

**STATE OF NEW MEXICO  
CITY OF RATON  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2013**

**STATE OF NEW MEXICO  
CITY OF RATON**

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**STATE OF NEW MEXICO  
CITY OF RATON  
OFFICIAL ROSTER  
JUNE 30, 2013**

**Elected Officials and Administration**

**City Commission**

Bobby Ledoux, Mayor  
Christopher Candelario, Mayor Pro Tem  
Sandy Mantz, Commissioner  
Neil Segotta, Commissioner  
Jimmy Fanelli, Commissioner

**The Public Service Company**

Kathy McQueary, President  
Mark Jansen, Vice President  
Frank Ferri, Treasurer  
Neil Segotta, Director  
Bobby Ledoux, Mayor

**Municipal Judge**

Roy J. Manfredi

**Administration**

David Mitchell, General Manager  
Sandy Chavez, Office Manager

**Administration**

Peter Kampfer, Former City Manager (7/1/12-3/26/13)  
Butch McGowen, Interim City Manager  
Nancy McGlothin, Former City Clerk/Treasurer (8/8/12-5/31/13)  
Michael Anne Antonucci, Treasurer  
Tricia Garcia, City Clerk

**Raton Water Works**

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

**Administration**

Dan Campbell, General Manager  
Geneva M. Trujillo, Office Manager

**Housing Authority Commissioner**

Mike Morgan, Chairperson  
Margaret Evans, Vice Chairperson  
Fermin Ulibarri, Commissioner  
John Duran, Commissioner  
Tony Vigil, Commissioner

**Administration**

Terry Baca, Executive Director  
Jimmy Fanelli, Commissioner

**STATE OF NEW MEXICO  
CITY OF RATON  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the 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 of City of Raton, New Mexico (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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 non-major governmental funds and the budgetary comparisons for the major enterprise funds, major capital projects funds and all non-major funds presented as Supplementary Information as of and for the year ended June 30, 2013, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 17 percent, 26 percent, and 10 percent, respectively, of the assets, net position, and revenues of aggregate discretely presented component units. Those 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Qualified Opinions on Capital Assets***

The records related to capital assets of the governmental activities, business-type activities and the sanitation fund, a major enterprise fund, are incomplete, and we were not able to satisfy ourselves by other procedures as to the accuracy of the valuation of such capital assets.

### ***Qualified Opinions***

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the City, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects funds and enterprise funds, and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of City of Raton, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Raton, New Mexico's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

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

February 14, 2014

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

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**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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 position of governmental activities increased \$3.3 million and business-type activities increased \$688,506 representing increases of 15 percent and 3 percent respectively, of the total net position of \$46.6 million.
- General revenues from governmental activities accounted for \$4.5 million in revenue, or 45 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.6 million, or 55 percent of total governmental activities revenues. The City had \$1.1 million in general revenues and \$3.7 million of program revenues related to business-type activities.
- The City had \$7.3 million in expenses related to governmental activities, a decrease of 19 percent from the prior fiscal year primarily due to a decrease in Track Fire expenses and expenses related to NMDOT projects. The City had \$3.5 million in expenses related to business-type activities, a 7 percent decrease from the prior fiscal year.
- The General Fund had \$4.3 million in revenues, which primarily consisted of municipal and state shared taxes and property taxes. The total expenditures of the General Fund were \$4.4 million. The General Fund's fund balance decreased from \$1.5 million to \$1.4 million.
- The Airport Fund had \$3.4 million in revenues and \$3.6 million in expenditures. The Airport Fund's fund balance decreased from \$10,303 to a deficit fund balance of \$54,453.
- The Water Fund's balance increased by \$400,000 from the prior year due to the issuance of a loan to finance post Track Fire Watershed Restoration.
- The Sanitation Fund operating revenues of \$1.6 million exceeded operating expenses of \$858,928. The Sanitation Fund's net position increased from a deficit of \$865,959 to a deficit of \$238,335 as a result of a large increase in solid waste rates.
- The Water and Sewer Fund operating revenues of \$3.1 million exceeded operating expenses of \$2.6 million. The Water Fund's net position increased \$60,882 from the prior fiscal year.

**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

## **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 position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

The Housing Authority of the City of Raton and Raton Public Service Company are reported as component units of the City. For additional information related to component units, please refer to the separately issued financial statements.

**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 three categories: governmental funds, proprietary funds and fiduciary funds.



**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'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, Airport and Water Funds, all 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 operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

**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, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position 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 \$46.6 million at the current fiscal year end.

A large portion of the City's total net position reflects its investment in capital assets (e.g., land and property, plant and equipment) less any related outstanding debt used to acquire those assets. 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 position for the fiscal years ended June 30, 2013 and June 30, 2012.

	2013	2012	2013	2012		
	Governmental	Governmental	Business-type	Business-type	2013 Total	2012 Total
	Activities	Activities	Activities	Activities		
	(as Restated)	(as Restated)	(as Restated)	(as Restated)		
Current and other assets	\$ 7,747,991	\$ 4,790,205	\$ 5,394,059	\$ 4,591,064	\$ 13,142,050	\$ 9,381,269
Capital assets, net	30,181,501	27,257,944	18,792,344	19,099,265	48,973,845	46,357,209
<b>Total assets</b>	<u>37,929,492</u>	<u>32,048,149</u>	<u>24,186,403</u>	<u>23,690,329</u>	<u>62,115,895</u>	<u>55,738,478</u>
Current and other liabilities	1,618,544	230,380	283,387	312,506	1,901,931	542,886
Long-term liabilities	10,709,432	9,475,860	2,904,656	3,067,969	13,614,088	12,543,829
<b>Total liabilities</b>	<u>12,327,976</u>	<u>9,706,240</u>	<u>3,188,043</u>	<u>3,380,475</u>	<u>15,516,019</u>	<u>13,086,715</u>
Net investment in capital assets	21,202,778	18,138,754	17,385,330	17,769,944	38,588,108	35,908,698
Restricted	3,112,192	2,930,310	2,271,345		5,383,537	2,930,310
Unrestricted	1,286,546	1,272,845	1,341,685	2,539,910	2,628,231	3,812,755
<b>Total net position</b>	<u>\$ 25,601,516</u>	<u>\$ 22,341,909</u>	<u>\$ 20,998,360</u>	<u>\$ 20,309,854</u>	<u>\$ 46,599,876</u>	<u>\$ 42,651,763</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

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 Position.

- The principal retirement of \$333,176 in governmental activities related to bonds, loans, and capital leases.
- The principal retirement of \$231,892 in business-type activities related to bonds.
- The issuance of \$1.5 million in governmental activities loans.
- The addition of \$4.0 million in governmental activities capital assets primarily through improvements to the airport.

**Changes in net position.** The City's total revenues for the current fiscal year ended were \$14.8 million. The total cost of all programs and services was \$10.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

	2013 Governmental Activities	2012 Governmental Activities (as Restated)	2013 Business-type Activities	2012 Business-type Activities (as Restated)	2013 Total	2012 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 919,661	\$ 856,300	\$ 3,697,391	\$ 2,952,055	\$ 4,617,052	\$ 3,808,355
Operating grants and contributions	783,419	1,267,959		3,000	783,419	1,270,959
Capital grants and contributions	3,856,337	4,010,763			3,856,337	4,010,763
General revenues:						
Gross receipts taxes	3,169,166	3,188,453	1,057,535	1,170,746	4,226,701	4,359,199
Property taxes, levied for general purposes	675,422	528,187			675,422	528,187
Franchise taxes	124,215	225,067			124,215	225,067
Other taxes	497,654	539,395			497,654	539,395
Investment income	11,282	7,726	18,830	31,135	30,112	38,861
<b>Total revenues</b>	<u>10,037,156</u>	<u>10,623,850</u>	<u>4,773,756</u>	<u>4,156,936</u>	<u>14,810,912</u>	<u>14,780,786</u>
<b>Expenses:</b>						
General government	1,718,779	2,089,365			1,718,779	2,089,365
Public safety	3,817,266	4,898,093			3,817,266	4,898,093
Culture and recreation	841,474	1,106,938			841,474	1,106,938
Highways and streets	571,985	566,487			571,985	566,487
Interest on long-term debt	399,073	405,255			399,073	405,255
Raton Water Works			2,655,294	2,910,151	2,655,294	2,910,151
Sanitation			858,928	841,950	858,928	841,950
<b>Total expenses</b>	<u>7,348,577</u>	<u>9,066,138</u>	<u>3,514,222</u>	<u>3,752,101</u>	<u>10,862,799</u>	<u>12,818,239</u>
<b>Transfers</b>	<u>571,028</u>	<u>581,885</u>	<u>(571,028)</u>	<u>(581,885)</u>		
<b>Changes in net position</b>	<u>3,259,607</u>	<u>2,139,597</u>	<u>688,506</u>	<u>(177,050)</u>	<u>3,948,113</u>	<u>1,962,547</u>
<b>Net position, beginning, as restated</b>	<u>22,341,909</u>	<u>20,202,312</u>	<u>20,309,854</u>	<u>20,486,904</u>	<u>42,651,763</u>	<u>40,689,216</u>
<b>Net position, ending</b>	<u>\$ 25,601,516</u>	<u>\$ 22,341,909</u>	<u>\$ 20,998,360</u>	<u>\$ 20,309,854</u>	<u>\$ 46,599,876</u>	<u>\$ 42,651,763</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

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

- Total charges for services increased \$808,697, or 21 percent, primarily as a result of a large increase in residential and commercial solid waste rates. Also, there was a \$487,540 decline in operating grants and contributions primarily as a result of funding for the Track Fire Restoration slowing.
- Governmental activities expenses decreased \$1.7 million, or 19 percent, primarily as a result of a decrease in Track Fire expenses and expenses related to NMDOT projects.
- Business-type activities expenses decreased \$237,879, or 6 percent, primarily as a result of a decrease in Track Fire expenses.

**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.

	2013		2012	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses (as Restated)	Net (Expense)/ Revenue (as Restated)
<b>Governmental Activities</b>				
General government	\$ 1,718,779	\$ 2,536,113	\$ 2,089,365	\$ 1,621,939
Public safety	3,817,266	(2,719,755)	4,898,093	(3,742,793)
Culture and recreation	841,474	(706,617)	1,106,938	(937,269)
Highways and streets	571,985	(499,828)	566,487	532,262
Interest on long-term debt	399,073	(399,073)	405,255	(405,255)
<b>Total</b>	7,348,577	(1,789,160)	9,066,138	(2,931,116)
<b>Business-type Activities</b>				
Raton Water Works	2,655,294	(575,113)	2,910,151	(773,851)
Sanitation	858,928	758,282	841,950	(23,195)
<b>Total</b>	\$ 3,514,222	\$ 183,169	\$ 3,752,101	\$ (797,046)

- The net cost of all governmental activities this year was \$1.8 million, a decrease from the prior fiscal year.
- Charges for services covered all costs associated with business-type activities as a result of an increase in solid waste rates.
- Net cost of governmental activities of \$1.8 million was financed by general revenues, which are made up of primarily gross receipts taxes of \$3.2 million.
- The operating surplus for business-type activities was augmented by 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, 2013**

**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 \$5.8 million, an increase of \$1.3 million, primarily due to the issuance of \$1.5 million in loans.

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 \$1.4 million, a decrease of \$104,435.

The fund balance of the Airport Fund decreased \$64,756 as a result of an increase in capital outlay expenditures related to the airport extension and other improvements.

The fund balance of the Water Fund increased \$400,000 due to the issuance of a loan to finance post Track Fire Watershed Restoration.

**Proprietary funds.** Net position of the Enterprise Funds at the end of the year amounted to \$21.0 million, an increase of \$688,506 from the prior fiscal year as a result of an increase in solid waste rates.

**BUDGETARY HIGHLIGHTS**

There were several amendments to the City of Raton's fiscal year 2012-13 operating budget, no material amendments were noted. 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of year end, the City had invested \$43.6 million in governmental capital assets, and \$33.8 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 \$3.7 million from the prior fiscal year, and a net increase in business-type capital assets prior to depreciation of \$640,997. Total depreciation expense for the current fiscal year for governmental activities was \$987,385 and for business-type activities was \$947,918.

**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

The following schedule presents capital asset balances for the fiscal years ended June 30, 2013 and June 30, 2012.

	2013 Governmental Activities	2012 Governmental Activities (as Restated)	2013 Business-type Activities	2012 Business-type Activities (as Restated)
Land and non-depreciable assets	\$ 6,171,815	\$ 2,871,875	\$ 1,344,298	\$ 1,344,298
Property, plant and equipment	37,399,218	37,019,992	32,480,879	31,839,882
Less: Accumulated depreciation	(13,389,532)	(12,633,923)	(15,032,833)	(14,084,915)
<b>Total</b>	<b>\$ 30,181,501</b>	<b>\$ 27,257,944</b>	<b>\$ 18,792,344</b>	<b>\$ 19,099,265</b>

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

**Debt Administration.** At year end, the City had \$10.3 million in long-term debt outstanding, \$462,884 due within one year for governmental activities. The City had \$2.7 million in long-term debt outstanding, \$243,492 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, 2013 and June 30, 2012.

	Governmental Activities	
	As of June 30, 2013	As of June 30, 2012 (as Restated)
	Bonds payable	\$ 2,888,594
Loans payable	7,414,709	6,164,461
Capital leases payable		30,135
<b>Total</b>	<b>\$ 10,303,303</b>	<b>\$ 9,119,190</b>

  

	Business-type Activities	
	As of June 30, 2013	As of June 30, 2012
	Landfill closure and postclosure	\$ 1,296,460
Bonds Payable	1,407,014	1,638,906
<b>Total</b>	<b>\$ 2,703,474</b>	<b>\$ 2,876,296</b>

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. The current total debt limitation for the City is \$4.4 million, which is more than the City's total outstanding debt of \$2.9 million. State statute currently does not limit the amount of general obligation debt a City may issue for a water and sewer system.

Additional information on the City's long-term debt can be found in Notes 8 through 11.

**STATE OF NEW MEXICO  
CITY OF RATON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**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 2013-14 budget. Among them:

- Fiscal year 2012-13 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 decreased 5 percent to \$4.4 million in fiscal year 2013-14. Decreased payroll and employee benefit costs and legal costs are the primary reasons for the decrease. Gross receipts taxes and property taxes are expected to be the primary funding sources. No new programs were added to the 2013-14 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.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO  
CITY OF RATON  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Raton Public Service Company	Raton Housing Authority
<b><u>ASSETS</u></b>					
Current assets:					
Cash and investments	\$ 6,137,694	\$ 4,332,934	\$ 10,470,628	\$ 608,249	\$ 637,738
Due from other governments	1,087,184	102,144	1,189,328		
Taxes receivable	154,157	78,922	233,079		
Receivables, net	368,956	609,229	978,185	1,394,592	1,366
Inventory		194,094	194,094	654,049	15,906
Prepaid items				46,932	3,867
Notes receivable		17,708	17,708		
Cash and investments, restricted				4,129,126	28,142
<b>Total current assets</b>	<b>7,747,991</b>	<b>5,335,031</b>	<b>13,083,022</b>	<b>6,832,948</b>	<b>687,019</b>
Noncurrent assets:					
Notes receivable		59,028	59,028		
Land	588,725	1,344,298	1,933,023		277,710
Artwork	127,250		127,250		
Construction in progress	5,455,840		5,455,840		
Property, plant and equipment	37,399,218	32,480,879	69,880,097	17,748,425	9,713,020
Accumulated depreciation	(13,389,532)	(15,032,833)	(28,422,365)	(8,350,969)	(7,389,285)
<b>Total noncurrent assets</b>	<b>30,181,501</b>	<b>18,851,372</b>	<b>49,032,873</b>	<b>9,397,456</b>	<b>2,601,445</b>
<b>Total assets</b>	<b>37,929,492</b>	<b>24,186,403</b>	<b>62,115,895</b>	<b>16,230,404</b>	<b>3,288,464</b>
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable	980,985	40,684	1,021,669	532,951	10,829
Accrued salaries and related benefits	37,559	71,593	109,152		
Unearned revenue	600,000	21,458	621,458	7,831	1,892
Deposits held for others		149,652	149,652		28,142
Compensated absences payable	124,388	100,227	224,615	62,574	
Interest payable				53,938	
Loans payable	425,884		425,884	331,645	
Bonds payable	37,000	243,492	280,492		
Payables, restricted				220,684	
<b>Total current liabilities</b>	<b>2,205,816</b>	<b>627,106</b>	<b>2,832,922</b>	<b>1,209,623</b>	<b>40,863</b>
Noncurrent liabilities:					
Non-current portion of long-term obligations	10,122,160	2,560,937	12,683,097	5,949,805	
<b>Total noncurrent liabilities</b>	<b>10,122,160</b>	<b>2,560,937</b>	<b>12,683,097</b>	<b>5,949,805</b>	
<b>Total liabilities</b>	<b>12,327,976</b>	<b>3,188,043</b>	<b>15,516,019</b>	<b>7,159,428</b>	<b>40,863</b>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	21,202,778	17,385,330	38,588,108	3,141,511	2,601,445
Restricted for:					
Special purposes	1,576,427	2,271,345	3,847,772	3,908,442	
Debt service	1,232,816		1,232,816		
Capital outlay	302,949		302,949		
Unrestricted	1,286,546	1,341,685	2,628,231	2,021,023	646,156
<b>Total net position</b>	<b>\$ 25,601,516</b>	<b>\$ 20,998,360</b>	<b>\$ 46,599,876</b>	<b>\$ 9,070,976</b>	<b>\$ 3,247,601</b>

**STATE OF NEW MEXICO  
CITY OF RATON  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 1,718,779	\$ 274,105	\$ 284,560	\$ 3,696,227	\$ 2,536,113
Public safety	3,817,266	512,042	497,516	87,953	(2,719,755)
Culture and recreation	841,474	133,514	1,343		(706,617)
Highways and streets	571,985			72,157	(499,828)
Interest on long-term debt	399,073				(399,073)
<b>Total governmental activities</b>	<u>7,348,577</u>	<u>919,661</u>	<u>783,419</u>	<u>3,856,337</u>	<u>(1,789,160)</u>
Business-type activities:					
Raton Water Works	2,655,294	2,080,181			
Sanitation	858,928	1,617,210			
<b>Total business-type activities</b>	<u>3,514,222</u>	<u>3,697,391</u>			
<b>Total primary government</b>	<u>\$ 10,862,799</u>	<u>\$ 4,617,052</u>	<u>\$ 783,419</u>	<u>\$ 3,856,337</u>	<u>(1,789,160)</u>
<b>Component Units:</b>					
Raton Public Service Company	\$ 7,283,344	\$ 7,200,901	\$	\$	
Raton Housing Authority	858,917	249,156	265,695	311,446	
	<u>\$ 8,142,261</u>	<u>\$ 7,450,057</u>	<u>\$ 265,695</u>	<u>\$ 311,446</u>	
<b>General revenues:</b>					
Taxes:					
					3,169,166
					675,422
					124,215
					497,654
					11,282
<b>Transfers</b>					<u>571,028</u>
<b>Total general revenues and transfers</b>					<u>5,048,767</u>
<b>Changes in net position</b>					3,259,607
<b>Net position, beginning of year, as restated</b>					<u>22,341,909</u>
<b>Net position, end of year</b>					<u>\$ 25,601,516</u>

Net (Expense) Revenue and Changes in Net Position		Component Units	
Business-type Activities	Primary Government Totals	Raton Public Service Company	Raton Housing Authority
\$	\$ 2,536,113	\$	\$
	(2,719,755)		
	(706,617)		
	(499,828)		
	(399,073)		
	<u>(1,789,160)</u>		
(575,113)	(575,113)		
<u>758,282</u>	<u>758,282</u>		
<u>183,169</u>	<u>183,169</u>		
<u>183,169</u>	<u>(1,605,991)</u>		
		(82,443)	
			(32,620)
		<u>(82,443)</u>	<u>(32,620)</u>
1,057,535	4,226,701		
	675,422		
	124,215		
	497,654		
18,830	30,112	2,068	3,337
(571,028)			
<u>505,337</u>	<u>5,554,104</u>	<u>2,068</u>	<u>3,337</u>
688,506	3,948,113	(80,375)	(29,283)
<u>20,309,854</u>	<u>42,651,763</u>	<u>9,151,351</u>	<u>3,276,884</u>
<u>\$ 20,998,360</u>	<u>\$ 46,599,876</u>	<u>\$ 9,070,976</u>	<u>\$ 3,247,601</u>

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**FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF RATON  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Airport</u>	<u>Water</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 894,650	\$ 378,505	\$ 1,000,000
Due from other governments	443,747	419,289	
Taxes receivable	88,192		
Receivables, net	368,956		
Due from other funds	36,105		
<b>Total assets</b>	<u><u>\$ 1,831,650</u></u>	<u><u>\$ 797,794</u></u>	<u><u>\$ 1,000,000</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 45,894	\$ 834,438	\$
Accrued salaries and related benefits	35,031		
Deferred revenue	368,557		600,000
Due to other funds		17,809	
<b>Total liabilities</b>	<u>449,482</u>	<u>852,247</u>	<u>600,000</u>
Fund balances (deficits):			
Restricted	169,152		400,000
Unassigned	1,213,016	(54,453)	
<b>Total fund balances</b>	<u>1,382,168</u>	<u>(54,453)</u>	<u>400,000</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 1,831,650</u></u>	<u><u>\$ 797,794</u></u>	<u><u>\$ 1,000,000</u></u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 3,864,539	\$ 6,137,694
224,148	1,087,184
65,965	154,157
	368,956
	36,105
<u>\$ 4,154,652</u>	<u>\$ 7,784,096</u>

\$ 100,653	\$ 980,985
2,528	37,559
	968,557
18,296	36,105
<u>121,477</u>	<u>2,023,206</u>

4,036,772	4,605,924
(3,597)	1,154,966
<u>4,033,175</u>	<u>5,760,890</u>
<u>\$ 4,154,652</u>	<u>\$ 7,784,096</u>

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**STATE OF NEW MEXICO  
CITY OF RATON  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total governmental fund balances \$ 5,760,890

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 43,571,033	
Less accumulated depreciation	<u>(13,389,532)</u>	30,181,501

Some revenues will not be available to pay current period expenditures and, therefore, are deferred in the governmental funds.

Property taxes	45,620	
Other revenues	<u>322,937</u>	368,557

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(2,888,594)	
Loans payable	(7,414,709)	
Compensated absences payable	<u>(406,129)</u>	<u>(10,709,432)</u>

Net position of governmental activities \$ 25,601,516

**STATE OF NEW MEXICO  
CITY OF RATON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Airport</u>	<u>Water</u>
<b>Revenues:</b>			
Gross receipts taxes	\$ 2,672,058	\$	\$
Property taxes	678,829		
Franchise tax	124,215		
Other taxes	25,848		
State grants	281,900	290,034	
Federal grants	2,660	3,138,349	
Charges for services	473,747		
Fines and forfeitures	35,888		
Miscellaneous	19,611	18,130	
Interest income	1,814	74	
<b>Total revenues</b>	<u>4,316,570</u>	<u>3,446,587</u>	<u></u>
<b>Expenditures:</b>			
Current -			
General government	867,551		
Public safety	2,703,453		
Culture and recreation	287,802		
Highways and streets	494,382		
Capital outlay	30,774	3,566,422	
Debt service -			
Principal			
Interest and fees			
<b>Total expenditures</b>	<u>4,383,962</u>	<u>3,566,422</u>	<u></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(67,392)</u>	<u>(119,835)</u>	<u></u>
<b>Other financing sources (uses):</b>			
Transfers in	245,363	55,079	
Transfers out	(282,406)		
Issuance of loans			400,000
<b>Total other financing sources (uses):</b>	<u>(37,043)</u>	<u>55,079</u>	<u>400,000</u>
<b>Changes in fund balances</b>	<u>(104,435)</u>	<u>(64,756)</u>	<u>400,000</u>
<b>Fund balances, beginning of year, as restated</b>	1,486,603	10,303	
<b>Fund balances, end of year</b>	<u>\$ 1,382,168</u>	<u>\$ (54,453)</u>	<u>\$ 400,000</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 497,108	\$ 3,169,166
	678,829
	124,215
471,806	497,654
750,423	1,322,357
176,390	3,317,399
73,681	547,428
35,179	71,067
34,373	72,114
9,394	11,282
<u>2,048,354</u>	<u>9,811,511</u>
281,379	1,148,930
249,851	2,953,304
282,125	569,927
	494,382
1,059,863	4,657,059
333,176	333,176
399,073	399,073
<u>2,605,467</u>	<u>10,555,851</u>
<u>(557,113)</u>	<u>(744,340)</u>
1,398,360	1,698,802
(845,368)	(1,127,774)
1,117,289	1,517,289
<u>1,670,281</u>	<u>2,088,317</u>
<u>1,113,168</u>	<u>1,343,977</u>
2,920,007	4,416,913
<u>\$ 4,033,175</u>	<u>\$ 5,760,890</u>

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, 2013

Net changes in fund balances - total governmental funds \$ 1,343,977

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	\$ 3,952,550	
Less current year depreciation	<u>(987,385)</u>	2,965,165

Some 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.

Property taxes	(3,407)	
Other revenues	<u>229,052</u>	225,645

Some 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.

Loss on disposal of capital assets	(41,608)	
Compensated absences	<u>(49,459)</u>	(91,067)

Issuance of loans provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.		(1,517,289)
--	--	-------------

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

Bond principal retirement	36,000	
Loan principal retirement	267,041	
Capital lease principal retirement	<u>30,135</u>	<u>333,176</u>

Change in net position in governmental activities		<u>\$ 3,259,607</u>
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**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, 2013**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Gross receipts taxes	\$ 2,784,165	\$ 2,684,850	\$ 2,684,848	\$ (2)
Property taxes	590,864	669,564	669,564	
Franchise tax	110,000	114,659	114,657	(2)
Other taxes	26,000	25,849	25,848	(1)
State grants	221,000	205,387	205,395	8
Charges for services	708,400	597,977	597,976	(1)
Fines and forfeitures	49,000	28,878	28,878	
Miscellaneous	72,332	58,785	58,769	(16)
Interest income	3,000	1,681	1,682	1
<b>Total revenues</b>	<u>4,564,761</u>	<u>4,387,630</u>	<u>4,387,617</u>	<u>(13)</u>
<b>Expenditures:</b>				
Current -				
General government	764,050	961,335	856,355	104,980
Public safety	2,771,585	2,803,686	2,663,179	140,507
Culture and recreation	283,324	285,939	274,169	11,770
Highways and streets	547,505	576,351	494,382	81,969
Capital outlay	28,222	33,678	25,556	8,122
<b>Total expenditures</b>	<u>4,394,686</u>	<u>4,660,989</u>	<u>4,313,641</u>	<u>347,348</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>170,075</u>	<u>(273,359)</u>	<u>73,976</u>	<u>347,335</u>
<b>Other financing sources (uses):</b>				
Transfers in	163,350	163,350	162,201	1,149
Transfers out	(372,869)	(281,911)	(281,908)	(3)
<b>Total other financing sources (uses)</b>	<u>(209,519)</u>	<u>(118,561)</u>	<u>(119,707)</u>	<u>1,146</u>
<b>Net change in fund balance</b>	<u>(39,444)</u>	<u>(391,920)</u>	<u>(45,731)</u>	<u>348,481</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(64,458)	
Expenditures accruals			(10,599)	
Change in fund balance for fund budgeted separately for the General Fund			16,353	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (104,435)</u>	

**STATE OF NEW MEXICO  
CITY OF RATON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	Enterprise Funds		
	Sanitation	Water and Sewer	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 642,051	\$ 3,690,883	\$ 4,332,934
Due from other governments		102,144	102,144
Taxes receivable		78,922	78,922
Receivables, net		609,229	609,229
Inventory		194,094	194,094
Notes receivable		17,708	17,708
Due from other funds	236,684		236,684
Total current assets	<u>878,735</u>	<u>4,692,980</u>	<u>5,571,715</u>
Noncurrent assets:			
Notes receivable		59,028	59,028
Land	213,607	1,130,691	1,344,298
Property, plant and equipment	2,482,025	29,998,854	32,480,879
Accumulated depreciation	(2,409,368)	(12,623,465)	(15,032,833)
Total noncurrent assets	<u>286,264</u>	<u>18,565,108</u>	<u>18,851,372</u>
<b>Total assets</b>	<u>1,164,999</u>	<u>23,258,088</u>	<u>24,423,087</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable		40,684	40,684
Accrued salaries and related benefits	58,207	13,386	71,593
Unearned revenue		21,458	21,458
Due to other funds		236,684	236,684
Deposits held for others		149,652	149,652
Compensated absences payable	35,593	64,634	100,227
Bonds payable		243,492	243,492
Total current liabilities	<u>93,800</u>	<u>769,990</u>	<u>863,790</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	1,309,534	1,251,403	2,560,937
Total noncurrent liabilities	<u>1,309,534</u>	<u>1,251,403</u>	<u>2,560,937</u>
<b>Total liabilities</b>	<u>1,403,334</u>	<u>2,021,393</u>	<u>3,424,727</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	286,264	17,099,066	17,385,330
Restricted for:			
Special purposes		2,271,345	2,271,345
Unrestricted	(524,599)	1,866,284	1,341,685
<b>Total net position</b>	<u>\$ (238,335)</u>	<u>\$ 21,236,695</u>	<u>\$ 20,998,360</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 POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Enterprise Funds		
	Sanitation	Water and Sewer	Totals
<b>Operating revenues:</b>			
Gross receipts taxes	\$	\$ 1,057,535	\$ 1,057,535
Charges for services	1,616,576	2,080,181	3,696,757
Miscellaneous	634		634
<b>Total operating revenues</b>	<u>1,617,210</u>	<u>3,137,716</u>	<u>4,754,926</u>
<b>Operating expenses:</b>			
Filter plant		275,444	275,444
Sewer plant		270,903	270,903
Construction and maintenance		667,122	667,122
Solid waste collection	835,607		835,607
General and administrative		412,052	412,052
Depreciation	23,321	924,597	947,918
<b>Total operating expenses</b>	<u>858,928</u>	<u>2,550,118</u>	<u>3,409,046</u>
<b>Operating income (loss)</b>	<u>758,282</u>	<u>587,598</u>	<u>1,345,880</u>
<b>Nonoperating revenues (expenses):</b>			
Investment income	692	18,138	18,830
Interest on long-term debt		(105,176)	(105,176)
<b>Total nonoperating revenues (expenses)</b>	<u>692</u>	<u>(87,038)</u>	<u>(86,346)</u>
<b>Income (loss) before transfers</b>	<u>758,974</u>	<u>500,560</u>	<u>1,259,534</u>
<b>Transfers out</b>	<u>(131,350)</u>	<u>(439,678)</u>	<u>(571,028)</u>
<b>Changes in net position</b>	<u>627,624</u>	<u>60,882</u>	<u>688,506</u>
<b>Total net position, beginning of year, as restated</b>	(865,959)	21,175,813	20,309,854
<b>Total net position, end of year</b>	<u>\$ (238,335)</u>	<u>\$ 21,236,695</u>	<u>\$ 20,998,360</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, 2013

	<u>Enterprise Funds</u>		
	<u>Sanitation</u>	<u>Water and Sewer</u>	<u>Total</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 1,617,210	\$ 2,009,240	\$ 3,626,450
Cash received from taxes		1,141,041	1,141,041
Cash payments to suppliers for goods and services	(323,042)	(525,472)	(848,514)
Cash payments to employees for services	(455,941)	(1,114,975)	(1,570,916)
<b>Net cash provided by (used for) operating activities</b>	<u>838,227</u>	<u>1,509,834</u>	<u>2,348,061</u>
Cash flows from noncapital financing activities:			
Operating grants received	(137,770)		(137,770)
Operating grants provided		137,770	137,770
Operating transfers to governmental funds	(131,350)	(439,678)	(571,028)
<b>Net cash provided by (used for) noncapital financing activities</b>	<u>(269,120)</u>	<u>(301,908)</u>	<u>(571,028)</u>
Cash flows from capital and related financing activities:			
Purchase of property		(640,997)	(640,997)
Principal paid on debt		(231,892)	(231,892)
Interest paid on debt		(105,176)	(105,176)
<b>Net cash provided by (used) for capital and related financing activities</b>		<u>(978,065)</u>	<u>(978,065)</u>
Cash flows from investing activities:			
Proceeds from principal of note receivable		17,216	17,216
Investment income	692	18,138	18,830
<b>Net cash provided by investing activities</b>	<u>692</u>	<u>35,354</u>	<u>36,046</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>569,799</u>	<u>265,215</u>	<u>835,014</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>72,252</u>	<u>3,425,668</u>	<u>3,497,920</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 642,051</u>	<u>\$ 3,690,883</u>	<u>\$ 4,332,934</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>			
<b>Operating income (loss)</b>	\$ 758,282	\$ 587,598	\$ 1,345,880
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	23,321	924,597	947,918
Post closure costs	59,070		59,070
Change in assets and liabilities:			
(Increase) decrease in receivables		(14,075)	(14,075)
(Increase) decrease in inventories		28,878	28,878
Increase (decrease) in accounts payable	(19,907)	(21,547)	(41,454)
Increase (decrease) in accrued salaries and related benefits	2,142	(24,621)	(22,479)
Increase (decrease) in compensated absences	15,319	(5,810)	9,509
Increase (decrease) in deposits held for others		26,640	26,640
Increase (decrease) in other liabilities		8,174	8,174
<b>Total adjustments</b>	<u>79,945</u>	<u>922,236</u>	<u>1,002,181</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 838,227</u>	<u>\$ 1,509,834</u>	<u>\$ 2,348,061</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<u>Agency</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 10,844
<b>Total assets</b>	<u>\$ 10,844</u>
<b><u>LIABILITIES</u></b>	
Deposits held for others	\$ 10,844
<b>Total liabilities</b>	<u>\$ 10,844</u>

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

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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.

During the year ended June 30, 2013, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

The more significant of the City's accounting policies are described below.

**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 and are presented as discretely presented component units.

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.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Reporting Entity (Concl'd)**

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.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position 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.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**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.

**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.



**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Cont'd)**

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

Water Fund – This capital projects fund accounts for costs associated with water and wastewater related projects. Funding is provided from NMFA loans and grant funding.

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.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Concl'd)**

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.

Additionally, the City reports the following fund type:

Fiduciary Fund – The Fiduciary Fund is an Agency Fund which accounts for resources held by the District on behalf of others. This fund type includes the Municipal Court Fund, which accounts for court bonds that are posted.

The Agency Fund is custodial in nature, does not have a measurement focus and is reported on the accrual basis of accounting. The Agency Fund is reported by fund type.

**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, 2013**

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

**D. Cash and Investments (Concl'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. Interfund balances between governmental funds are eliminated on the Statement of Net Position.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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. During the year ended June 30, 2013, the City earned \$312,967 in lodgers' tax and spent \$184,430 in promotional activities.

**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, 2013**

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

**F. Taxes (Concl'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. 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, 2013**

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

**G. Capital Assets (Concl'd)**

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

Assets	Years
Buildings	10 – 40
Land improvements	20
Furniture, fixtures, and equipment	10
Vehicles	8 – 10
Mapping	20
Airport improvements	15

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

	Housing Authority of the City of Raton	Raton Public Service Co.
Building and structures, hard costs	33	25 – 50
Site and building improvements	15	10 – 20
Equipment and vehicles	3 – 7	3 – 10

**H. Compensated Absences**

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in 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. Generally, resources from the General Fund are used to pay for governmental compensated absences.

**I. 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 position. 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, 2013**

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

**I. Long-term Obligations (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.

**J. 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.

**K. 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 Commission 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 Commission 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.

Budgets are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). For the current fiscal year actual to budget comparisons, the actual amounts are reported on the budgetary basis, which is considered to differ from the modified accrual basis for governmental fund types and accrual basis for the enterprise funds.

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CITY OF RATON  
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JUNE 30, 2013**

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

**K. Budgets (Concl'd)**

Differences between the budgetary basis and GAAP include the following:

The budget does not include certain liabilities, receivables, and depreciation expense for Enterprise funds. The GAAP basis financial statements do include these transactions.

**L. Net Position Flow Assumption**

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**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.

**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 Commissioners. Those committed amounts cannot be used for any other purpose unless the City Commissioners removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.



**STATE OF NEW MEXICO  
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**NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)**

*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 Commissioners or a management official delegated that authority by the formal City Commission 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 outlays 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.

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

	<u>General</u>	<u>Airport</u>	<u>Water</u>	<u>Non-Major Governmental Funds</u>
Fund Balances:				
Restricted:				
Debt service	\$	\$	\$	\$ 1,232,816
Capital projects			400,000	1,227,529
Lodgers' tax				149,728
Library building				364,224
Environmental GRT				310,493
Fire department				544,638
Other purposes	169,152			207,344
Unassigned	<u>1,213,016</u>	<u>(54,453)</u>		<u>(3,597)</u>
Total fund balances	<u>\$ 1,382,168</u>	<u>\$ (54,453)</u>	<u>\$ 400,000</u>	<u>\$ 4,033,175</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
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JUNE 30, 2013**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Deficit Fund Balance/Net Position** – At year end, the following individual major and non-major governmental and business type funds reported deficits in fund balance or net position respectively.

	Deficit
Major Funds:	
Airport	\$ (54,453)
Sanitation	(238,335)
Non-Major Governmental Fund	
2% Lodgers' Tax	(3,597)

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2013-14 are expected to eliminate the deficits.

**NOTE 4 – CASH AND INVESTMENTS**

At year end, the carrying amount of the City's deposits was \$7,904,245 and the bank balance was \$8,625,584. 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 overnight repurchase agreement deposits. 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	\$ 8,625,584
Less: FDIC	500,000
Total uninsured public funds	8,125,584
50% collateral requirement	4,062,792
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	3,651,455
Total under collateralized	\$ 411,337

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – 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	\$ 2,577,227	\$ 2,577,227	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.

**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  
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**NOTE 5 – RECEIVABLES**

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 Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Due from other governmental entities:					
Due from Federal government	\$	\$ 357,311	\$ 18,296	\$	\$ 375,607
Due from State government	443,747	43,848	205,852	102,144	795,591
Due from County government		18,130			18,130
Total	<u>\$ 443,747</u>	<u>\$ 419,289</u>	<u>\$ 224,148</u>	<u>\$ 102,144</u>	<u>\$1,189,328</u>

Accounts and interest receivable balances, 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>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Component Units</u>	
				<u>Raton Public Service Company</u>	<u>Raton Housing Authority</u>
Accounts receivable	\$ 669,185	\$ 67,245	\$ 624,063	\$ 1,547,561	\$ 981
Allowance for doubtful accounts	(300,229)	(67,245)	(17,857)	(152,969)	
Interest receivable			3,023		385
Receivables, net	<u>\$ 368,956</u>	<u>\$</u>	<u>\$ 609,229</u>	<u>\$ 1,394,592</u>	<u>\$ 1,366</u>

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – RECEIVABLES (Concl'd)**

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, the various components of deferred revenue reported in the government funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 45,620	\$
Measurable but unavailable revenues (General Fund)	322,937	
Grant drawdowns prior to meeting all eligibility requirements (Water Fund)		600,000
Total deferred revenue for governmental funds	\$ 368,557	\$ 600,000

**NOTE 6 – NOTES RECEIVABLE**

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

	Original Amount	Interest Rates	Term	Outstanding Receivable June 30, 2013	Due Within One Year
<b>Business-type activities:</b>					
National Rifle Association	\$ 368,925	5.00%	7/1/2013 - 7/1/2016	\$ 76,736	\$ 17,708
				\$ 76,736	\$ 17,708

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

Year ending June 30:		
	2014	\$ 17,708
	2015	18,692
	2016	19,676
	2017	20,660
Total		\$ 76,736

**STATE OF NEW MEXICO  
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**NOTE 7 – CAPITAL ASSETS**

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

Governmental Activities	Beginning Balance (as Restated)	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 588,725	\$	\$	\$ 588,725
Artwork	127,250			127,250
Construction in progress	2,155,900	3,299,940		5,455,840
Total capital assets, not being depreciated	2,871,875	3,299,940		6,171,815
Capital assets, being depreciated:				
Buildings	9,407,636	7,811		9,415,447
Furniture and equipment	3,396,344	36,875		3,433,219
Improvements	20,368,961	537,304		20,906,265
Vehicles	3,847,051	70,620	273,384	3,644,287
Total capital assets being depreciated	37,019,992	652,610	273,384	37,399,218
Less accumulated depreciation for:				
Buildings	(2,775,218)	(116,378)		(2,891,596)
Furniture and equipment	(2,044,582)	(75,905)		(2,120,487)
Improvements	(4,906,714)	(414,870)		(5,321,584)
Vehicles	(2,907,409)	(380,232)	(231,776)	(3,055,865)
Total accumulated depreciation	(12,633,923)	(987,385)	(231,776)	(13,389,532)
Total capital assets, being depreciated, net	24,386,069	(334,775)	41,608	24,009,686
Governmental activities capital assets, net	\$ 27,257,944	\$ 2,965,165	\$ 41,608	\$ 30,181,501
Business-type Activities	Beginning Balance (as Restated)	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,344,298	\$	\$	\$ 1,344,298
Total capital assets, not being depreciated	1,344,298			1,344,298
Capital assets, being depreciated:				
Buildings	193,205			193,205
Furniture and equipment	2,774,428	7,494		2,781,922
Improvements	1,093,907	336,030		1,429,937
Vehicles	639,963			639,963
Infrastructure	27,138,379	297,473		27,435,852
Total capital assets being depreciated	31,839,882	640,997		32,480,879
Less accumulated depreciation for:				
Buildings	(83,562)	(4,730)		(88,292)
Furniture and equipment	(2,649,133)	(35,703)		(2,684,836)
Improvements	(38,039)	(59,297)		(97,336)
Vehicles	(387,594)	(38,303)		(425,897)
Infrastructure	(10,926,587)	(809,885)		(11,736,472)
Total accumulated depreciation	(14,084,915)	(947,918)		(15,032,833)
Total capital assets, being depreciated, net	17,754,967	(306,921)		17,448,046
Business-type activities capital assets, net	\$ 19,099,265	\$ (306,921)	\$	\$ 18,792,344

**STATE OF NEW MEXICO  
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JUNE 30, 2013**

**NOTE 7 – CAPITAL ASSETS (Cont'd)**

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

Component Units

<b>Raton Public Service Company</b>	Beginning Balance (as Restated)	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	16,147,878	832,903		16,980,781
Vehicles, furniture, and equipment	761,644	6,000		767,644
Total capital assets being depreciated	<u>16,909,522</u>	<u>838,903</u>		<u>17,748,425</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,294,949)	(358,075)		(7,653,024)
Vehicles, furniture, and equipment	(665,674)	(32,271)		(697,945)
Total accumulated depreciated	<u>(7,960,623)</u>	<u>(390,346)</u>		<u>(8,350,969)</u>
Total capital assets, being depreciated, net	<u>8,948,899</u>	<u>448,557</u>		<u>9,397,456</u>
Total business type capital assets (net)	<u>\$ 8,979,740</u>	<u>\$ 448,557</u>	<u>\$ 30,841</u>	<u>\$ 9,397,456</u>

<b>Raton Housing Authority</b>	Beginning Balance	Restatement	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 253,436	\$	\$	\$	\$ 253,436
Fees and Costs	22,972		1,302		24,274
Total capital assets, not being depreciated	<u>276,408</u>		<u>1,302</u>		<u>277,710</u>
Capital assets, being depreciated:					
Architect	254,946				254,946
Site Improvement	1,421,978	(1,000)	2,640		1,423,618
Structures and equipment – dwellings	7,014,058		291,913		7,305,971
Structures and equipment – non-dwellings	736,010		30,882	(38,407)	728,485
Total depreciable capital assets	<u>9,426,992</u>	<u>(1,000)</u>	<u>325,435</u>	<u>(38,407)</u>	<u>9,713,020</u>
Less accumulated depreciation for:					
Architect	(109,188)		(18,615)		(127,803)
Site Improvement	(988,122)		(38,015)		(1,026,137)
Structures and equipment – dwellings	(5,520,831)		(189,488)		(5,710,319)
Structures and equipment – non-dwellings	(521,100)		(42,333)	38,407	(525,026)
Total accumulated depreciation	<u>(7,139,241)</u>		<u>(288,451)</u>	<u>38,407</u>	<u>(7,389,285)</u>
Total capital assets, being depreciated, net	<u>2,287,751</u>	<u>(1,000)</u>	<u>36,984</u>		<u>2,323,735</u>
Capital assets, net	<u>\$ 2,564,159</u>	<u>\$ (1,000)</u>	<u>\$ 38,286</u>	<u>\$</u>	<u>\$ 2,601,445</u>

**STATE OF NEW MEXICO  
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**NOTE 7 – 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	924,597
Sanitation	23,321
Total depreciation expense – business-type activities	<u>\$ 947,918</u>

**Construction Commitments** – At year end, the City had contractual commitments related to the extension of the airport runway. At year end, the City had spent \$2.8 million on the project and had estimated remaining contractual commitment of \$976,451. This project is primarily being funded with Federal grant monies.

**NOTE 8 – 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, 2013	Due Within One Year
<b>Governmental activities:</b>					
Waste Water System Revenue Bonds 2006A	\$ 2,627,154	4.375%	7/1/46	\$ 2,417,154	\$ 30,000
Waste Water System Revenue Bonds 2006B	510,400	4.375%	7/1/46	471,440	7,000
Total				<u>\$ 2,888,594</u>	<u>\$ 37,000</u>



**STATE OF NEW MEXICO  
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**NOTE 8 – BONDS PAYABLE (Cont'd)**

**Pledged Revenues – governmental activities** – The City has pledged future waste water revenues to repay outstanding bonds of \$2.9 million as of June 30, 2013. Proceeds from the original bond 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 principal and interest to be paid on the bonds is \$5.5 million and the total principal and interest paid on the bonds was \$164,000 or 8% of waste water revenues.

***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 for constructing and equipping a municipal water supply system. The Bonds were issued pursuant to §§3-3 1-1 through 3-3 1-12 NMSA 1978, as amended. The 1982 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, 2013	Due Within One Year
<b>Business activities:</b>					
Water and Sewer Bond Series 1976	\$ 750,000	5%	7/1/16	\$ 156,000	\$ 36,000
GRT Bond Series 1982	4,550,000	5%	12/1/18	1,251,014	207,492
Total				<u>\$ 1,407,014</u>	<u>\$ 243,492</u>

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**NOTE 8 – BONDS PAYABLE (Concl'd)**

**Pledged Revenues – business-type activities** – The City has pledged future water system revenues and gross receipts tax revenues to repay outstanding bonds of \$1.4 million as of June 30, 2013. 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 principal and interest to be paid on the loans is \$1.6 million. The current total water system revenues were \$2.1 million and the total principal and interest paid on the 1976 bonds was \$43,675 or 2% of water system revenues. The current total gross receipts tax revenues were \$1.1 million and the total principal and interest paid on the 1982 bonds was \$265,356 or 25% of gross receipts tax revenues.

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:	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 37,000	\$ 126,500	\$ 243,492	\$ 64,764
2015	47,000	124,900	256,107	52,299
2016	47,000	122,800	269,215	39,241
2017	47,000	120,800	283,033	25,373
2018	48,000	118,700	253,325	12,031
2019-23	274,000	560,500	101,842	1,228
2024-28	345,000	493,900		
2029-33	428,000	411,400		
2034-38	524,000	310,600		
2039-43	645,000	185,500		
2044-47	446,594	39,600		
Total	<u>\$ 2,888,594</u>	<u>\$ 2,615,200</u>	<u>\$ 1,407,014</u>	<u>\$ 194,936</u>

**STATE OF NEW MEXICO  
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**NOTE 9 – 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 nine NMFA Loans funds, all non-major governmental funds. The NMFA Loans are as follows.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Welcome Center	\$ 663,909	3.00%	May 2018	\$ 221,108	\$ 41,130
Recreation Center	3,248,772	3.00%	May 2032	2,739,446	100,203
Water Trust Board	70,000	3.00%	May 2018	36,482	7,260
Aquatics Center	2,410,000	3.00%	May 2033	2,210,000	65,000
NMED Wastewater Facility Construction	115,247	3.00%	May 2031	105,667	4,935
Fire Equipment	643,750	3.00%	May 2021	593,269	69,989
Water Project	400,000	0.25%	June 2032	391,448	20,143
Police Vehicles	80,889	0.49-0.95%	May 2017	80,889	19,924
Solid Waste Equipment, Transfer Station, Landfill Closure Costs	1,036,400	0.42-2.53%	May 2024	1,036,400	97,300
Total				<u>\$ 7,414,709</u>	<u>\$ 425,884</u>

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

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 425,884	\$ 259,613
2015	438,562	251,304
2016	445,117	271,246
2017	454,091	231,500
2018	447,941	219,328
2019-23	1,873,530	912,509
2024-28	1,563,609	599,034
2029-33	1,765,975	253,865
Total	<u>\$ 7,414,709</u>	<u>\$ 2,998,399</u>

**STATE OF NEW MEXICO  
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**NOTE 9 – LOANS PAYABLE (Concl'd)**

**Pledged Revenues – governmental activities** – The City has pledged future gross receipts tax revenues to repay outstanding loans of \$4.9 million as of June 30, 2013. 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 principal and interest to be paid on the loans is \$7.7 million. The current total gross receipts tax revenues were \$3.2 million and the total principal and interest paid on the loans was \$383,150 or 12% of gross receipts tax revenues. The City has pledged future solid waste revenues to repay an outstanding loan of \$1.0 million as of June 30, 2013. Proceeds from the loan issuance will provide financing for solid waste equipment, transfer station construction, and landfill closure costs. The loan is paid solely from the City's solid waste revenues and is payable through 2024. Total principal and interest to be paid on the loan is \$1.1 million. The current total solid waste revenues were \$1.6 million. There were no principal and interest requirements during the fiscal year. The City has pledged future water and sewer revenues to repay an outstanding loan of \$391,448 as of June 30, 2013. Proceeds from the loan issuance will be used for post-Track Fire Watershed Restoration. The loan is paid solely from the water and sewer revenues and is payable through 2032. Total principal and interest to be paid on the loan is \$401,308. The current total water and sewer revenues were \$2.1 million and principal and interest paid on the loan was \$8,977 or less than one percent of water and sewer revenues. The City has pledged future State Fire Protection Funds revenues to repay an outstanding loan of \$593,269 as of June 30, 2013. Proceeds from the loan issuance were used for purchase of a triple combination water pumper and mobile water fire apparatus. The loan is paid solely from the State Fire Protection Funds revenues and is payable through 2021. Total principal and interest to be paid on the loan is \$656,491. The current total State Fire Protection Funds revenues were \$436,856 and principal and interest paid on the loan was \$62,883 or 14% of State Fire Protection Funds revenues. The City has pledged future Lodger's Tax revenues to repay an outstanding loan of \$221,108 as of June 30, 2013. Proceeds from the loan issuance were used for the construction of the Welcome Center. The loan is paid solely from the Lodger's Tax revenues and is payable through 2018. Total principal and interest to be paid on the loan is \$252,645. The current total Lodger's Tax revenues were \$312,967 and principal and interest paid on the loan was \$50,811 or 16% of Lodger's Tax revenues.

**STATE OF NEW MEXICO  
CITY OF RATON  
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**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 \$1.3 million 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 2013. The actual cost of closure and post closure care may be higher due to inflation, technology, or changes in landfill laws and regulations. As of fiscal year end, no post closure costs have been incurred. The City anticipates funding these costs with increased user charges and use of Environmental Gross Receipts Tax and loan proceeds. During the fiscal year, the City established a landfill reserve fund authorized by Resolution 2012-20. The City has set up a monthly transfer of \$4,200 into the fund, a total of \$50,400 during the year. The reserve fund is reported in the Sanitation Fund for financial reporting purposes.

**NOTE 11 – CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance as Restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 356,670	\$ 216,607	\$ 167,148	\$ 406,129	\$ 124,388
Capital leases	30,135		30,135		
Loans payable	6,164,461	1,517,289	267,041	7,414,709	425,884
Bonds payable	2,924,594		36,000	2,888,594	37,000
Total	<u>\$ 9,475,860</u>	<u>\$ 1,733,896</u>	<u>\$ 500,324</u>	<u>\$10,709,432</u>	<u>\$ 587,272</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 191,673	\$ 109,790	\$ 100,281	\$ 201,182	\$ 100,227
Bonds payable	1,638,906		231,892	1,407,014	243,492
Landfill closure and postclosure	1,237,390	59,070		1,296,460	
Total	<u>\$ 3,067,969</u>	<u>\$ 168,860</u>	<u>\$ 332,173</u>	<u>\$ 2,904,656</u>	<u>\$ 343,719</u>
<b>Component Unit:</b>					
Compensated absences	\$ 99,809	\$ 83,630	\$ 95,360	\$ 88,079	\$ 62,574
Loans payable	6,580,384		324,439	6,255,945	331,645
Total	<u>\$ 6,680,193</u>	<u>\$ 83,630</u>	<u>\$ 419,799</u>	<u>\$ 6,344,024</u>	<u>\$ 394,219</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
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JUNE 30, 2013**

**NOTE 12 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Net Operating Transfers, which were made to satisfy debt service requirements, cover operating deficits, supplement grants, close out inactive funds, and to adhere to City ordinance requirements, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<b>Major Funds:</b>		
General	\$ 245,363	\$ 282,406
Airport	55,079	
<b>Non-Major Governmental Funds:</b>		
Fire		62,879
Recreation	59,473	
Lodgers' Tax		185,108
Law Enforcement		1
EMS	30,887	
Environmental GRT	13,559	
NMFA Loan- Fire Equipment	62,879	
NMFA Loan- Welcome Center	50,746	
NMFA Loan- Landfill		13,559
Wastewater Treatment	254,313	
Recreation Center	208,992	
Aquatic Center	172,981	
Water Trust Board	7,351	
ARRA CWSRF Project	7,048	
NMFA Loan- WTB Fire Restoration	8,977	
NMFA Loan- Police Vehicles	1	
NMFA Loan- Solid Waste	104,047	
2% Lodgers' Tax	185,108	81,597
Street Improvements	76,233	
NMDOT Projects	19,296	16,204
Historic Buildings	7,811	
Capital Improvements	113,661	381,973
Depot Improvement Projects	14,997	
Sanitation Project		104,047
<b>Proprietary Funds:</b>		
Sanitation		131,350
Water and Sewer		439,678
Total	<u>\$ 1,698,802</u>	<u>\$ 1,698,802</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

“Interfund balances” have been recorded when funds overdraw their share of pooled cash when the City is waiting for grant reimbursements as well as the Water Department billing and collecting solid waste fees on behalf of the City. The composition of interfund balances as of year end is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
General	\$ 36,105	\$
Airport		17,809
<b>Non-Major Governmental Funds:</b>		
Juvenile Justice Grant		6,967
ARRA OJP Grant		11,329
<b>Proprietary Funds:</b>		
Sanitation	236,684	
Water and Sewer		236,684
<b>Total</b>	<u>\$ 272,789</u>	<u>\$ 272,789</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.

**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.

**STATE OF NEW MEXICO**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 14 – RISK MANAGEMENT (Concl'd)**

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 and municipalities 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.

**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.



**STATE OF NEW MEXICO  
CITY OF RATON  
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JUNE 30, 2013**

**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 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy* – Plan members are required to contribute 7% to 16.3% for municipal plan members (ranges from 3.83% 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% (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, 2013, 2012, and 2011 were \$357,734, \$336,157 and \$331,653, respectively, which were equal to the amount of the required contributions for each year.

**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.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$64,087, \$59,481, and \$46,331, respectively, which equal the required contributions for each year.

**NOTE 18 – SUBSEQUENT EVENTS**

The City adopted Franchise Ordinance No. 985 effective July 1, 2013 to extend the Raton Water Works franchise agreement for an additional 25 years and also increase the franchise fee to 4 percent. In September of 2013, the City cancelled employee health and accident coverage with the Risk Management Division of the New Mexico General Services Department. The City will now offer commercial insurance for employee health through Century Financial Group.

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 19 – RESTATEMENTS – CITY OF RATON**

The July 1, 2012 government-wide net position for governmental and business-type activities, net position for the Water and Sewer Fund, and beginning fund balance for the General Fund, Airport Fund, and Non-Major Governmental Funds do not agree to the prior year financial statements due to the corrections of errors. The City did not capitalize \$2.2 million of improvements to the airport in the prior year. Additionally, water and sewer capital assets were overstated by \$2.6 million in the prior year due to a lack of controls over recording capital assets. Loans payable was also overstated due to an error in recording the debt in the year of issuance. Finally, some revenues were recognized in prior years in error.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>General Fund</u>	<u>Airport Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>
Net position June 30, 2012 as previously reported	\$20,395,721	\$ 22,934,315	\$ 1,580,488	\$ 199,346	\$ 2,946,729	\$23,800,274
Capital assets	2,155,900	(2,624,461)				(2,624,461)
Long-term debt	6,053					
Airport Fund revenue accrual	(189,043)			(189,043)		
ARRA 2 <sup>nd</sup> Street revenue accrual	(26,722)				(26,722)	
General Fund revenue accrual			(93,885)			
Net position, July 1, 2012, as restated	<u>\$22,341,909</u>	<u>\$ 20,309,854</u>	<u>\$ 1,486,603</u>	<u>\$ 10,303</u>	<u>\$ 2,920,007</u>	<u>\$21,175,813</u>

**NOTE 20 – RESTATEMENTS – RATON PUBLIC SERVICE**

RPS restated the previously issued financial statement's net position in the amount of \$469,108. This correction was made to beginning net position to exclude July 2012 billings recorded in 2013 which should have been accrued by debiting accounts receivable and crediting revenue at June 30, 2012. In addition, net position was restated by \$1,185,058 to properly state capital assets as of July 1, 2012.

**NOTE 21 – RESTATEMENT – RATON HOUSING AUTHORITY**

The Raton Housing Authority also restated the previously issued financial statement's net position in the amount of \$2,180. The correction made was due to a prior year expense accrual recorded in error.

## **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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 453,957	\$ 453,957	\$ 247,624	\$ (206,333)
Federal grants	6,234,879	6,234,879	4,135,274	(2,099,605)
Miscellaneous	33,333	33,333		(33,333)
Interest income			74	74
<b>Total revenues</b>	<u>6,722,169</u>	<u>6,722,169</u>	<u>4,382,972</u>	<u>(2,339,197)</u>
<b>Expenditures:</b>				
Capital outlay	5,646,047	5,646,047	3,250,325	2,395,722
<b>Total expenditures</b>	<u>5,646,047</u>	<u>5,646,047</u>	<u>3,250,325</u>	<u>2,395,722</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,076,122</u>	<u>1,076,122</u>	<u>1,132,647</u>	<u>56,525</u>
<b>Other financing sources (uses):</b>				
Transfers in	129,812	55,079	55,079	
<b>Total other financing sources (uses)</b>	<u>129,812</u>	<u>55,079</u>	<u>55,079</u>	
<b>Net change in fund balance</b>	<u>1,205,934</u>	<u>1,131,201</u>	<u>1,187,726</u>	<u>56,525</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(936,385)	
Expenditures accruals			(316,097)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (64,756)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Other financing sources (uses):</b>				
Transfers in	\$	\$ 16,329	\$ 16,328	\$ (1)
Transfers out		(16,329)	(16,328)	1
<b>Total other financing sources (uses)</b>				
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
Issuance of loans			400,000	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 400,000</u>	

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL - SANITATION  
YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Operating revenues:</b>				
Charges for services	\$ 1,531,240	\$ 1,531,240	\$ 1,478,806	\$ (52,434)
Miscellaneous			634	634
<b>Total operating revenues</b>	<u>1,531,240</u>	<u>1,531,240</u>	<u>1,479,440</u>	<u>(51,800)</u>
<b>Operating expenses:</b>				
Solid waste collection	1,227,505	1,439,501	778,983	660,518
<b>Total operating expenses</b>	<u>1,227,505</u>	<u>1,439,501</u>	<u>778,983</u>	<u>660,518</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	1,000	1,000	692	(308)
<b>Total other financing sources (uses)</b>	<u>1,000</u>	<u>1,000</u>	<u>692</u>	<u>(308)</u>
<b>Other financing sources (uses):</b>				
Transfers out	(173,350)	(181,750)	(131,350)	50,400
<b>Total other financing sources (uses)</b>	<u>(173,350)</u>	<u>(181,750)</u>	<u>(131,350)</u>	<u>50,400</u>
<b>Change in net position</b>	<u>131,385</u>	<u>(89,011)</u>	569,799	<u>658,810</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			137,770	
Expenditures accruals			(79,945)	
<b>Change in net position - GAAP basis</b>			<u>\$ 627,624</u>	



**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL - WATER AND SEWER  
YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Operating revenues:</b>				
Gross receipts taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,103,870	\$ 103,870
Charges for services	2,182,887	2,182,887	2,059,523	(123,364)
Miscellaneous	22,734	22,734	17,216	(5,518)
<b>Total operating revenues</b>	<u>3,205,621</u>	<u>3,205,621</u>	<u>3,180,609</u>	<u>(25,012)</u>
<b>Operating expenses:</b>				
Franchise fee	155,294	149,456	82,664	66,792
Filter plant	497,175	478,492	467,743	10,749
Sewer plant	505,377	486,385	295,099	191,286
Construction and maintenance	1,226,568	1,180,475	716,216	464,259
General and administrative	1,932,841	1,860,207	1,187,766	672,441
<b>Total operating expenses</b>	<u>4,317,255</u>	<u>4,155,015</u>	<u>2,749,488</u>	<u>1,405,527</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	24,200	24,200	18,138	(6,062)
Interest and fees	(193,846)	(186,561)	(122,912)	63,649
<b>Total non-operating revenues (expenses)</b>	<u>(169,646)</u>	<u>(162,361)</u>	<u>(104,774)</u>	<u>57,587</u>
<b>Change in net assets</b>	<u>(1,281,280)</u>	<u>(1,111,755)</u>	326,347	<u>1,438,102</u>
<b>Reconciliation to GAAP basis:</b>				
Increase in Inventory			75,736	
Reduction of Loan Receivable			(17,216)	
Capital Asset Additions			390,225	
Debt Principal Payments			231,892	
Revenue Accruals			(62,758)	
Expense Accruals			(883,344)	
<b>Change in net position - GAAP basis</b>			<u>\$ 60,882</u>	

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**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, 2013**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,444,680	\$ 1,232,816	\$ 1,187,043
Due from other governments	130,626		93,522
Taxes receivable	38,387		27,578
<b>Total assets</b>	<u>\$ 1,613,693</u>	<u>\$ 1,232,816</u>	<u>\$ 1,308,143</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 16,442	\$	\$ 84,211
Accrued salaries and related benefits	2,528		
Due to other funds	18,296		
<b>Total liabilities</b>	<u>37,266</u>		<u>84,211</u>
Fund balances (deficits):			
Restricted	1,576,427	1,232,816	1,227,529
Unassigned			(3,597)
<b>Total fund balances</b>	<u>1,576,427</u>	<u>1,232,816</u>	<u>1,223,932</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,613,693</u>	<u>\$ 1,232,816</u>	<u>\$ 1,308,143</u>

Total Non-  
Major  
Governmental  
Fund

\$	3,864,539
	224,148
	65,965
\$	<u>4,154,652</u>

\$	100,653
	2,528
	18,296
	<u>121,477</u>

	4,036,772
	(3,597)
	<u>4,033,175</u>

\$	<u>4,154,652</u>
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**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, 2013**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>			
Gross receipts taxes	\$ 212,703	\$	\$ 284,405
Other taxes	312,967		158,839
State grants	498,849		251,574
Federal grants	169,850		6,540
Charges for services	73,681		
Fines and forfeitures	35,179		
Miscellaneous	34,373		
Interest income	5,584	2,952	858
<b>Total revenues</b>	<u>1,343,186</u>	<u>2,952</u>	<u>702,216</u>
<b>Expenditures:</b>			
Current -			
General government	275,430		5,949
Public safety	249,851		
Culture and recreation	282,125		
Capital outlay	189,338		870,525
Debt service -			
Principal	30,135	303,041	
Interest and fees	1,358	389,942	7,773
<b>Total expenditures</b>	<u>1,028,237</u>	<u>692,983</u>	<u>884,247</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>314,949</u>	<u>(690,031)</u>	<u>(182,031)</u>
<b>Other financing sources (uses):</b>			
Transfers in	103,919	877,335	417,106
Transfers out	(247,988)	(13,559)	(583,821)
Issuance of loans	80,889		1,036,400
<b>Total other financing sources (uses):</b>	<u>(63,180)</u>	<u>863,776</u>	<u>869,685</u>
<b>Changes in fund balances</b>	<u>251,769</u>	<u>173,745</u>	<u>687,654</u>
<b>Fund balances, beginning of year, as restated</b>	1,324,658	1,059,071	536,278
<b>Fund balances, end of year</b>	<u>\$ 1,576,427</u>	<u>\$ 1,232,816</u>	<u>\$ 1,223,932</u>

Total Non-  
Major  
Governmental  
Funds

\$ 497,108  
471,806  
750,423  
176,390  
73,681  
35,179  
34,373  
9,394  
2,048,354

281,379  
249,851  
282,125  
1,059,863

333,176  
399,073  
2,605,467

(557,113)

1,398,360  
(845,368)  
1,117,289  
1,670,281

1,113,168

2,920,007

\$ 4,033,175

## **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** – 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 funds 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.

**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 jailer juvenile detention facility, for paying the cost of housing municipal prisoners in a City jailer 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 Project** - to account for funds received from American Recovery and Reinvestment Act grants for the Clayton Highway Project.

**ARRA EMNRD Recycle Grant** - 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 - ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	<u>Fire</u>	<u>Recreation</u>	<u>Lodgers' Tax</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 470,793	\$ 11,777	\$ 111,341
Due from other governments	78,391	22,632	
Taxes receivable			38,387
<b>Total assets</b>	<u>\$ 549,184</u>	<u>\$ 34,409</u>	<u>\$ 149,728</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 4,546	\$ 3,281	\$
Accrued salaries and related benefits		2,528	
Due to other funds			
<b>Total liabilities</b>	<u>4,546</u>	<u>5,809</u>	
Fund balances:			
Restricted	<u>544,638</u>	<u>28,600</u>	<u>149,728</u>
<b>Total fund balances</b>	<u>544,638</u>	<u>28,600</u>	<u>149,728</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 549,184</u>	 <u>\$ 34,409</u>	 <u>\$ 149,728</u>

<u>Law Enforcement</u>	<u>EMS</u>	<u>Local Government Corrections</u>	<u>Library Building</u>	<u>Environmental GRT</u>	<u>Police Narcotics</u>
\$ 23,810	\$ 12,326	\$ 59,851	\$ 364,524	\$ 299,186 11,307	\$ 88,066
<u>\$ 23,810</u>	<u>\$ 12,326</u>	<u>\$ 59,851</u>	<u>\$ 364,524</u>	<u>\$ 310,493</u>	<u>\$ 88,066</u>
\$ 586	\$ 200	\$ 2,335	\$ 300	\$	\$ 5,194
<u>586</u>	<u>200</u>	<u>2,335</u>	<u>300</u>	<u></u>	<u>5,194</u>
23,224	12,126	57,516	364,224	310,493	82,872
<u>23,224</u>	<u>12,126</u>	<u>57,516</u>	<u>364,224</u>	<u>310,493</u>	<u>82,872</u>
<u>\$ 23,810</u>	<u>\$ 12,326</u>	<u>\$ 59,851</u>	<u>\$ 364,524</u>	<u>\$ 310,493</u>	<u>\$ 88,066</u>

(Continued)

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	LLEBG	Juvenile Justice Grant	ARRA OJP Grant
<b><u>ASSETS</u></b>			
Cash and investments	\$ 3,006	\$	\$
Due from other governments		6,967	11,329
Taxes receivable			
<b>Total assets</b>	\$ 3,006	\$ 6,967	\$ 11,329
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$	\$	\$
Accrued salaries and related benefits			
Due to other funds		6,967	11,329
<b>Total liabilities</b>		6,967	11,329
Fund balances:			
Restricted	3,006		
<b>Total fund balances</b>	3,006		
 <b>Total liabilities and fund balances</b>	 \$ 3,006	 \$ 6,967	 \$ 11,329

Totals

\$	1,444,680
	130,626
	38,387
\$	<u>1,613,693</u>

\$	16,442
	2,528
	18,296
	<u>37,266</u>

	<u>1,576,427</u>
	<u>1,576,427</u>

\$	<u>1,613,693</u>
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**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>Fire</u>	<u>Recreation</u>	<u>Lodgers' Tax</u>
<b>Revenues:</b>			
Gross receipts taxes	\$	\$ 141,767	\$
Other taxes			312,967
State grants	436,856	1,343	
Federal grants			
Charges for services		73,681	
Fines and forfeitures			
Miscellaneous		19,041	756
Interest income	1,326	2	383
<b>Total revenues</b>	<u>438,182</u>	<u>235,834</u>	<u>314,106</u>
<b>Expenditures:</b>			
Current -			
General government			184,430
Public safety	93,279		
Culture and recreation		282,125	
Capital outlay	61,953	1,600	
Debt service -			
Principal			
Interest and fees			
<b>Total expenditures</b>	<u>155,232</u>	<u>283,725</u>	<u>184,430</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>282,950</u>	<u>(47,891)</u>	<u>129,676</u>
<b>Other financing sources (uses):</b>			
Transfers in		59,473	
Transfers out	(62,879)		(185,108)
Issuance of loans			
<b>Total other financing sources (uses):</b>	<u>(62,879)</u>	<u>59,473</u>	<u>(185,108)</u>
<b>Changes in fund balances</b>	<u>220,071</u>	<u>11,582</u>	<u>(55,432)</u>
<b>Fund balances (deficits), beginning of year, as restated</b>	324,567	17,018	205,160
<b>Fund balances, end of year</b>	<u>\$ 544,638</u>	<u>\$ 28,600</u>	<u>\$ 149,728</u>

<u>Law Enforcement</u>	<u>EMS</u>	<u>Local Government Corrections</u>	<u>Library Building</u>	<u>Environmental GRT</u>	<u>Police Narcotics</u>
\$	\$	\$	\$	\$ 70,936	\$
26,000	17,148			17,502	
		7,918			27,261
2,600	640		11,336		
49	264	122	2,666	597	175
<u>28,649</u>	<u>18,052</u>	<u>8,040</u>	<u>14,002</u>	<u>89,035</u>	<u>27,436</u>
			16,469	74,531	
14,560	17,381	8,700			5,811
83,838				17,500	24,447
	30,135				
606	752				
<u>99,004</u>	<u>48,268</u>	<u>8,700</u>	<u>16,469</u>	<u>92,031</u>	<u>30,258</u>
<u>(70,355)</u>	<u>(30,216)</u>	<u>(660)</u>	<u>(2,467)</u>	<u>(2,996)</u>	<u>(2,822)</u>
	30,887			13,559	
(1)					
80,889					
<u>80,888</u>	<u>30,887</u>			<u>13,559</u>	
<u>10,533</u>	<u>671</u>	<u>(660)</u>	<u>(2,467)</u>	<u>10,563</u>	<u>(2,822)</u>
12,691	11,455	58,176	366,691	299,930	85,694
<u>\$ 23,224</u>	<u>\$ 12,126</u>	<u>\$ 57,516</u>	<u>\$ 364,224</u>	<u>\$ 310,493</u>	<u>\$ 82,872</u>

(Continued)

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2013**

	LLEBG	Region IV - North	Juvenile Justice Grant
<b>Revenues:</b>			
Gross receipts taxes	\$	\$	\$
Other taxes			
State grants			
Federal grants		2,995	60,343
Charges for services			
Fines and forfeitures			
Miscellaneous			
Interest income			
<b>Total revenues</b>	_____	2,995	60,343
<b>Expenditures:</b>			
Current -			
General government			
Public safety		2,995	65,000
Culture and recreation			
Capital outlay			
Debt service -			
Principal			
Interest and fees			
<b>Total expenditures</b>	_____	2,995	65,000
<b>Excess (deficiency) of revenues over expenditures</b>	_____	_____	(4,657)
<b>Other financing sources (uses):</b>			
Transfers in			
Transfers out			
Issuance of loans			
<b>Total other financing sources (uses):</b>	_____	_____	_____
<b>Changes in fund balances</b>	_____	_____	(4,657)
<b>Fund balances (deficits), beginning of year, as restated</b>	3,006		4,657
<b>Fund balances, end of year</b>	\$ 3,006	\$	\$



<u>ARRA OJP Grant</u>	<u>ARRA Clayton Highway Project</u>	<u>ARRA EMNRD Recycle Grant</u>	<u>Totals</u>
\$	\$	\$	\$ 212,703
			312,967
42,125	24,430	39,957	498,849
			169,850
			73,681
			35,179
			34,373
			5,584
<u>42,125</u>	<u>24,430</u>	<u>39,957</u>	<u>1,343,186</u>
			275,430
42,125			249,851
			282,125
			189,338
			30,135
			1,358
<u>42,125</u>	<u></u>	<u></u>	<u>1,028,237</u>
			314,949
			103,919
			(247,988)
			80,889
			<u>(63,180)</u>
	24,430	39,957	251,769
	(24,430)	(39,957)	1,324,658
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,576,427</u>

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 67,000	\$ 67,000	\$ 58,779	\$ (8,221)
Charges for services	3,000	3,000		(3,000)
<b>Total revenues</b>	<u>70,000</u>	<u>70,000</u>	<u>58,779</u>	<u>(11,221)</u>
<b>Expenditures:</b>				
Current -				
Public safety	70,000	70,000	40,274	29,726
<b>Total expenditures</b>	<u>70,000</u>	<u>70,000</u>	<u>40,274</u>	<u>29,726</u>
<b>Excess (deficiency) of revenues over expenditures</b>			<u>18,505</u>	<u>18,505</u>
<b>Other financing sources (uses):</b>				
Transfers out		(500)	(498)	2
<b>Total other financing sources (uses)</b>		<u>(500)</u>	<u>(498)</u>	<u>2</u>
<b>Net change in fund balance</b>		<u>(500)</u>	<u>18,007</u>	<u>18,507</u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance for fund budgeted separately for the General Fund			<u>(18,007)</u>	
<b>Change in fund balance - GAAP basis</b>			<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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 296,100	\$ 296,100	\$ 358,465	\$ 62,365
Interest income	500	500	1,326	826
<b>Total revenues</b>	<u>296,600</u>	<u>296,600</u>	<u>359,791</u>	<u>63,191</u>
<b>Expenditures:</b>				
Current -				
Public safety	110,000	131,100	88,733	42,367
Capital outlay	447,000	425,900	61,953	363,947
<b>Total expenditures</b>	<u>557,000</u>	<u>557,000</u>	<u>150,686</u>	<u>406,314</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(260,400)</u>	<u>(260,400)</u>	<u>209,105</u>	<u>469,505</u>
<b>Other financing sources (uses):</b>				
Transfers out	(62,883)	(62,883)	(62,879)	4
<b>Total other financing sources (uses)</b>	<u>(62,883)</u>	<u>(62,883)</u>	<u>(62,879)</u>	<u>4</u>
<b>Net change in fund balance</b>	<u>(323,283)</u>	<u>(323,283)</u>	146,226	<u>469,509</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			78,391	
Expenditures accruals			(4,546)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 220,071</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Gross receipts taxes	\$ 147,292	\$ 147,292	\$ 142,341	\$ (4,951)
State grants		547	1,343	796
Charges for services	46,900	71,500	73,681	2,181
Miscellaneous	9,300	18,450	19,041	591
Interest income			2	2
<b>Total revenues</b>	<u>203,492</u>	<u>237,789</u>	<u>236,408</u>	<u>(1,381)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	268,613	313,088	282,704	30,384
Capital outlay	2,500	2,500	1,600	900
<b>Total expenditures</b>	<u>271,113</u>	<u>315,588</u>	<u>284,304</u>	<u>31,284</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(67,621)</u>	<u>(77,799)</u>	<u>(47,896)</u>	<u>29,903</u>
<b>Other financing sources (uses):</b>				
Transfers in	67,621	77,799	59,473	(18,326)
<b>Total other financing sources (uses)</b>	<u>67,621</u>	<u>77,799</u>	<u>59,473</u>	<u>18,326</u>
<b>Net change in fund balance</b>			<u>11,577</u>	<u>11,577</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(574)	
Expenditures accruals			579	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 11,582</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Other taxes	\$ 320,000	\$ 320,000	\$ 309,427	\$ (10,573)
Miscellaneous	500	500	756	256
Interest income	100	100	383	283
<b>Total revenues</b>	<u>320,600</u>	<u>320,600</u>	<u>310,566</u>	<u>(10,034)</u>
<b>Expenditures:</b>				
Current -				
General government	200,000	233,000	184,430	48,570
<b>Total expenditures</b>	<u>200,000</u>	<u>233,000</u>	<u>184,430</u>	<u>48,570</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>120,600</u>	<u>87,600</u>	<u>126,136</u>	<u>38,536</u>
<b>Other financing sources (uses):</b>				
Transfers out	(170,000)	(192,000)	(185,108)	6,892
<b>Total other financing sources (uses)</b>	<u>(170,000)</u>	<u>(192,000)</u>	<u>(185,108)</u>	<u>6,892</u>
<b>Net change in fund balance</b>	<u>(49,400)</u>	<u>(104,400)</u>	<u>(58,972)</u>	<u>45,428</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			3,540	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (55,432)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 26,000	\$ 26,000	\$ 26,000	\$
Miscellaneous			2,600	2,600
Interest income	50	50	49	(1)
<b>Total revenues</b>	<u>26,050</u>	<u>26,050</u>	<u>28,649</u>	<u>2,599</u>
<b>Expenditures:</b>				
Current -				
Public safety	20,500	20,500	13,974	6,526
Capital outlay	5,550	5,550	3,556	1,994
<b>Total expenditures</b>	<u>26,050</u>	<u>26,050</u>	<u>17,530</u>	<u>8,520</u>
<b>Net change in fund balance</b>			<u>11,119</u>	<u>11,119</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			(586)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 10,533</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 17,148	\$ 17,148	\$ 17,148	\$
Miscellaneous	500	500	640	140
Interest income	500	500	264	(236)
<b>Total revenues</b>	<u>18,148</u>	<u>18,148</u>	<u>18,052</u>	<u>(96)</u>
<b>Expenditures:</b>				
Current -				
Public safety	18,148	18,148	17,181	967
Debt service -				
Principal	60,000	30,136	30,135	1
Interest and fees	1,775	752	752	
<b>Total expenditures</b>	<u>79,923</u>	<u>49,036</u>	<u>48,068</u>	<u>968</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(61,775)</u>	<u>(30,888)</u>	<u>(30,016)</u>	<u>872</u>
<b>Other financing sources (uses):</b>				
Transfers in	61,775	30,888	30,887	(1)
<b>Total other financing sources (uses)</b>	<u>61,775</u>	<u>30,888</u>	<u>30,887</u>	<u>(1)</u>
<b>Net change in fund balance</b>			<u>871</u>	<u>871</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			(200)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 671</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 7,918	\$ (2,082)
Interest income			122	122
<b>Total revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>8,040</u>	<u>(1,960)</u>
<b>Expenditures:</b>				
Current -				
Public safety	10,000	10,000	6,365	3,635
<b>Total expenditures</b>	<u>10,000</u>	<u>10,000</u>	<u>6,365</u>	<u>3,635</u>
<b>Net change in fund balance</b>			<u>1,675</u>	<u>1,675</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			(2,335)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (660)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Miscellaneous	\$ 500	\$ 11,328	\$ 11,336	\$ 8
Interest income	1,500	2,600	2,666	66
<b>Total revenues</b>	<u>2,000</u>	<u>13,928</u>	<u>14,002</u>	<u>74</u>
<b>Expenditures:</b>				
Current -				
General government	600	16,271	16,169	102
<b>Total expenditures</b>	<u>600</u>	<u>16,271</u>	<u>16,169</u>	<u>102</u>
<b>Net change in fund balance</b>	<u>1,400</u>	<u>(2,343)</u>	<u>(2,167)</u>	<u>176</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			(300)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (2,467)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 10,971	\$ 19,480	\$ 6,059	\$ (13,421)
Federal grants	2,666	2,666	2,660	(6)
<b>Total revenues</b>	<u>13,637</u>	<u>22,146</u>	<u>8,719</u>	<u>(13,427)</u>
<b>Expenditures:</b>				
Current -				
Culture and recreation	13,637	22,717	14,230	8,487
<b>Total expenditures</b>	<u>13,637</u>	<u>22,717</u>	<u>14,230</u>	<u>8,487</u>
<b>Net change in fund balance</b>		<u>(571)</u>	(5,511)	<u>(4,940)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			8,841	
Expenditures accruals			597	
Change in fund balance for fund budgeted separately for the General Fund			(3,927)	
<b>Change in fund balance - GAAP basis</b>			<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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Gross receipts taxes	\$ 73,548	\$ 73,548	\$ 71,209	\$ (2,339)
State grants	100,000	135,002	35,002	(100,000)
Interest income	100	100	597	497
<b>Total revenues</b>	<u>173,648</u>	<u>208,650</u>	<u>106,808</u>	<u>(101,842)</u>
<b>Expenditures:</b>				
Current -				
General government	178,700	178,700	78,278	100,422
Capital outlay	100,000	117,502	17,500	100,002
<b>Total expenditures</b>	<u>278,700</u>	<u>296,202</u>	<u>95,778</u>	<u>200,424</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(105,052)</u>	<u>(87,552)</u>	<u>11,030</u>	<u>98,582</u>
<b>Other financing sources (uses):</b>				
Transfers in	13,548	13,560	13,559	(1)
<b>Total other financing sources (uses)</b>	<u>13,548</u>	<u>13,560</u>	<u>13,559</u>	<u>(1)</u>
<b>Net change in fund balance</b>	<u>(91,504)</u>	<u>(73,992)</u>	<u>24,589</u>	<u>98,581</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(17,773)	
Expenditures accruals			3,747	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 10,563</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$ 50	\$ 50	\$ 132	\$ 82
<b>Total revenues</b>	50	50	132	82
<b>Net change in fund balance</b>	50	50	132	82
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance for fund budgeted separately for the General Fund			(132)	
<b>Change in fund balance - GAAP basis</b>			\$	

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Fines and forfeitures	\$	\$ 79,338	\$ 79,337	\$ (1)
Interest income	100	175	175	
<b>Total revenues</b>	<u>100</u>	<u>79,513</u>	<u>79,512</u>	<u>(1)</u>
<b>Expenditures:</b>				
Current -				
Public safety	1,000	2,000	617	1,383
Capital outlay		35,000	24,447	10,553
<b>Total expenditures</b>	<u>1,000</u>	<u>37,000</u>	<u>25,064</u>	<u>11,936</u>
<b>Net change in fund balance</b>	<u>(900)</u>	<u>42,513</u>	54,448	<u>11,935</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(52,076)	
Expenditures accruals			(5,194)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (2,822)</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, 2013

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

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Federal grants		\$ 2,995	\$ 2,995	
<b>Total revenues</b>		<u>2,995</u>	<u>2,995</u>	
<b>Expenditures:</b>				
Current -				
Public safety		2,995	2,995	
<b>Total expenditures</b>		<u>2,995</u>	<u>2,995</u>	
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Federal Grants	\$ 36,922	\$ 75,496	\$ 68,525	\$ (6,971)
<b>Total revenues</b>	<u>36,922</u>	<u>75,496</u>	<u>68,525</u>	<u>(6,971)</u>
<b>Expenditures:</b>				
Current -				
Public safety	32,500	71,074	71,070	4
<b>Total expenditures</b>	<u>32,500</u>	<u>71,074</u>	<u>71,070</u>	<u>4</u>
<b>Net change in fund balance</b>	<u>4,422</u>	<u>4,422</u>	(2,545)	<u>(6,967)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(8,182)	
Expenditures accruals			6,070	
<b>Change in fund balance - GAAP basis</b>			<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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Federal grants	\$ 64,695	\$ 64,695	\$ 50,244	\$ (14,451)
<b>Total revenues</b>	<u>64,695</u>	<u>64,695</u>	<u>50,244</u>	<u>(14,451)</u>
<b>Expenditures:</b>				
Current -				
Public safety	45,247	45,247	42,125	3,122
<b>Total expenditures</b>	<u>45,247</u>	<u>45,247</u>	<u>42,125</u>	<u>3,122</u>
<b>Net change in fund balance</b>	<u>19,448</u>	<u>19,448</u>	8,119	<u>(11,329)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			<u>(8,119)</u>	
<b>Change in fund balance - GAAP basis</b>			<u>\$</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Other financing sources (uses):</b>				
Transfers in	\$ 7,050	\$ 7,050	\$ 7,048	\$ (2)
Transfers out	(7,050)	(7,050)	(7,048)	2
<b>Total other financing sources (uses)</b>				
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
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 - ARRA 2ND STREET PROJECT  
 YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Federal grants	\$ 9,825	\$ 9,825	\$ 9,825	\$ _____
<b>Total revenues</b>	9,825	9,825	9,825	_____
<b>Net change in fund balance</b>	9,825	9,825	9,825	_____
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(9,825)	
<b>Change in fund balance - GAAP basis</b>			\$ _____	

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Federal grants	\$ 24,430	\$ 24,430	\$ 24,430	\$ _____
<b>Total revenues</b>	<u>24,430</u>	<u>24,430</u>	<u>24,430</u>	<u>_____</u>
<b>Net change in fund balance</b>	<u>24,430</u>	<u>24,430</u>	24,430	<u>_____</u>
<b>Reconciliation to GAAP basis:</b>				
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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues:</b>				
Federal grants	\$ 57,017	\$ 57,017	\$ 54,334	\$ (2,683)
<b>Total revenues</b>	<u>57,017</u>	<u>57,017</u>	<u>54,334</u>	<u>(2,683)</u>
<b>Net change in fund balance</b>	<u>57,017</u>	<u>57,017</u>	54,334	<u>(2,683)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			<u>(14,377)</u>	
<b>Change in fund balance - GAAP basis</b>			<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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 3,725	\$ 8,445	\$ 8,445	\$
<b>Total revenues</b>	<u>3,725</u>	<u>8,445</u>	<u>8,445</u>	
<b>Expenditures:</b>				
Capital outlay		5,218	5,218	
<b>Total expenditures</b>		<u>5,218</u>	<u>5,218</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,725</u>	<u>3,227</u>	<u>3,227</u>	
<b>Other financing sources (uses):</b>				
Transfers in		500	498	(2)
<b>Total other financing sources (uses)</b>		<u>500</u>	<u>498</u>	<u>(2)</u>
<b>Net change in fund balance</b>	<u>3,725</u>	<u>3,727</u>	<u>3,725</u>	<u>(2)</u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance for fund budgeted separately for the General Fund			<u>(3,725)</u>	
<b>Change in fund balance - GAAP basis</b>			<u>\$</u>	

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## DEBT SERVICE FUNDS

**NMFA Loan – Fire Equipment** – to account for transfers from the Fire Fund of State Fire Protection Funds to repay New Mexico Finance Authority.

**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 revenue bond. The City has pledged future waste water revenues to repay the bond.

**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** – 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 Recovery and Reinvestment Act Grants for the CWSRF Project.

**NMFA-WTB Fire Restoration** – to accumulate monies for the repayment of the loan received from NMFA. The City has pledged net revenues of the Water and Sewer Fund. The City authorized the issuance pursuant to City Resolution No. 2012-47 adopted on November 27, 2012.



**NMFA Loan – Police Vehicles** - to accumulate monies for the repayment of the loan received from NMFA. The City has pledged Law Enforcement Protection Fund revenues received from the State pursuant to Section 29-13-6, NMSA 1978. The City authorized the issuance pursuant to Resolution No. 2012-48, adopted on December 11, 2012.

**NMFA Loan – Solid Waste** - to accumulate monies for the repayment of the loan received from NMFA. The City has pledged net revenues of the Sanitation Fund. The City authorized the issuance pursuant to City Ordinance No. 982 adopted on April 23, 2013.

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS  
JUNE 30, 2013**

	<u>NMFA Loan - Fire Equipment</u>	<u>NMFA Loan - Welcome Center</u>	<u>Wastewater Treatment</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 9	\$ 57,774	\$ 580,169
<b>Total assets</b>	<u>\$ 9</u>	<u>\$ 57,774</u>	<u>\$ 580,169</u>
Fund balances:			
Restricted	\$ 9	\$ 57,774	\$ 580,169
<b>Total fund balances</b>	<u>9</u>	<u>57,774</u>	<u>580,169</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9</u>	<u>\$ 57,774</u>	<u>\$ 580,169</u>

<u>Recreation Center</u>	<u>Aquatic Center</u>	<u>NMFA Loan - Police Vehicles</u>	<u>NMFA Loan - Solid Waste</u>	<u>Totals</u>
\$ 260,175	\$ 230,612	\$ 1	\$ 104,076	\$ 1,232,816
<u>\$ 260,175</u>	<u>\$ 230,612</u>	<u>\$ 1</u>	<u>\$ 104,076</u>	<u>\$ 1,232,816</u>
\$ 260,175	\$ 230,612	\$ 1	\$ 104,076	\$ 1,232,816
<u>260,175</u>	<u>230,612</u>	<u>1</u>	<u>104,076</u>	<u>1,232,816</u>
<u>\$ 260,175</u>	<u>\$ 230,612</u>	<u>\$ 1</u>	<u>\$ 104,076</u>	<u>\$ 1,232,816</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013**

	NMFA Loan - Fire Equipment	NMFA Loan - Welcome Center	NMFA Loan - Landfill
<b>Revenues:</b>			
Interest income	\$ 9	\$ 176	\$ 11
<b>Total revenues</b>	<u>9</u>	<u>176</u>	<u>11</u>
<b>Expenditures:</b>			
Debt service -			
Principal	50,481	39,249	
Interest and fees	12,401	11,562	
<b>Total expenditures</b>	<u>62,882</u>	<u>50,811</u>	<u></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(62,873)</u>	<u>(50,635)</u>	<u>11</u>
<b>Other financing sources (uses):</b>			
Transfers in	62,879	50,746	
Transfers out			(13,559)
<b>Total other financing sources (uses):</b>	<u>62,879</u>	<u>50,746</u>	<u>(13,559)</u>
<b>Changes in fund balances</b>	<u>6</u>	<u>111</u>	<u>(13,548)</u>
<b>Fund balances, beginning of year</b>	3	57,663	13,548
<b>Fund balances, end of year</b>	<u>\$ 9</u>	<u>\$ 57,774</u>	<u>\$</u>

<u>Wastewater Treatment</u>	<u>Recreation Center</u>	<u>Aquatic Center</u>	<u>Water Trust Board</u>	<u>ARRA CWSRF</u>	<u>NMFA WTB Fire Restoration</u>
<u>\$ 1,179</u>	<u>\$ 745</u>	<u>\$ 803</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>1,179</u>	<u>745</u>	<u>803</u>			
36,000	96,679	60,000	7,242	4,838	8,552
127,951	121,084	114,200	109	2,210	425
<u>163,951</u>	<u>217,763</u>	<u>174,200</u>	<u>7,351</u>	<u>7,048</u>	<u>8,977</u>
<u>(162,772)</u>	<u>(217,018)</u>	<u>(173,397)</u>	<u>(7,351)</u>	<u>(7,048)</u>	<u>(8,977)</u>
254,313	208,992	172,981	7,351	7,048	8,977
<u>254,313</u>	<u>208,992</u>	<u>172,981</u>	<u>7,351</u>	<u>7,048</u>	<u>8,977</u>
91,541	(8,026)	(416)			
488,628	268,201	231,028			
<u>\$ 580,169</u>	<u>\$ 260,175</u>	<u>\$ 230,612</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(Continued)

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2013**

	NMFA Loan - Police Vehicles	NMFA Loan - Solid Waste	Totals
<b>Revenues:</b>			
Interest income	\$	29	\$ 2,952
<b>Total revenues</b>	<u>1</u>	<u>29</u>	<u>2,952</u>
<b>Expenditures:</b>			
Debt service -			
Principal			303,041
Interest and fees			389,942
<b>Total expenditures</b>			<u>692,983</u>
<b>Excess (deficiency) of revenues over expenditures</b>		29	(690,031)
<b>Other financing sources (uses):</b>			
Transfers in	1	104,047	877,335
Transfers out			(13,559)
<b>Total other financing sources (uses):</b>	<u>1</u>	<u>104,047</u>	<u>863,776</u>
<b>Changes in fund balances</b>	<u>1</u>	<u>104,076</u>	<u>173,745</u>
<b>Fund balances, beginning of year</b>			1,059,071
<b>Fund balances, end of year</b>	<u>\$ 1</u>	<u>\$ 104,076</u>	<u>\$ 1,232,816</u>

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$	\$	\$ 9	\$ 9
<b>Total revenues</b>			<u>9</u>	<u>9</u>
<b>Expenditures:</b>				
Debt service -				
Principal	50,481	50,481	50,481	
Interest and fees	12,402	12,402	12,401	1
<b>Total expenditures</b>	<u>62,883</u>	<u>62,883</u>	<u>62,882</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(62,883)</u>	<u>(62,883)</u>	<u>(62,873)</u>	<u>10</u>
<b>Other financing sources (uses):</b>				
Transfers in	62,883	62,883	62,879	(4)
<b>Total other financing sources (uses)</b>	<u>62,883</u>	<u>62,883</u>	<u>62,879</u>	<u>(4)</u>
<b>Net change in fund balance</b>			<u>6</u>	<u>6</u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u>\$ 6</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$ 150	\$ 150	\$ 176	\$ 26
<b>Total revenues</b>	<u>150</u>	<u>150</u>	<u>176</u>	<u>26</u>
<b>Expenditures:</b>				
Debt service -				
Principal	39,249	39,249	39,249	
Interest and fees	11,562	11,562	11,562	
<b>Total expenditures</b>	<u>50,811</u>	<u>50,811</u>	<u>50,811</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(50,661)</u>	<u>(50,661)</u>	<u>(50,635)</u>	<u>26</u>
<b>Other financing sources (uses):</b>				
Transfers in	50,811	50,811	50,746	(65)
<b>Total other financing sources (uses)</b>	<u>50,811</u>	<u>50,811</u>	<u>50,746</u>	<u>(65)</u>
<b>Net change in fund balance</b>	<u>150</u>	<u>150</u>	111	<u>(39)</u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u>\$ 111</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$	\$	\$ 11	\$ 11
<b>Total revenues</b>			11	11
<b>Excess (deficiency) of revenues over expenditures</b>			11	11
<b>Other financing sources (uses):</b>				
Transfers out	(13,548)	(13,560)	(13,559)	1
<b>Total other financing sources (uses)</b>	(13,548)	(13,560)	(13,559)	1
<b>Net change in fund balance</b>	(13,548)	(13,560)	(13,548)	12
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			\$ (13,548)	

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$	\$	\$ 1,179	\$ 1,179
<b>Total revenues</b>			1,179	1,179
<b>Expenditures:</b>				
Debt service -				
Principal	36,000	36,000	36,000	
Interest and fees	128,000	128,000	127,951	49
<b>Total expenditures</b>	164,000	164,000	163,951	49
<b>Excess (deficiency) of revenues over expenditures</b>	(164,000)	(164,000)	(162,772)	1,228
<b>Other financing sources (uses):</b>				
Transfers in	254,304	254,304	254,313	9
<b>Total other financing sources (uses)</b>	254,304	254,304	254,313	9
<b>Net change in fund balance</b>	90,304	90,304	91,541	1,237
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			\$ 91,541	

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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$ 750	\$ 750	\$ 745	\$ (5)
<b>Total revenues</b>	<u>750</u>	<u>750</u>	<u>745</u>	<u>(5)</u>
<b>Expenditures:</b>				
Debt service -				
Principal	96,679	96,679	96,679	
Interest and fees	112,273	112,273	112,271	2
<b>Total expenditures</b>	<u>208,952</u>	<u>208,952</u>	<u>208,950</u>	<u>2</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(208,202)</u>	<u>(208,202)</u>	<u>(208,205)</u>	<u>(3)</u>
<b>Other financing sources (uses):</b>				
Transfers in	208,951	208,992	208,992	
<b>Total other financing sources (uses)</b>	<u>208,951</u>	<u>208,992</u>	<u>208,992</u>	
<b>Net change in fund balance</b>	<u>749</u>	<u>790</u>	787	<u>(3)</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			(8,813)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (8,026)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$ 750	\$ 750	\$ 803	\$ 53
<b>Total revenues</b>	<u>750</u>	<u>750</u>	<u>803</u>	<u>53</u>
<b>Expenditures:</b>				
Debt service -				
Principal	60,000	60,000	60,000	
Interest and fees	114,200	114,200	114,200	
<b>Total expenditures</b>	<u>174,200</u>	<u>174,200</u>	<u>174,200</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(173,450)</u>	<u>(173,450)</u>	<u>(173,397)</u>	<u>53</u>
<b>Other financing sources (uses):</b>				
Transfers in	174,200	173,210	172,981	(229)
<b>Total other financing sources (uses)</b>	<u>174,200</u>	<u>173,210</u>	<u>172,981</u>	<u>(229)</u>
<b>Net change in fund balance</b>	<u>750</u>	<u>(240)</u>	(416)	<u>(176)</u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u>\$ (416)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Expenditures:</b>				
Debt service -				
Principal	\$ 7,242	\$ 7,242	\$ 7,242	\$
Interest and fees	110	110	109	1
<b>Total expenditures</b>	<u>7,352</u>	<u>7,352</u>	<u>7,351</u>	<u>1</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(7,352)</u>	<u>(7,352)</u>	<u>(7,351)</u>	<u>1</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>7,352</u>	<u>7,352</u>	<u>7,351</u>	<u>(1)</u>
<b>Total other financing sources (uses)</b>	<u>7,352</u>	<u>7,352</u>	<u>7,351</u>	<u>(1)</u>
<b>Net change in fund balance</b>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u><u>\$</u></u>	

STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - ARRA CWSRF  
YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Expenditures:</b>				
Debt service -				
Principal	\$ 4,839	\$ 4,839	\$ 4,838	\$ 1
Interest and fees	2,211	2,211	2,210	1
<b>Total expenditures</b>	<u>7,050</u>	<u>7,050</u>	<u>7,048</u>	<u>2</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(7,050)</u>	<u>(7,050)</u>	<u>(7,048)</u>	<u>2</u>
<b>Other financing sources (uses):</b>				
Transfers in	7,050	7,050	7,048	(2)
<b>Total other financing sources (uses)</b>	<u>7,050</u>	<u>7,050</u>	<u>7,048</u>	<u>(2)</u>
<b>Net change in fund balance</b>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u><u>\$</u></u>	

STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL -NMFA WTF FIRE RESTORATION  
YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Expenditures:</b>				
Debt service -				
Principal	\$	\$ 8,552	\$ 8,552	\$
Interest and fees		425	425	
<b>Total expenditures</b>		<u>8,977</u>	<u>8,977</u>	
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(8,977)</u>	<u>(8,977)</u>	
<b>Other financing sources (uses):</b>				
Transfers in		8,977	8,977	
<b>Total other financing sources (uses)</b>		<u>8,977</u>	<u>8,977</u>	
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
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 - NMFA LOAN - POLICE VEHICLES  
 YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Other financing sources (uses):</b>				
Transfers in	\$	\$	\$ 1	\$ 1
<b>Total other financing sources (uses)</b>			1	1
<b>Net change in fund balance</b>			1	1
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			\$ 1	



STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - NMFA LOAN - SOLID WASTE  
YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$	\$	29	\$ 29
<b>Total revenues</b>			29	29
<b>Excess (deficiency) of revenues over expenditures</b>			29	29
<b>Other financing sources (uses):</b>				
Transfers in			104,047	104,047
<b>Total other financing sources (uses)</b>			104,047	104,047
<b>Net change in fund balance</b>			104,076	104,076
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			\$ 104,076	

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## 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** – 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.

**Historic Buildings** – to account for funds 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.

**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.

**Sanitation Project** – to account for costs associated with purchase of solid waste equipment, construction of a new transfer station, and closure of the landfill. Funding is provided by the issuance of a \$1.0 million NMFA loan.

**STATE OF NEW MEXICO  
CITY OF RATON  
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2013**

	<u>2% Lodgers' Tax</u>	<u>Street Improvements</u>	<u>GRT Swim/Pool Recreation Center</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 41	\$ 135,827	\$ 1,544
Due from other governments		47,727	
Taxes receivable		27,578	
<b>Total assets</b>	<u>\$ 41</u>	<u>\$ 211,132</u>	<u>\$ 1,544</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 3,638	\$	\$
<b>Total liabilities</b>	<u>3,638</u>	<u></u>	<u></u>
Fund balances (deficits):			
Restricted		211,132	1,544
Unassigned	(3,597)		
<b>Total fund balances</b>	<u>(3,597)</u>	<u>211,132</u>	<u>1,544</u>
<b>Total liabilities and fund balances</b>	<u>\$ 41</u>	<u>\$ 211,132</u>	<u>\$ 1,544</u>

<u>Capital Improvements</u>	<u>Depot Improvement Projects</u>	<u>Sanitation Project</u>	<u>Totals</u>
\$ 44,478 45,795	\$ 80,573	\$ 924,580	\$ 1,187,043 93,522 27,578
<u>\$ 90,273</u>	<u>\$ 80,573</u>	<u>\$ 924,580</u>	<u>\$ 1,308,143</u>
\$ _____	\$ 80,573	\$ _____	\$ 84,211
_____	80,573	_____	84,211
90,273		924,580	1,227,529
_____	_____	_____	(3,597)
<u>90,273</u>	_____	<u>924,580</u>	<u>1,223,932</u>
<u>\$ 90,273</u>	<u>\$ 80,573</u>	<u>\$ 924,580</u>	<u>\$ 1,308,143</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, 2013**

	2% Lodgers' Tax	Street Improvements	GRT Swim/Pool Recreation Center
<b>Revenues:</b>			
Gross receipts taxes	\$	\$	\$
Other taxes		158,839	
State grants		47,727	9,530
Federal grants			
Interest income	78	364	
<b>Total revenues</b>	<u>78</u>	<u>206,930</u>	<u>9,530</u>
<b>Expenditures:</b>			
Current -			
General government			
Capital outlay	118,378	188,760	56,407
Debt service -			
Interest and fees			
<b>Total expenditures</b>	<u>118,378</u>	<u>188,760</u>	<u>56,407</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(118,300)</u>	<u>18,170</u>	<u>(46,877)</u>
<b>Other financing sources (uses):</b>			
Transfers in	185,108	76,233	
Transfers out	(81,597)		
Issuance of loans			
<b>Total other financing sources (uses):</b>	<u>103,511</u>	<u>76,233</u>	
<b>Changes in fund balances</b>	<u>(14,789)</u>	<u>94,403</u>	<u>(46,877)</u>
<b>Fund balances, beginning of year</b>	11,192	116,729	48,421
<b>Fund balances (deficits), end of year</b>	<u>\$ (3,597)</u>	<u>\$ 211,132</u>	<u>\$ 1,544</u>

<u>NMDOT Projects</u>	<u>Historic Buildings</u>	<u>Capital Improvements</u>	<u>Depot Improvement Projects</u>	<u>Sanitation Project</u>	<u>Totals</u>
\$	\$	\$ 284,405	\$	\$	\$ 284,405
	5,233		189,084		158,839
		416	6,540		251,574
	<u>5,233</u>	<u>284,821</u>	<u>195,624</u>		<u>702,216</u>
		5,949			5,949
283,315	13,044		210,621		870,525
				7,773	7,773
<u>283,315</u>	<u>13,044</u>	<u>5,949</u>	<u>210,621</u>	<u>7,773</u>	<u>884,247</u>
<u>(283,315)</u>	<u>(7,811)</u>	<u>278,872</u>	<u>(14,997)</u>	<u>(7,773)</u>	<u>(182,031)</u>
19,296	7,811	113,661	14,997		417,106
(16,204)		(381,973)		(104,047)	(583,821)
				1,036,400	1,036,400
<u>3,092</u>	<u>7,811</u>	<u>(268,312)</u>	<u>14,997</u>	<u>932,353</u>	<u>869,685</u>
<u>(280,223)</u>		<u>10,560</u>		<u>924,580</u>	<u>687,654</u>
280,223		79,713			536,278
<u>\$</u>	<u>\$</u>	<u>\$ 90,273</u>	<u>\$</u>	<u>\$ 924,580</u>	<u>\$ 1,223,932</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Interest income	\$ 50	\$ 50	\$ 78	\$ 28
<b>Total revenues</b>	<u>50</u>	<u>50</u>	<u>78</u>	<u>28</u>
<b>Expenditures:</b>				
Capital outlay	87,765	124,622	118,653	5,969
<b>Total expenditures</b>	<u>87,765</u>	<u>124,622</u>	<u>118,653</u>	<u>5,969</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(87,715)</u>	<u>(124,572)</u>	<u>(118,575)</u>	<u>5,997</u>
<b>Other financing sources (uses):</b>				
Transfers in	170,000	192,000	185,108	(6,892)
Transfers out	(82,811)	(82,811)	(81,597)	1,214
<b>Total other financing sources (uses)</b>	<u>87,189</u>	<u>109,189</u>	<u>103,511</u>	<u>(5,678)</u>
<b>Net change in fund balance</b>	<u>(526)</u>	<u>(15,383)</u>	<u>(15,064)</u>	<u>319</u>
<b>Reconciliation to GAAP basis:</b>				
Expenditures accruals			275	
<b>Change in fund balance - GAAP basis</b>			<u>\$ (14,789)</u>	



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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Other taxes	\$ 200,000	\$ 200,000	\$ 158,677	\$ (41,323)
State grants	86,124	131,720		(131,720)
Miscellaneous		60,029	60,029	
Interest income	100	100	364	264
<b>Total revenues</b>	<u>286,224</u>	<u>391,849</u>	<u>219,070</u>	<u>(172,779)</u>
<b>Expenditures:</b>				
Capital outlay	63,636	208,674	188,760	19,914
<b>Total expenditures</b>	<u>63,636</u>	<u>208,674</u>	<u>188,760</u>	<u>19,914</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>222,588</u>	<u>183,175</u>	<u>30,310</u>	<u>(152,865)</u>
<b>Other financing sources (uses):</b>				
Transfers in	21,531	21,531	16,204	(5,327)
Transfers out	(83,333)	(83,333)		83,333
<b>Total other financing sources (uses)</b>	<u>(61,802)</u>	<u>(61,802)</u>	<u>16,204</u>	<u>78,006</u>
<b>Net change in fund balance</b>	<u>160,786</u>	<u>121,373</u>	<u>46,514</u>	<u>(74,859)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			47,889	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 94,403</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$	\$ 9,531	\$ 9,530	\$ (1)
<b>Total revenues</b>		<u>9,531</u>	<u>9,530</u>	<u>(1)</u>
<b>Expenditures:</b>				
Capital outlay		56,408	56,407	1
<b>Total expenditures</b>		<u>56,408</u>	<u>56,407</u>	<u>1</u>
<b>Net change in fund balance</b>		<u>(46,877)</u>	<u>(46,877)</u>	
<b>Reconciliation to GAAP basis:</b>				
Change in fund balance - GAAP basis			<u>\$ (46,877)</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 530,210	\$ 530,210	\$ 280,210	\$ (250,000)
Miscellaneous			19,296	19,296
<b>Total revenues</b>	<u>530,210</u>	<u>530,210</u>	<u>299,506</u>	<u>(230,704)</u>
<b>Expenditures:</b>				
Capital outlay	592,012	592,012	283,315	308,697
<b>Total expenditures</b>	<u>592,012</u>	<u>592,012</u>	<u>283,315</u>	<u>308,697</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(61,802)</u>	<u>(61,802)</u>	<u>16,191</u>	<u>77,993</u>
<b>Other financing sources (uses):</b>				
Transfers in	83,333	83,333		(83,333)
Transfers out	(21,531)	(21,531)	(16,204)	5,327
<b>Total other financing sources (uses)</b>	<u>61,802</u>	<u>61,802</u>	<u>(16,204)</u>	<u>(78,006)</u>
<b>Net change in fund balance</b>	<u><u>          </u></u>	<u><u>          </u></u>	<u>(13)</u>	<u>(13)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(280,210)	
<b>Change in fund balance - GAAP basis</b>			<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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$	\$ 7,096	\$ 5,233	\$ (1,863)
<b>Total revenues</b>		<u>7,096</u>	<u>5,233</u>	<u>(1,863)</u>
<b>Expenditures:</b>				
Capital outlay		14,907	13,044	1,863
<b>Total expenditures</b>		<u>14,907</u>	<u>13,044</u>	<u>1,863</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(7,811)</u>	<u>(7,811)</u>	
<b>Other financing sources (uses):</b>				
Transfers in		7,811	7,811	
<b>Total other financing sources (uses)</b>		<u>7,811</u>	<u>7,811</u>	
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
Gross receipts taxes	\$ 294,490	\$ 294,490	\$ 285,543	\$ (8,947)
Interest income	100	100	416	316
<b>Total revenues</b>	<u>294,590</u>	<u>294,590</u>	<u>285,959</u>	<u>(8,631)</u>
<b>Expenditures:</b>				
Current -				
General government	5,000	5,949	5,949	
<b>Total expenditures</b>	<u>5,000</u>	<u>5,949</u>	<u>5,949</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	<u>289,590</u>	<u>288,641</u>	<u>280,010</u>	<u>(8,631)</u>
<b>Other financing sources (uses):</b>				
Transfers in	113,661	113,661	113,661	
Transfers out	(383,151)	(382,202)	(381,973)	229
<b>Total other financing sources (uses)</b>	<u>(269,490)</u>	<u>(268,541)</u>	<u>(268,312)</u>	<u>229</u>
<b>Net change in fund balance</b>	<u>20,100</u>	<u>20,100</u>	11,698	<u>(8,402)</u>
<b>Reconciliation to GAAP basis:</b>				
Revenue accruals			(1,138)	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 10,560</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, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>				
State grants	\$ 190,154	\$ 190,154	\$ 189,084	\$ (1,070)
Federal grants	1,179,049	1,179,049	6,540	(1,172,509)
<b>Total revenues</b>	<u>1,369,203</u>	<u>1,369,203</u>	<u>195,624</u>	<u>(1,173,579)</u>
<b>Expenditures:</b>				
Capital outlay	1,369,203	1,369,203	210,621	1,158,582
<b>Total expenditures</b>	<u>1,369,203</u>	<u>1,369,203</u>	<u>210,621</u>	<u>1,158,582</u>
<b>Excess (deficiency) of revenues over expenditures</b>			(14,997)	(14,997)
<b>Other financing sources (uses):</b>				
Transfers in		14,998	14,997	(1)
<b>Total other financing sources (uses)</b>		<u>14,998</u>	<u>14,997</u>	<u>(1)</u>
<b>Net change in fund balance</b>		<u>14,998</u>		<u>(14,998)</u>
<b>Reconciliation to GAAP basis:</b>				
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 - SANITATION PROJECT  
YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Non-GAAP Actual	Variance - Positive (Negative)
	<u>\$</u>	<u>\$</u>	\$	<u>\$</u>
<b>Net change in fund balance</b>				
<b>Reconciliation to GAAP basis:</b>				
Issuance of loans			1,036,400	
Expenditures accruals and transfers			<u>(111,820)</u>	
<b>Change in fund balance - GAAP basis</b>			<u>\$ 924,580</u>	

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## **AGENCY FUND**

**Municipal Court** – to account for court bonds held related to the municipal court system.

**STATE OF NEW MEXICO**  
**CITY OF RATON**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**YEAR ENDED JUNE 30, 2013**

	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>
<u>Assets</u>				
Cash and investments	\$ <u>9,252</u>	\$ <u>1,592</u>	\$ _____	\$ <u>10,844</u>
Total assets	\$ <u><u>9,252</u></u>	\$ <u><u>1,592</u></u>	\$ <u><u>_____</u></u>	\$ <u><u>10,844</u></u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>9,252</u>	\$ <u>1,592</u>	\$ _____	\$ <u>10,844</u>
Total liabilities	\$ <u><u>9,252</u></u>	\$ <u><u>1,592</u></u>	\$ <u><u>_____</u></u>	\$ <u><u>10,844</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF BANK ACCOUNTS  
JUNE 30, 2013**

Bank	Account Type	Type of Deposit	Total Deposits with Bank	Reconciling Items	Reconciled Balance
International Bank	Checking	Interest Bearing	\$ 779,914	\$ (138,428)	\$ 641,486
International Bank	Checking	Non- Interest Bearing	85,000	43,134	128,134
International Bank	Checking	Non-Interest Bearing	1,544		1,544
International Bank	Checking	Interest Bearing	1,578,121	(213,473)	1,364,648
International Bank	Checking	Non-Interest Bearing	25,000		25,000
International Bank	Checking	Non-Interest Bearing	10,000	(42,901)	(32,901)
International Bank	Checking	Interest Bearing	624,618	126,888	751,506
International Bank	Checking	Non-Interest Bearing	173,354	1,478	174,832
International Bank	Checking	Interest Bearing	385,622	19,715	405,337
International Bank	Checking	Interest Bearing	657,358	(171,611)	485,747
International Bank	Checking	Non-Interest Bearing	27,546	(27,546)	
International Bank	Checking	Non-Interest Bearing	8,046	44	8,090
International Bank	Checking	Interest Bearing	1,181	1,573	2,754
International Bank	Checking	Non-Interest Bearing	50,334		50,334
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	8,674		8,674
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	49,100		49,100
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	230,612		230,612
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	50,853		50,853
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	209,322		209,322
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	9		9
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	1		1
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	104,076		104,076
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	924,580		924,580
New Mexico State Investment Pool	State Treasurer LGIP	Interest Bearing	1,000,000		1,000,000
International Bank	Checking	Interest Bearing	265,523	(212,595)	52,928
International Bank	Checking	Interest Bearing	115,902	(2,523)	113,379
International Bank	Checking	Interest Bearing	116,481		116,481
International Bank	Checking	Interest Bearing	40,892		40,892
International Bank	Checking	Interest Bearing	768,971	(83,628)	685,343
International Bank	Checking	Non-Interest Bearing	22,798	(22,106)	692
International Bank	Checking	Non-Interest Bearing	973		973
International Bank	Checking	Non-Interest Bearing	397		397
International Bank	CD	Interest Bearing	151,262		151,262
International Bank	CD	Interest Bearing	97,785		97,785
International Bank	CD	Interest Bearing	829,982		829,982
International Bank	CD	Interest Bearing	368,425		368,425
The First National Bank of New Mexico	CD	Interest Bearing	489,916		489,916
The First National Bank of New Mexico	CD	Interest Bearing	615,924		615,924
The First National Bank of New Mexico	CD	Interest Bearing	332,715		332,715
Petty cash - City of Raton	Petty cash - City of Raton				640
			<u>11,202,811</u>	<u>(721,979)</u>	<u>10,481,472</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2013**

	International Bank	First National Bank of New Mexico	New Mexico State Treasurer's Investment Pool	Total
<b>Bank Accounts:</b>				
Checking accounts	\$ 5,739,575	\$	\$ 2,577,227	\$ 8,316,802
Certificates of deposit	1,447,454	1,438,555		2,886,009
Total amount of deposits	<u>7,187,029</u>	<u>1,438,555</u>	<u>2,577,227</u>	<u>11,202,811</u>
<b>Less: FDIC coverage</b>				
Total uninsured public funds	<u>250,000</u>	<u>250,000</u>		<u>500,000</u>
	<u>6,937,029</u>	<u>1,188,555</u>		<u>8,125,584</u>
<b>Collateral requirements (Per 6-10-10 &amp; 6-10-17, NMSA 1978):</b>				
50% of uninsured time and demand accounts	<u>3,468,515</u>	<u>594,278</u>		<u>4,062,792</u>
Total collateral required	<u>3,468,515</u>	<u>594,278</u>		<u>4,062,792</u>
<b>Pledged collateral:</b>				
FHLB, matures 6/2014, CUSIP 3133XKTV7	1,880,808			
FHLB, matures 6/2014, CUSIP 3133XKTV7	104,489			
FHLB, matures 6/2014, CUSIP 3133XKTV7	600,818			
FNMA, matures 8/2015, CUSIP 3136FPBB2	233,195			
FHLB, TORRANCE ETC CNTYS NM MUN SD 8, matures 7/1/2015, CUSIP 891400JS3		154,145		
FHLB, ROOSEVELT CNTY NM GROSS RECPTS, matures 6/1/2017, CUSIP 776461AL9		26,354		
FHLB, ROOSEVELT CNTY NM GROSS RECPTS, matures 6/1/2017, CUSIP 776461AL9		26,354		
FHLB, FNMA ARM - Pool # 729128, matures 11/1/2033, CUSIP 31402HA50		4,551		
FHLB, ROY NM SCH DIST NO 003, matures 10/1/2015, CUSIP 780040BB6		16,141		
FHLB, ROY NM SCH DIST NO 003, matures 10/1/2016, CUSIP 7800408C4		16,435		
FHLB, SPRINGER NM MUN SCH DIST NO 24, matures 7/15/2013, CUSIP 850395CA0		101,777		
FHLB, SPRINGER NM MUN SCH DIST NO 24, matures 7/15/2014, CUSIP 850395CB8		104,362		
FHLB, LOGAN NM SCH DIST NO 32, matures 4/17/2017, CUSIP 5410668A3		139,824		
FHLB, BELEN NM CONS SCD NO 002, matures 8/1/2014, CUSIP 077581NM4		242,202		
Total collateral	<u>2,819,310</u>	<u>832,145</u>		<u>3,651,455</u>
Over / (under) secured	<u>\$ (649,205)</u>	<u>\$ 237,867</u>	<u>\$</u>	<u>\$ (411,337)</u>
<b>Custodial Credit Risk:</b>				
Insured	\$ 250,000	\$ 250,000	\$	\$ 500,000
Collateralized with securities held by pledging financial institution's trust department	2,819,310	832,145		3,651,455
Uninsured and uncollateralized	4,117,719	356,410	2,577,227	7,051,356
Total deposits	<u>\$ 7,187,029</u>	<u>\$ 1,438,555</u>	<u>\$ 2,577,227</u>	<u>\$ 11,202,811</u>
<b>Location of collateral:</b>				
Federal Reserve Bank, Boston, MA				
Federal Home Loan Bank, Dallas, TX				

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**SINGLE AUDIT SECTION**

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

Independent Auditor's Report

Mr. Hector H. Balderas  
New Mexico State Auditor

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

We have audited, 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, 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, the budgetary comparison for the general 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, 2013, and the related notes to the financial statements and have issued our report thereon dated February 14, 2014. 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. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 costs as items 02-01, 07-1, 10-01 and 2013-001 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-2, 10-04, 12-01 and 2013-002 to be significant deficiencies. For the component units, we consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-02(RPS) and 2013-1 (RPS) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Raton, New Mexico's financial statements are free from 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, 12-01, 2013-001, 2013-002, 2013-003, 04-05 (RPS) and 2013-1 (Housing Authority).

#### City of Raton, New Mexico's Response to Findings

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. City of Raton, New Mexico's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

#### Purpose of this Report

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



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

February 14, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Mr. Hector H. Balderas  
New Mexico State Auditor

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

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

We have audited the City of Raton, New Mexico'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 each of City of Raton, New Mexico's major federal programs for the year ended June 30, 2013. City of Raton, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Raton, New Mexico's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 City of Raton, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, City of Raton, New Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, 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 and SA 12-02. Our opinion on each major federal program is not modified with respect to these matters.

City of Raton, New Mexico's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Raton, New Mexico's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items SA 09-4 and SA 12-02 that we consider to be significant deficiencies.

City of Raton, New Mexico's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Raton, New Mexico's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Heinfeld, Meech & Co., P.C.*

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

February 14, 2014

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

<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>
<b><u>U.S. Department of Transportation</u></b>				
Direct programs:				
Airport Improvement Program	20.106	N/A		\$ 3,138,349
Highway Planning and Construction	20.205	N/A		<u>6,540</u>
<b>Total U.S. Department of Transportation</b>				<u>3,144,889</u>
<b><u>U.S. Department of Justice</u></b>				
Direct programs:				
Asset Forfeiture Program	16.922	N/A		25,063
JAG Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 2,995	
Edward Byrne Memorial Justice Assistance Grant (JAG) Program, Recovery Act	16.804	N/A	<u>42,125</u>	
Total JAG Program Cluster				45,120
Passed through NM Children, Youth and Families Department:				
Juvenile Accountability Block Grants	16.523	11-690-16389		<u>65,000</u>
<b>Total U.S. Department of Justice</b>				<u>135,183</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,280,072</u>	

**STATE OF NEW MEXICO  
CITY OF RATON  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

**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 2013 *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	\$ 3,280,072
Total expenditures funded by other sources	<u>7,275,779</u>
Total expenditures	<u>\$ 10,555,851</u>

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**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: Unmodified

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, 2013**

**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)

CRITERIA

GASB 34 requires governments to report general infrastructure assets in the Statement of Net Position. 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. The results of the physical inventory should be reconciled to the general ledger.

CONDITION/CONTEXT

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.
- The results of the physical inventory taken in 2013 by an outside firm did not agree to the amounts posted in the general ledger for capital assets.
- Depreciation expense was not always calculated by individual depreciable assets based on estimated useful lives.
- 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.

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, 2013**

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

**Reference Number:** 02-01 (Concl'd)

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City of Raton contracted with a consultant to perform a physical inventory of the City's assets in September 2012, however due to the resignation of the City Manager and City Clerk/Treasurer the City had to redirect its efforts to replacing those positions and was unable to complete its implementation of the internal control system to ensure an accurate capital asset inventory. The City of Raton has made this a top priority and will be contracting with the consultant again to perform the annual physical inventory and to provide training in an effort to resolve this finding prior to the fiscal year 2014 audit.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 07-1

**Type of Finding:** Material Weakness

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

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.

CONDITION/CONTEXT

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, which is GAAP for enterprise funds.

In addition, the City has not posted audit adjustments from prior years resulting in stale balances that do not agree to subsidiary ledgers.

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 the 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. We also recommend that audit adjustments are posted to the general ledger, and reviewed to ensure the trial balance agrees to the audit report. Additionally, we recommend maintaining and training financial staff.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Raton will receive additional training in order to provide the necessary accrual entries to convert the trial balances to the modified accrual basis for governmental fund types and full accrual basis for the enterprise fund which will ensure proper compliance with generally accepted accounting principles. Raton Water Works has 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 full accrual basis for the enterprise fund. Training has been conducted and additional staff training will continue as we strive to resolve this issue.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**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)

**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.

**CONDITION/CONTEXT**

During review of bank reconciliations, we noted 46 checks dated prior to June 30, 2012. The total amount of the checks was \$23,661.

**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 and that all stale dated checks are reclassified as liabilities and escheated to the state when required.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City of Raton concurs with the recommendation and will implement a procedure to monitor and research all outstanding checks and follow up with vendors in order to reissue payment or reclassify as liabilities and escheat to the state if unable to contact vendor.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 10-01

**Type of Finding:** Material Weakness

**Description:** Internal Controls over the Disbursements Cycle (City)

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 include controls to ensure expenditures are recorded in the proper fiscal year.

Per 13-1-77 NMSA 1978 a purchase order is a 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.

CONDITION/CONTEXT

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

- The City recorded four disbursements for goods or services received prior to June 30, 2013 in the general ledger as expenditures of fiscal year 2014. These disbursements totaled \$481,789.
- For two of 50 disbursements tested, we noted the purchase order was issued subsequent to the receipt of goods or services. These disbursements totaled \$639.
- For one disbursement tested for \$18,314, we noted no purchase order was issued.
- For one of ten credit card transactions reviewed for \$66, a receipt was not maintained to support the purchase.

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. The City may also be spending funds that are not budgeted for and available. Additionally, audit adjustments were necessary to properly state the financial statements.

CAUSE

Management did not have procedures in place to ensure that internal controls 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, approved for propriety and recorded in the correct fiscal year. 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, 2013**

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

**Reference Number:** 10-01 (Concl'd)

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City of Raton adopted a new procurement policy and procedure November 13, 2012. Due to turnover of staff in various departments the City of Raton will conduct annual procurement training for all staff and department heads to ensure compliance with the City's procurement policy. The City of Raton will review its processes and strengthen its internal controls and procedures over the disbursements cycle to ensure that purchase orders are properly prepared and approved before goods and/or services are procured. Internal controls and segregation of duties will be strengthened. The City of Raton will also implement the purchase order module available with the INCODE accounting software that will assist in the issuance and proper approval and tracking of all purchase orders and allow the City to account for encumbered funds.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**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)

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.

CONDITION/CONTEXT

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:

- For three of five vendors with whom purchases in the small purchase threshold were made, no quotes were obtained.
- We noted two vendors that received more than \$50,000 in FY13. 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.

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Raton adopted a new procurement policy and procedure November 13, 2012. Due to turnover in staff management, we will require all Department Heads to attend training on the policy to ensure that proper procurement for all purchases of goods and services is followed. Management will also be responsible for monitoring and enforcing this policy.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 12-01

**Type of Finding:** Significant Deficiency, Noncompliance

**Description:** Internal Controls over Bank Accounts (City)

CRITERIA

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

Per 6-10-10 and 6-10-17, NMSA 1978, the City is required to have at least 50 percent of non-federally insured monies collateralized.

CONDITION/CONTEXT

The Municipal Court bank accounts were not properly reconciled at year end for a total variance of (\$1,617) from the reconciled balance to the book balance. Also, the payroll clearing bank account was not reconciled timely. Fiscal year 2013 activity was not reconciled until September 2013. In addition, the City did not have adequate collateral for bank accounts, and were under collateralized by \$411,337.

EFFECT

Errors or defalcations may not be detected in a timely and the general ledger balances may be inaccurate. Balances may be exposed to custodial credit risk.

CAUSE

Several bank accounts were not reconciled timely due to turnover in staff and inadequate training.

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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

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 ensure that sufficient time is dedicated to properly reconcile all bank accounts and post necessary adjustments with a second reviewer. The City of Raton will also cross train additional staff to assist with these duties.



**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 2013-001

**Type of Finding:** Material Weakness, Noncompliance

**Description:** Late Audit Report (City and Raton Water Works)

CRITERIA

Subsection A of 2.2.2.9 NMAC states that the audit report due date for municipalities is December 1 of the subsequent fiscal year.

CONDITION/CONTEXT

The City submitted the financial statements for fiscal year 2012-13 in February 2014.

EFFECT

The users of the City's financial statements, including the Office of the State Auditor, legislators, creditors, and others, did not have timely audit reports and financial statements available for their review. In addition, due to the late timing of the report, it will be more difficult for management to correct deficiencies that resulted in audit findings.

CAUSE

The City required more time to compile capital asset information.

RECOMMENDATION

The City should ensure that all elements necessary to complete the financial audit are completed in a timely manner.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Raton was unable to compile the necessary capital asset information prior to the deadline of the audit. The City of Raton understands the importance of having a timely audit available for the State Auditor, legislators and other users. The City will ensure in the future that all elements necessary to complete the financial audit are completed in a timely manner.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 2013-002

**Type of Finding:** Significant Deficiency, Noncompliance

**Description:** Compensated Absences, Social Security Benefit Entitlement Statement

**CRITERIA**

Policies and procedures should be maintained to ensure proper accounting for compensated absences accruals. Additionally, the Social Security Administration requires all state and local government employees to disclose to all new employees the fact that their job is not covered by social security if they were hired for a position not covered by social security. These employees must sign a statement that they are aware of a possible reduction in their future Social Security benefit entitlement.

**CONDITION/CONTEXT**

Calculations of accruals for compensated leave did not include employees who were no longer working for the City, therefore total liabilities were understated by \$27,890. In addition, hours accrued from compensated leave were not reconciled to the prior year. Finally, employees whose positions are not covered by social security are notified during the orientation process; however, a written statement of acknowledgment was not obtained.

**EFFECT**

Audit adjustments were necessary to properly state compensated leave liabilities. Additionally, the City was not in compliance with Social Security Administration regulations.

**CAUSE**

The errors and omissions made on the compensated absences accruals was an oversight by City staff responsible for compiling the report. Additionally, City staff was not aware of the Social Security notification requirements to employees hired in positions not covered by social security.

**RECOMMENDATION**

Adequate procedures should be in place to ensure that a misstatement of compensated leave balances does not occur. Additionally, the City should ensure the Form SS-1945 "Statement Concerning Your Employment in a Job Not Covered by Social Security" is completed for all applicable city positions to ensure compliance.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

City staff responsible for compiling the report was made aware of the errors and omissions so that corrections could be made to ensure that misstatement of compensated leave balances does not occur next year. Additionally, the City of Raton will provide its Human Resources department with the Form SS-1945 "Statement Concerning Your Employment in a Job Not Covered by Social Security" and will implement the form for all applicable City positions to ensure compliance with the Social Security regulations.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 2013-003

**Type of Finding:** Other Matter

**Description:** Contractual Agreements

**CRITERIA**

*Government Auditing Standards 4.03* require that auditors communicate pertinent information that in the auditors' professional judgment needs to be communicated to individuals contracting for or requesting the audit, and to cognizant legislative committees when auditors perform the audit pursuant to a law or regulation, or they conduct the work for the legislative committee that has oversight of the audited entity.

**CONDITION/CONTEXT**

In October 2012, the City entered into a five year employment agreement with the former City Manager. This agreement included a termination clause that the City Manager would receive a severance amount for the total value of the City Manager's monthly salary on the effective date of termination, multiplied by certain factors depending on the remaining months under the unexpired term. The former City Manager resigned in March 2013, and per the terms of the agreement, the City was not obligated to pay and did not pay any severance amounts. At the time of the City Manager's resignation, the calculated severance amount would have been \$453,750.

**EFFECT**

Although the City did not pay the severance, the terms of the contractual agreement were not fiscally sound and placed the City at risk of wasting public resources.

**CAUSE**

The City did not have a policy and procedure in place to ensure that the contract was reviewed by the City Attorney and to ensure that the contract was fiscally sound.

**RECOMMENDATION**

The City should adopt policies and procedures to ensure that contracts are reviewed and deemed to be fiscally sound.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City of Raton will implement a policy and procedure requiring all contracts to be reviewed by the City Attorney prior to City Commission approval to ensure adequate contractual language exists that protects the City's interests and public resources.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 04-05 (RPS)

**Type of Finding:** Material Weakness, Noncompliance

**Description:** Capital Assets, Inventory

CRITERIA

Management is responsible for establishing and maintaining internal controls that require the reconciliation of subsidiary schedules to the trial balance at year end and the reconciliation of capital expenditures to capital asset additions. All costs of items on the inventory listing should be supported.

CONDITION/CONTEXT

1. At year end, the capital asset balances were not properly recorded on the RPS trial balance by \$299,601.
2. The labor component (approximately \$655,000) of a project completed during the fiscal year was not properly capitalized as part of the cost to put the asset into place.
3. For one of five inventory items reviewed, determined no records were retained to support the cost of the item on the inventory listing. The total value of this item was \$268.

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. Audit adjustments were necessary to properly state the financial statements.

CAUSE

Adequate training and resources have not been allocated to the area of capital assets. The finding regarding inventory was due to a clerical oversight.

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. Upon recommendation, the company promptly corrected the errors.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 04-05 (RPS) (Concl'd)

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

Having had a “capital assets” finding for many years, in fiscal year 2013, RPS completed a full asset inventory and implemented a Fixed Asset Management Program that successfully resolves this finding. Unfortunately, owing to the age of some of the items in our inventory (from 1955 and 1963, for example), we had to use estimated historical cost, rather than the original purchase orders. We would like it noted that the capital asset balances are now properly recorded on the RPS trial balance. Furthermore, the labor component (\$655,000) is now properly capitalized. Both of these issues were immediately resolved, within minutes, while the Auditors were on site.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 11-02 (RPS)

**Type of Finding:** Significant Deficiency

**Description:** Disbursement Cycle

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 prior to receipt of goods/services. Policies governing small dollar purchases should be followed. Goods and services received subsequent to year end should be reviewed for proper recording.

CONDITION/CONTEXT

RPS did not have adequate procedures and controls over the disbursement cycle. During our review we noted for two of 25 cash disbursements reviewed, a purchase order was created after the goods/services were received. The total value of these disbursements was \$5,186. In addition, for three of five purchases reviewed, three quotes were not obtained. The total value for these purchases was \$29,199. Lastly, for one of 21 fiscal year 2013-14 expenses reviewed, an expense of \$118,340 was paid for in fiscal year 2013-14; however, the goods and services were received prior to June 30, 2013.

EFFECT

Improper cash disbursements could be processed, as well as cash disbursements could be made in the incorrect fiscal year.

CAUSE

Management did not always ensure that procedures over the accounts payable and procurement 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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

RPS has an accounting policy in place that should appropriately cover these necessary controls. Management will ensure this policy is followed closely. Management will ensure that appropriate procedures are followed for all professional service agreements and, where needed, that sole source letters are approved by the Board. It should be noted that the \$118,340 was paid in July 2014 because although the item was delivered in the middle of June, the payment was not due until July 2014. This expense reporting has been corrected.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 2013-1 (RPS)

**Type of Finding:** Significant Deficiency

**Description:** Internal Controls

**CRITERIA**

Management is responsible for ensuring proper segregation of duties over cash handling procedures. Additionally, the entity should ensure sufficient controls are in place over recording long-term debt payments and removing stale dated line items from the financial statements at year end.

**CONDITION/CONTEXT**

Management did not have adequate segregation of duties over cash handling procedures. Further, the entity did not have procedures in place to reconcile outstanding loan balances to the trial balance. Lastly, stale dated accounting items on the trial balance were not disposed of in a timely manner.

**EFFECT**

Internal controls over accounting records and financial reporting and the trial balance were not adequate to ensure misstatements would be prevented.

**CAUSE**

The small size, limited resources and illnesses of staff contributed to difficulties in establishing proper segregation of duties and controls over year end trial balance preparation.

**RECOMMENDATION**

Proper segregation of duties should be implemented for cash handling procedures. Year end close out procedures should include a reconciliation between loan agreements and the amounts recorded on the financial statements. Lastly, management should design and implement effective internal control procedures to ensure the general ledger does not include stale dated accounts.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

RPS's current accounting policy had previously been deemed appropriate for cash handling procedures. However, that accounting policy will be immediately tweaked to include an additional segregation. Obviously, we only have a certain number of employees, so segregating every detail is difficult. But, management takes this on board and has already made the necessary changes.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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

**Reference Number:** 2013-1 (Raton Housing Authority)

**Type of Finding:** Noncompliance

**Description:** IPA Recommendation Form and Audit Contract

CRITERIA

Paragraph (6)(c) of Subsection G of 2.2.2.8 NMAC requires that component units of municipalities submit a completed IPA Recommendation Form and Audit Contract to the State Auditor by May 15.

CONDITION/CONTEXT

The State Auditor received the IPA Recommendation Form and Audit Contract on June 24, 2013 after the required due date of May 15, 2013.

EFFECT

The Housing Authority is not in compliance with state statute regarding submission of IPA Recommendation Form and Audit Contract.

CAUSE

The Housing Authority does not have a procedure to ensure that the IPA Recommendation Form and Audit Contracts are delivered to the State Auditor by the deadline.

RECOMMENDATION

We recommend that the Housing Authority implement a procedure to ensure that future Recommendation Forms and Audit Contracts are delivered to the State Auditor by the prescribed deadline.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Housing Authority will implement a procedure to ensure that future State Auditor deadlines regarding Recommendation Forms and Audit Contracts are met.



**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**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

**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.

**CONDITION/CONTEXT**

Equipment items acquired with federal program funds were not identified as such on the City's capital asset listing.

**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**

During construction of the capital asset database, the City's consultants did not identify the funding source used to acquire the assets.

**RECOMMENDATION**

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

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The City of Raton's new fixed asset database has the capability to identify assets purchased with federal funds however this information was not entered into the system during the inventory process. The City of Raton will review its fixed asset listing and identify and flag assets purchased with federal funds to ensure adequate tracking to comply with the requirements of various federal grant programs.

**STATE OF NEW MEXICO  
CITY OF RATON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**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:**

None

**Federal Agencies:**

U.S. Department of Transportation

**Applicable ARRA Programs:** None

**Questioned Costs:** None Noted

**Type of Finding:** Noncompliance, Significant Deficiency

**Compliance Requirement:** Davis Bacon

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).

CONDITION/CONTEXT

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

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

City staff was inadequately trained and was not aware of this requirement.

RECOMMENDATION

The City should ensure contractors or subcontractors are submitting a copy of the payroll statement and statement of compliance for each week in which contract work is performed and that those statements are reviewed to ensure the proper documentation was provided. We recommend OMB Circular A-133 program and grant training for all personnel involved with federal grant programs to ensure compliance.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City of Raton concurs with the recommendation and will require that all staff involved with federal grant programs receive additional OMB Circular A-133 program and grant training to ensure compliance with the Davis-Bacon Act and DOL regulations.

**STATE OF NEW MEXICO  
CITY OF RATON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013**

**Status of Prior Year Findings**

<b>Finding Reference</b>	<b>Status</b>
<b>City of Raton</b>	
02-1: Capital Assets	Modified and repeated
07-1: Internal Controls over Financial Reporting	Modified and repeated
09-2: Stale Dated Checks	Modified and repeated
10-01: Internal Controls over the Disbursements Cycle	Modified and repeated
10-04: Procurement Policies and Procedures	Modified and repeated
12-01: Internal Controls over Bank Accounts	Modified and repeated.
<b>Raton Public Service Company</b>	
04-05: Capital Assets	Modified and Repeated
11-02: Disbursement Cycle	Modified and Repeated
<b>Raton Housing Authority</b>	
None	

**Status of Prior Year Federal Award Findings**

<b>City of Raton</b>	
09-4: Equipment – Additions, Physical Inventory, and Deletions	Modified and repeated
11-02: Late Data Collection Form	Resolved
12-02: Davis Bacon	Modified and repeated
12-03: Schedule of Expenditures of Federal Awards	Resolved

**STATE OF NEW MEXICO  
CITY OF RATON  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2013**

An exit conference was held on February 11, 2014, in a closed meeting, in which the contents of this report were discussed with the following.

**City of Raton, New Mexico**

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Bobby Ledoux, Mayor  
Butch McGowen, Interim City Manager  
Sandy Mantz, Commissioner  
Michael Anne Antonucci, Treasurer  
Dan Campbell, Raton Water Works  
Geneva Trujillo, Raton Water Works

**Raton Public Service Company**

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Sandy Chavez, Financial Officer  
Kathy McQueary, President, Board of Directors

**Raton Housing Authority**

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Terry Baca, Executive Director

**Heinfeld, Meech & Co., P.C.**

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Jill A. Shaw, CPA, Partner

**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.