all departments receiving federal funds to identify and tag federal assets to ensure proper tracking and disposal. The City retained Records Consultants, Inc. in April, 2012 to conduct a physical inventory of the City's assets, but it was not complete as of this report dissemination.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: SA 11-02

Program Names:

Airport Improvement Program

CFDA Numbers:

20.106

Grantor Numbers:

3-35-0033-13

Federal Agencies:

U.S. Department of Transportation

Applicable ARRA Programs: None

Questioned Costs: None noted

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Other

CONDITION

The June 30, 2011 Data Collection Form was not submitted to the Federal Audit Clearinghouse within nine months of fiscal year end.

CRITERIA

In accordance with Office of Management and Budget Circular A-133, the audit shall be completed and the Data Collection Form shall be submitted within nine months after the end of the audit period.

EFFECT

The City was not in compliance with single audit requirements which resulting in the entity being assessed as a high risk entity for future audit periods.

CAUSE

The fiscal year 2011 financial statements were not completed and submitted timely, causing a delay in filing with the Federal Audit Clearinghouse.

RECOMMENDATION

The City should ensure that all elements necessary to complete the financial and federal compliance audits are completed in a timely manner.

MANAGEMENT RESPONSE

The City of Raton should ensure that all elements necessary to complete the financial and federal compliance audits are completed in a timely manner. Staff will be required to attend training.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Cont'd)

Reference Number: SA 12-02

Program Names:

Airport Improvement Program

CFDA Numbers:

20.106

Grantor Numbers:

3-35-0033-13

Federal Agencies:

U.S. Department of Transportation

Applicable ARRA Programs: None

Questioned Costs: None noted

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Davis Bacon

CONDITION

During our test work we noted the City is not monitoring the requirement that contractors or subcontractors submit certified payrolls.

CRITERIA

Per the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction), the contractor or subcontractor is required to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

EFFECT

The City is not in compliance with federal regulations and could result in a reduction of future funding. The City could be paying invalid payroll amounts.

CAUSE

The City was unaware of this compliance requirement.

RECOMMENDATION

The City should ensure they are aware of all federal compliance requirements related to the federal awards they receive. In addition, the City should ensure contractors or subcontractors are submitting a copy of the payroll statement and statement of compliance for each week in which a contract work is performed. We recommend OMB Circular A-133 program and grant training for all personnel involved with federal grant programs to ensure compliance.

MANAGEMENT RESPONSE

The City of Raton should ensure that all elements necessary for compliance audits are completed in a timely manner. Staff will be required to attend training.

**STATE OF NEW MEXICO
CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS (Concl'd)

Reference Number: SA 12-03

Program Names:

Airport Improvement Program

CFDA Numbers:

20.106

Grantor Numbers:

3-35-0033-13

Federal Agencies:

U.S. Department of Transportation

Applicable ARRA Programs: None

Questioned Costs: None noted

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Lack of Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA)

CONDITION

Throughout our testwork, we noted the City was unaware of how to prepare a SEFA, omitted CFDA numbers, and erroneously reported the amount of the total federal expenditures.

CRITERIA

Per OMB Circular A-133, it is the auditee's responsibility to (among other duties):

- Identify, in its accounts, all federal awards received. Federal award identification shall include as applicable, the CFDA title and number, award number and year, name of the Federal Department, and name of the pass-through entity.
- Prepare appropriate financial statements, including the schedule of expenditure of Federal awards and related footnotes.

EFFECT

Without an established process governed by effective internal controls, the City may not prevent or detect material misstatements on its SEFA or within its federal grant accounting in a timely manner.

CAUSE

The City does not have a formal, established, and documented process for identifying, reporting, and reconciling Federal expenditures or awards.

RECOMMENDATION

We recommend that the City implement an established process and system of internal controls to identify and report federal awards, and to prevent and detect material misstatements on its SEFA.

MANAGEMENT RESPONSE

The City of Raton should ensure that all elements necessary for internal controls and identification and reporting of federal awards be implemented. Staff will be required to attend training.

**STATE OF NEW MEXICO
CITY OF RATON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

Status of Prior Year Findings

Finding Reference	Status
City of Raton	
02-1: Capital Assets	Repeated
07-1: Internal Controls over Financial Reporting	Repeated
09-2: Stale Dated Checks	Modified and repeated
09-4: Late Audit Report	Resolved
10-01: Segregation of Duties over the Disbursements	Modified and repeated
10-02: Disbursements – Supporting Documentation	Resolved
10-03: Budgetary Conditions	Resolved
10-04: Procurement Policies and Procedures	Modified and repeated
Raton Public Service Company	
02-01: Policies and Procedures	Resolved
04-05: Capital Assets	Modified and Repeated
08-03: IT Environment	Resolved
10-01: Bank and Loan Accounts	Resolved
10-02: Late Audit Report	Resolved
11-01: Payroll	Resolved
11-02: Disbursement Cycle	Modified and Repeated
Raton Housing Authority	
None	

Status of Prior Year Federal Award Findings

City of Raton	
09-4: Equipment – Additions, Physical Inventory, and Deletions	Modified and repeated
11-02: Late Data Collection Form	Modified and repeated
11-01: Procurement and Suspension and Debarment	Resolved

**STATE OF NEW MEXICO
CITY OF RATON
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2012**

An exit conference was held on November 27, 2012, in a closed meeting, in which the contents of this report were discussed with the following.

City of Raton, New Mexico

Christopher Candelaria, Mayor
Pete Kampfer, City Manager
Nancy McGlothin, City Clerk
Tricia Garcia, Deputy Clerk
Don Campbell, Raton Water Works
Bonnie Cunico, Raton Water Works
Geneva Trujillo, Raton Water Works

Raton Public Service Company

Kathy McQueary, President

Raton Housing Authority

Terry Baca, Executive Director

Heinfeld, Meech & Co., P.C.

Audrey Jaramillo, CPA, CFE, Partner
Miranda Mascarenas, Senior Associate

FINANCIAL STATEMENT PREPARATION

Heinfeld, Meech & Co. assisted in the preparation of the financial statements presented in this report. Management has reviewed and approved the financial statements and related notes, and they believe that their records adequately support the financial statements.