

**HOUSING AUTHORITY
OF THE CITY OF RATON**

FINANCIAL STATEMENTS

JUNE 30, 2008

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HOUSING AUTHORITY OF THE CITY OF RATON

Official Roster
June 30, 2008

Board of Commissioners

Title

Robert Stoller
Margaret Evans
Mike Morgan
Pete Mileta
Gail Huffman

Chairperson
Vice Chairperson
Commissioner
Commissioner
Commissioner

Terry Baca
Don Flynn
Rita Flores

Program Coordinator
City Commissioner
Executive Director

Independent Auditors' Report

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

We have audited the accompanying basic financial statements of the Housing Authority of the City of Raton (Authority), a component unit of the City of Raton (City), as of and for the year ended June 30, 2008, including the budgetary statement as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the Authority. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2008, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and its changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, the financial statement referred to above presents fairly, in all material respects, the budgetary comparison for the year then ended in conformity with the budgetary basis required by the U.S. Department of Housing and Urban Development that is more fully described in Note 7 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 10 are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Albuquerque, New Mexico
November 24, 2008

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The management of Public Housing Authority of Raton, New Mexico presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2008. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$2,792,144 at the close of the fiscal year ended 2008.
 - Of this amount \$2,258,966 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$533,178 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 102% of the total operating expenses of \$721,843 for the fiscal year 2008, which means the Authority might be able to operate about 12.3 months using the unrestricted assets alone, which compares favorably with 11.5 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$66,139, a 1% change from the prior fiscal year 2007. This increase is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The increase in net assets of these funds was accompanied by a increase in unrestricted cash by \$35,413 from fiscal year 2007, primarily due to spending \$58,894 more for operations than Federal funds received for operations; spending \$77,584 less for capital assets than Federal capital grants received; and transferring \$40,126 of excess cash into investments
- The Authority spent \$20,292 on capital asset additions and \$210,841 on construction in progress during the current fiscal year.
- These changes led to a increase in total assets by \$27,459 and a decrease in total liabilities by \$38,680. As related measure of financial health, there are still over \$9.52 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$4.57 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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

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

USING THIS ANNUAL REPORT

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

- Low Rent Public Housing
- Public Housing Capital Fund Program

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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

Reporting the Housing Authority's Most Significant Funds

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

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

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$2,792,144 as of June 30, 2008. Of this amount, \$2,258,966 was invested in capital assets, and the remaining \$533,178 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
(Excluding Interfund Transfers)
As of June 30, 2008**

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets	\$ 636,238	\$ 648,104
Capital assets, net of depreciation	2,258,966	2,219,641
Total assets	<u>\$ 2,895,204</u>	<u>\$2,867,745</u>
LIABILITIES		
Current liabilities	\$ 103,060	\$ 141,740
Total liabilities	<u>103,060</u>	<u>141,740</u>

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

NET ASSETS

Invested in capital assets, net of depreciation	\$ 2,258,966	\$2,219,641
Net assets restricted	-	3,248
Unrestricted net assets	533,178	503,116
Total net assets	<u>2,792,144</u>	<u>2,726,005</u>
Total liabilities and net assets	<u>\$ 2,895,204</u>	<u>\$ 2,867,745</u>

The net assets of these funds increased by \$66,139, or by 2%, from those of fiscal year 2007, as explained below. In the narrative that follows, the detail factors causing this change are discussed.

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
(Excluding Interfund Transfers)
Fiscal Year Ended June 30,**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 191,983	\$ 175,187
Other tenant revenue	3,493	2,883
Total operating revenues	<u>195,476</u>	<u>178,070</u>
OPERATING EXPENSES		
Maintenance and repairs	240,587	241,723
Administration	198,697	204,949
Depreciation	196,608	159,163
General	57,359	54,603
Utilities	23,571	23,057
Extraordinary repairs	3,010	6,960
Tenant services	1,133	1,615
Total operating expenses	<u>720,965</u>	<u>692,070</u>
(Losses) from operations	<u>(525,489)</u>	<u>(514,000)</u>
NON-OPERATING REVENUES		
Federal grants for operations	295,339	265,788
Other non-tenant revenue	43,911	43,007
Interest income	17,021	16,134
Total Non-Operating Revenues	<u>356,271</u>	<u>324,929</u>
(Losses) after non-operating revenues and expenses	<u>(169,218)</u>	<u>(189,071)</u>

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

OTHER CHANGES IN NET ASSETS

Federal grants for capital expenditures	\$ 235,357	\$ 448,404
NET INCREASES IN NET ASSETS	66,139	259,333
NET ASSETS, beginning of fiscal year	2,726,005	2,466,672
NET ASSETS, end of fiscal year	<u>\$ 2,792,144</u>	<u>\$ 2,726,005</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$204,147, or by 21%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$265,896, or by 59% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2004 through 2007, and submitted a new grant during fiscal year 2009.
- Federal revenues from HUD for operations increased by \$41,675, or by 16% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Total tenant revenue increased by \$17,406 from that of the prior fiscal year, due to these major factors: Tenant rental revenues increased by \$16,796, or by 10%, because occupancy rates increased by 2%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$610, or by 21%.
- Total other non-operating revenue increased from that of the prior fiscal year their revenue increased by \$1,781, or by 4%, because the Authority received proceeds from casualty insurance claims, which are recorded as other income by the Authority in the year received.
- Interest income increased by \$887, or by 5% from that of the prior fiscal year.
- Interest income and Tenant revenues totaling \$212,497, did not change significantly from the prior to the current year.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Compared with the prior fiscal year, total operating and non-operating expenses increased \$29,773, or by 4%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Depreciation expense increased by \$38,155, or by 24% from that of the prior fiscal year, because there was an increase in capital assets by \$235,933.
- Maintenance and repairs decreased by \$7,846, or by 60% from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$6,549, or by 5%, however related employee benefit contributions decreased by \$5,060, or by 8%. Also, materials used decreased by \$5,049, or by 14%, and contract labor costs decreased by \$4,286, or by 21%. In addition, Extraordinary maintenance decreased by \$3,950, or by 57% from that of the prior fiscal year.
- General Expenses increased by \$2,756 or by 5% from that of the prior fiscal year, primarily because insurance premiums increased by \$1,976, or by 6%, since property and casualty insurance premiums increased. Also, payments in lieu of taxes (PILOT) increased by \$1,690, or by 11%. PILOT is calculated as a percentage of rent (which increased by 10%) minus utilities (which increased 2%), and therefore changed proportionately to the changes in each of these. Uncollectible rents from vacated units decreased by \$910, or by 22%, because these changed roughly proportional to rent, which increased by 10%.
- Utilities Expense increased by \$514, or by 2% from that of the prior fiscal year.
- Tenant Services decreased by \$482, or by 30% from that of the prior fiscal year.
- Administrative Expenses decreased by \$252 from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$4,839, or by 4%, however related employee benefit contributions decreased by \$5,039, or by 9%;. In addition, audit fees increased by \$1,282, or by 13%, accounting fees increased by \$5,433 legal fees increased by \$462; and total outside professional fees increased by 71%. Finally, staff travel reimbursements increased by \$3,840, but sundry expenses decreased by \$11,069, or by 41%; therefore, other staff administrative expense decreased by 37%.
- Tenant services, totaling \$1,133, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Housing Authority had a total cost of \$8,553,436 invested in a broad range of assets and construction in progress from projects funded in 2004 through 2007, listed below. This amount, not including depreciation, represents increases of \$235,933 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2008

	<u>2008</u>	<u>2007</u>
Buildings	\$ 1,518,190	\$ 1,124,429
Construction in progress	388,208	741,124
Land	253,436	253,436
Leasehold improvements	55,480	56,680
Furniture and equipment	43,652	43,972
Total	<u>\$ 2,218,241</u>	<u>\$ 2,219,641</u>

As of the end of the 2008 fiscal year, the Authority is still in the process of completing HUD grants of \$1,112,156 obtained during 2004 through 2007 fiscal years. A total remainder of \$152,278 will be received and spent for completing these projects during fiscal year 2009.

Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2009 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

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

HOUSING AUTHORITY OF THE CITY OF RATON
 STATEMENT OF NET ASSETS
 June 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$	102,998
Certificates of deposit		405,000
Grants receivable		40,456
Tenant accounts receivable		4,798
Accrued interest receivable		5,028
Inventory		14,844
Prepaid insurance		3,480

Total unrestricted current assets 576,604

Restricted Cash and Cash Equivalents

FSS escrow		29,534
Tenant deposits		30,100

Total restricted current assets 59,634

Total current assets 636,238

Capital assets not depreciated		641,644
Capital assets depreciated, net		1,617,322

Capital assets, net 2,258,966

Total assets \$ 2,895,204

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
 STATEMENT OF NET ASSETS (CONTINUED)
 June 30, 2008

LIABILITIES AND NET ASSETS

Current Liabilities, Payable From
 Unrestricted Assets
 Accounts payable

\$ 43,426

Total unrestricted current liabilities

43,426

Current Liabilities, Payable From
 Restricted Assets

FSS escrow

29,534

Tenant deposits

30,100

Total restricted current liabilities

59,634

Total current liabilities

103,060

Net Assets

Invested in capital assets

2,258,966

Restricted

-

Unrestricted

533,178

Total net assets

2,792,144

Total liabilities and net assets

\$ 2,895,204

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Operating Income	
Net tenant rental income	\$ 195,476
HUD operating grants	295,339
Other income	<u>43,911</u>
Total operating income	<u>534,726</u>
Operating Expenses	
Administrative	198,697
Tenant services	1,133
Utilities	23,571
Maintenance and repairs	243,597
General	57,359
Depreciation	<u>196,608</u>
Total operating expenses	<u>720,965</u>
Operating loss	<u>(186,239)</u>
Non-Operating Income (Expenses)	
Interest income	17,021
Non-operating HUD grant	<u>235,357</u>
Total non-operating income	<u>252,378</u>
Net income	66,139
Net assets, beginning of year	<u>2,726,005</u>
Net assets, end of year	<u><u>\$ 2,792,144</u></u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 301,760
Cash received from HUD for operations	295,339
Cash payments to and on behalf of employees	(355,406)
Cash payments to suppliers for goods and services	<u>(221,450)</u>
Net cash provided by operating activities	<u>20,243</u>
Cash Flows From Investing Activities	
Purchase of capital assets	(235,933)
HUD grants for purchase of capital assets	235,357
Purchase of certificates of deposit	8,782
Interest income	<u>17,021</u>
Net cash provided by investing activities	<u>25,227</u>
Net increase in cash and cash equivalents	45,470
Cash and cash equivalents, beginning of year	<u>117,162</u>
Cash and cash equivalents, end of year	<u><u>\$ 162,632</u></u>
Cash and cash equivalents	
Unrestricted cash	\$ 102,998
Restricted	<u>59,634</u>
	<u><u>\$ 162,632</u></u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2008

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (186,239)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation	196,608
Changes in assets and liabilities	
Accounts receivable	49,068
Prepays	(37)
Inventories	(477)
Accounts payable	(51,985)
Restricted assets	<u>13,305</u>
Net cash provided by operating activities	<u>\$ 20,243</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business. The primary goal of the Low Income Housing (LIH) program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by most other housing subsidy programs. The LIH program is administered by Public Housing agencies (PHA), which are organized and authorized in accordance with State Law to engage or assist in the development of operation of a LIH Program. The PHA is a local housing authority (LHA) governed by an appointed board of commissioners who employ an administrative staff headed by an executive director.

Reporting Entity. The Housing Authority of the City of Raton (Authority) combined statement of net assets includes the accounts of all of its operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations of the primary government's officials to appoint a voting majority of an organization's governing body and either the primary government is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to financial the deficits of, provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. The Authority is a component unit of the City of Raton. The Authority has no component units.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Accounting. The Authority is responsible for the fair presentation in the financial statements of the statement of net assets, and the related statements of activities and cash flows in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Measurement Focus, Basis of Accounting and Basis of Presentation. The accounts of the Authority organized on the basis of a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accounting and reporting for its proprietary operations, the Authority does not apply applicable FASB Statements and Interpretations issued after November 30, 1989. Proprietary funds include the following fund type:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *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 Authority's enterprise fund are tenant rental income and operating grants. Operating expenses for enterprise funds include the cost of operation, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The capitalization policy includes items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Interest incurred during construction was written off as an expense and not capitalized. Donated capital assets are valued at their estimated fair market value on the date they are donated. The capital assets of the Authority have been recorded at their historical cost.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building and structures	33 years
Leasehold improvements	15 years
Computers and software	3 years
Vehicles, furniture and equipment	5 years

Management Estimates and Assumptions. The accompanying financial statements include certain estimates and assumptions by management that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. Amounts reflected as "cash and cash equivalents" on the balance sheet include amounts on hand and in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Housing Authority. Certificates of deposits with financial institutions are stated at cost, which approximates their market value.

Accumulated Unpaid Vacation. Accrued compensated absences of Enterprise funds are normally recorded on their balance sheets. However, the Authority's policy is to use or lose vacation time by end of each fiscal year. Accordingly, there is no compensated absences liability recorded on the balance sheet. No liability has been recognized for sick pay as the Housing Authority does not provide for payment upon termination of employment and does not provide for payment or exchange in the future.

Inventory. Inventory consists of maintenance supplies and is valued at the lower of average cost or market.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

- a. Bonds or negotiable securities of the United States, the state or any county, municipality or town which has a taxable valuation of real property for the preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- b. Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government; or
- c. In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment.
- d. If the Authority is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on the United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the Authority may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978.

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's cash, cash equivalents and investments as of June 30, 2008, and during the year then ended, consisted of demand deposits and certificates of deposit at various financial institutions. Certificates of deposit have original maturities of six months to one year.

Custodial credit risk is the risk that in the event a bank failure, the government's deposits may not be returned. As of June 30, 2008, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	<u>Bank Balances</u>
FDIC Insured	\$ 463,869
Collateralized with securities held in financial institution's name	97,987
Uninsured and uncollateralized	<u>15,000</u>
	<u>\$ 576,856</u>

Deposits of the Authority's monies are to be collateralized in an aggregate equal to 50% of the deposits in excess of Federal Deposit Insurance Corporation Insurance coverage. The following schedules show the carrying amounts and bank balances, which are held by three banks.

	Carrying Amount	Bank Deposits
International Bank		
Checking	\$ 76,174	85,473
Savings	12,514	12,514
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 188,688</u>	197,987
FDIC insurance		<u>(100,000)</u>
Uninsured bank balance		<u>97,987</u>
Collateral pledged – FHLB securities held by financial institution		<u>200,000</u>
Amount over collateralized		<u>\$ 102,013</u>
First National Bank of New Mexico		
Total Certificates of deposit - fully insured by FDIC	<u>\$ 95,100</u>	<u>95,100</u>
Wells Fargo Bank		
Certificate of deposit	\$ 10,000	10,000
Escrow savings account	29,534	29,534
Savings Account	<u>14,235</u>	<u>14,235</u>
Total - fully insured by FDIC	<u>\$ 53,769</u>	<u>53,769</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

	Carrying Amount	Bank Deposits
Edward Jones – Brokered Deposits		
Washington Mutual Bank, Certificate of Deposit	\$ 115,000	115,000
FDIC insurance	<u>(100,000)</u>	<u>(100,000)</u>
Uninsured and uncollateralized bank balance	<u>15,000</u>	<u>15,000</u>
Lake City Bank, Certificate of Deposit		
Fully insured by FDIC	<u>\$ 35,000</u>	<u>35,000</u>
New South Bank, Certificate of Deposit	<u>\$ 35,000</u>	<u>35,000</u>
Fully insured by FDIC		
Colorado Capital Bank, Certificate of Deposit	<u>\$ 45,000</u>	<u>45,000</u>
Fully insured by FDIC		

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

Cash and cash equivalents	
Cash accounts	\$ 102,923
Certificates of deposit	405,000
Current assets, restricted for	
Tenant Security Deposits	30,100
FSS Escrow	29,534
Petty Cash	<u>75</u>
Total	<u>\$ 567,632</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The following is presented to comply with the requirements of the New Mexico State Statute 12-6-5 NMSA, 1978, as interpreted in New Mexico State Auditor's Rule 2 NMAC 2.2.

Bank Name	Account Type	Bank Balance at 6/30/08	Outstanding Checks	Book Balance at 6/30/08
International Bank	Checking	\$ 85,473	9,299	76,174
International Bank	Investment Acct.	12,514	-	12,514
International Bank	Certificate of Deposit	10,000	-	10,000
International Bank	Certificate of Deposit	15,000	-	15,000
International Bank	Certificate of Deposit	40,000	-	40,000
International Bank	Certificate of Deposit	35,000	-	35,000
		<u>197,987</u>	<u>9,299</u>	<u>188,688</u>
First National Bank	Certificate of Deposit	10,000	-	10,000
First National Bank	Certificate of Deposit	15,000	-	15,000
First National Bank	Certificate of Deposit	25,000	-	25,000
First National Bank	Certificate of Deposit	15,000	-	15,000
First National Bank	Certificate of Deposit	30,100	-	30,100
		<u>95,100</u>	<u>-</u>	<u>95,100</u>
Washington Mutual	Certificate of Deposit	57,000	-	57,000
Washington Mutual	Certificate of Deposit	58,000	-	58,000
Lake City Bank	Certificate of Deposit	35,000	-	35,000
New South Federal	Certificate of Deposit	35,000	-	35,000
Colorado Capital	Certificate of Deposit	45,000	-	45,000
		<u>230,000</u>	<u>-</u>	<u>230,000</u>
Wells Fargo Bank	Savings Account	29,534	-	29,534
Wells Fargo Bank	Savings Account	14,235	-	14,235
Wells Fargo Bank	Certificate of Deposit	10,000	-	10,000
		<u>53,769</u>	<u>-</u>	<u>53,769</u>
Totals		<u>\$ 576,856</u>	<u>9,299</u>	567,557
Petty cash/change fund				<u>75</u>
Total				<u>\$ 567,632</u>

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2008.

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental activities					
<i>Nondepreciable assets</i>					
Land	\$ 253,436	-	-	-	\$ 253,436
Construction in progress	741,124	210,841	-	(563,757)	388,208
Total nondepreciable assets	994,560	210,841	-	(563,757)	641,644
<i>Depreciable assets</i>					
Buildings	6,078,148	-	-	563,757	6,641,905
Furniture, equipment, machinery - dwellings	102,215	12,700	-	-	114,915
Furniture, equipment, machinery - administration	204,994	7,592	-	-	212,586
Leasehold Improvements	937,586	4,800	-	-	942,386
Total depreciable assets	7,322,943	25,092	-	563,757	7,911,792
<i>Less accumulated depreciation for</i>					
Buildings	4,953,719	169,996	-	-	5,123,715
Furniture, equipment, machinery - dwellings	81,007	6,682	-	-	87,689
Furniture, equipment, machinery - administration	182,230	13,930	-	-	196,160
Leasehold Improvements	880,906	6,000	-	-	886,906
Total accumulated depreciation	6,097,862	196,608	-	-	6,294,470
Capital assets, net	\$ 2,219,641	39,325	-	-	\$ 2,258,966

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4. RETIREMENT PLAN

Plan Description. Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employee's 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, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$44,948, \$43,368, and \$41,288 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort, theft of, damage to, destruction of property, injury to staff or others, errors, omissions and natural disasters. The Authority insures itself against these losses through insurance with various commercial insurance companies. Policies and coverage are as follows:

Commercial Property Extra Expense, Business Computer, Ordinance of Law General Liabilities, Public Officials.

Liabilities and Casualty

a. Coverage	Various, generally tort limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2009
d. Premium paid	\$14,041 Property insurance
e. Premium paid	\$12,373 Liability insurance

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. RISK MANAGEMENT (CONTINUED)

Automobile Liability	
a. Coverage	\$300,000/\$100,000
b. Insurance agent/company	Peerless Indemnity Insurance Co.
c. Expiration date	3-19-2009
d. Premium paid	\$4,741
Workman's Compensation	
a. Coverage	Statutory Limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2009
d. Premium paid	\$6,470

All policies were renewed during the subsequent fiscal year with no substantial changes in coverage.

NOTE 6. OTHER CONTINGENT LIABILITIES

Management is unaware of any material pending or threatened litigation, claims or assessments against the Authority, which are not covered by the Authority's insurance.

NOTE 7. BUDGET AND BUDGETARY PROCESS

The Board of Commissioners adopts an annual operating budget, which can be amended by them throughout the year. The budget is also reviewed and approved by the Department of Housing and Urban Development (HUD). Budgetary accounting follows generally accepted accounting principles generally accepted in the United States of America, except that HUD subsidized capital outlay and the related grants, and depreciation expense are not budgeted. Budgetary control is maintained at the line item level.

NOTE 8. ECONOMIC DEPENDENCY

The Authority receives substantial support from the US Department of Housing and Urban Development (HUD). The continued operations of the Authority are dependent on funding from HUD. For the year ended June 30, 2008, the Authority received 67.4% of its total revenue from HUD.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		
Revenues				
Net tenant rental income	\$ 185,260	185,260	195,476	10,216
HUD operating grants	284,722	284,722	295,339	10,617
Other income	37,514	37,514	43,911	6,397
Total operating income	<u>507,496</u>	<u>507,496</u>	<u>534,726</u>	<u>27,230</u>
Expenses				
Administrative	207,612	207,612	198,697	8,915
Tenant services	5,700	5,700	1,133	4,567
Utilities	22,620	22,620	23,571	(951)
Maintenance and repairs	246,052	246,052	243,597	2,455
General	62,000	62,000	57,359	4,641
Total operating expenses	<u>543,984</u>	<u>543,984</u>	<u>524,357</u>	<u>19,627</u>
Excess of revenues over expenses	(36,488)	(36,488)	10,369	46,857
Budgeted reserve	36,488	36,488	-	(36,488)
Excess of revenue over expenses after reserves	<u>\$ -</u>	<u>-</u>	10,369	<u>10,369</u>
Interest income			17,021	
Non-operating HUD Grant			235,357	
Depreciation Expense			<u>(196,608)</u>	
Net income - GAAP basis			<u>\$ 66,139</u>	

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE
 June 30, 2007

Line Item Number		Low Rent	Capital Fund	Total
	Assets			
	Current Assets			
111	Cash - unrestricted	\$ 102,998	-	102,998
113	Cash - other restricted	29,534	-	29,534
114	Cash - tenant security deposits	30,100	-	30,100
	Total cash	<u>162,632</u>	<u>-</u>	<u>162,632</u>
	Receivables			
125	Accounts receivable - Miscellaneous	-	40,456	40,456
126	Accounts receivable - tenants - dwelling rents	4,798	-	4,798
129	Accrued Interest Receivable	5,028	-	5,028
120	Total receivables, net of allowances for doubtful accounts	<u>9,826</u>	<u>40,456</u>	<u>50,282</u>
131	Investments - unrestricted	405,000	-	405,000
142	Prepaid expenses and other assets	3,480	-	3,480
143	Inventories	14,844	-	14,844
144	Interprogram Due From	40,456	-	40,456
150	Total current assets	<u>636,238</u>	<u>40,456</u>	<u>676,694</u>
	Noncurrent Assets			
	Fixed Assets			
161	Land	253,436	-	253,436
162	Buildings	6,078,148	563,757	6,641,905
163	Furniture, equipment & machinery - dwellings	114,915	-	114,915
164	Furniture, equipment & machinery - administration	201,828	10,758	212,586
165	Leasehold improvements	937,586	4,800	942,386
166	Accumulated depreciation	(6,252,552)	(41,918)	(6,294,470)
167	Construction in progress	-	388,208	388,208
160	Total fixed assets, net of accumulated depreciation	<u>1,333,361</u>	<u>925,605</u>	<u>2,258,966</u>
190	Total assets	<u>\$ 1,969,599</u>	<u>966,061</u>	<u>2,935,660</u>
	Liabilities and Equity			
	Liabilities			
	Current Liabilities			
312	Accounts payable <= 90 days	\$ 43,426	-	43,426
341	Tenant security deposits	30,100	-	30,100
345	Other Current Liabilities	29,534	-	29,534
347	Interprogram Due To	-	40,456	40,456
310	Total current liabilities	<u>103,060</u>	<u>40,456</u>	<u>143,516</u>
353	Non current liabilities - other	-	-	-
300	Total liabilities	<u>103,060</u>	<u>40,456</u>	<u>143,516</u>
508.1	Invested in capital assets, net of related debt	1,333,361	925,605	2,258,966
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	533,178	-	533,178
513	Total equity/net assets	<u>1,866,539</u>	<u>925,605</u>	<u>2,792,144</u>
600	Total liabilities and equity/net assets	<u>\$ 1,969,599</u>	<u>966,061</u>	<u>2,935,660</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE (CONTINUED)
 June 30, 2007

Line Item Number	Description	Low Rent	Capital Fund	Total
Revenue				
Tenant Revenue				
703	Net tenant rental revenue	\$ 191,983	-	191,983
704	Tenant revenue - other	3,493	-	3,493
705	Total tenant revenue	195,476	-	195,476
706	HUD PHA operating grants	295,339	-	295,339
706.1	Capital grants	-	235,357	235,357
711	Investment income - unrestricted	17,021	-	17,021
715	Other revenue	43,911	-	43,911
716	Gain/Loss on Sale of Fixed Assets	-	-	-
700	Total revenue	551,747	235,357	787,104
Expenses Administrative				
911	Administrative salaries	105,224	12,124	117,348
912	Auditing fees	5,435	-	5,435
915	Employee benefit contributions - administrative	50,569	-	50,569
916	Other operating - administrative	25,346	-	25,346
		186,574	12,124	198,698
Tenant Services				
921	Tenant services - salaries	-	-	-
922	Relocation Costs	-	-	-
923	Employee benefit contributions - tenant services	-	-	-
924	Tenant services - other	1,133	-	1,133
		1,133		1,133
Utilities				
931	Water	6,792	-	6,792
932	Electricity	9,284	-	9,284
933	Gas	5,831	-	5,831
938	Other utilities expense	1,664	-	1,664
		23,571	-	23,571
Ordinary Maintenance & Operation				
941	Ordinary maintenance and operations - labor	131,026	-	131,026
942	Ordinary maintenance and operations - materials and other	24,395	-	24,395
943	Ordinary maintenance and operations - contract costs	28,702	-	28,702
945	Employee benefit contributions - ordinary maintenance	56,463	-	56,463
		240,586	-	240,586

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE (CONTINUED)
 June 30, 2007

Line Item Number	Description	Rent Value	Capital Value	Total
	General Expenses			
961	Insurance premiums	\$ 36,935	-	36,935
963	Payment in lieu of taxes	17,191		17,191
964	Bad debt - tenant rents	3,233	-	3,233
		<u>57,359</u>	<u>-</u>	<u>57,359</u>
969	Total operating expenses	<u>509,223</u>	<u>12,124</u>	<u>521,347</u>
970	Excess operating revenue over operating expenses	<u>42,524</u>	<u>223,233</u>	<u>265,757</u>
	Other Expenses			
971	Extraordinary maintenance	3,010	-	3,010
972	Casualty Losses-Non-Controlled	-	-	-
974	Depreciation expense	155,463	41,145	196,608
900	Total expenses	<u>667,696</u>	<u>53,269</u>	<u>720,965</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ (115,949)</u>	<u>182,088</u>	<u>66,139</u>
	Memo Account Information			
1120	Unit months available	1,845	-	1,845
1121	Number of unit months leased	1,721	-	1,721

HOUSING AUTHORITY OF THE CITY OF RATON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2008

Federal Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct grants		
Public and Indian housing		
Operating subsidy	14.850	\$ 295,339
Public housing - Capital Fund Program	14.872	<u>235,357</u>
Total federal expenditures		<u><u>\$ 530,696</u></u>

Note - This schedule was prepared on the accrual basis of accounting.

**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***

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

We have audited the basic financial statements of the Housing Authority of the City of Raton (Authority) as of and for the year ended June 30, 2008, including the budgetary statement and have issued our report thereon dated November 24, 2008. 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.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority's management, State of New Mexico Office of the State Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 24, 2008

**Report on Compliance
With Requirements Applicable to Each
Major Program and on Internal Control Over
Compliance in Accordance With
OMB Circular A-133**

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

Compliance

We have audited the compliance of the Housing Authority of the City of Raton (Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Commissioners
Housing Authority of the City of Raton
Raton, New Mexico
and
Hector H. Balderas,
New Mexico State Auditor

This report is intended solely for the information and use of the Authority's management, State of New Mexico Office of the State Auditor, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 24, 2008

HOUSING AUTHORITY OF THE CITY OF RATON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes x None Reported

Non-compliance material to financial statements noted? _____ Yes x 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 material weakness(es) _____ Yes x None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes x No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
14.872	Public Housing - Capital Fund Program

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

Auditee qualified as low-risk auditee? x Yes _____ No

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS-FEDERAL AWARDS

None.

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2008

None.

HOUSING AUTHORITY OF THE CITY OF RATON
EXIT CONFERENCE
Year Ended June 30, 2008

An exit conference was held on November 25, 2008 and attended by:

Raton Housing Authority

Robert Stoller, Chairperson
Terry Baca, Executive Director

Moss Adams LLP

James Hartogensis, CPA Senior Manager

The financial statements were prepared with the assistance of Moss Adams LLP.