



**HOUSING
AUTHORITY
OF THE
CITY OF RATON**

FINANCIAL STATEMENTS

JUNE 30, 2009

Moss Adams LLP
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HOUSING AUTHORITY OF THE CITY OF RATON

Official Roster
June 30, 2009

Board of Commissioners

Title

Robert Stoller
Margaret Evans
Mike Morgan
John Duran
Tony Vigil

Chairperson
Vice Chairperson
Commissioner
Commissioner
Commissioner

Tresa Kagen
Terry Baca

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, 2009, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009, 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, 2009, 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 December 1, 2009, 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
December 1, 2009

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009. 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 \$2,811,546 at the close of the fiscal year ended 2009.
 - Of this amount \$2,188,665 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - Also of this amount, \$0 of net assets are restricted for the Housing Choice Voucher program.
 - The remainder of \$622,881 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 88% of the total operating expenses of \$708,924 for the fiscal year 2009, which means the Authority might be able to operate about 11 months using the unrestricted assets alone, which compares favorably with 12 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$19,402, a 0.7% change from the prior fiscal year 2008. 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 an increase in unrestricted cash by \$33,025 from fiscal year 2008, primarily due to spending less for operations than Federal funds received for operations; spending more for capital assets than Federal capital grants received; and transferring excess cash into investments
- The Authority spent \$311,071 on capital asset additions and \$61,518 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$50,607 and a decrease in total liabilities by \$70,009. As related measure of financial health, there are still over \$20 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$9.52 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

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 2009?" 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

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.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

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 \$2,811,546 as of June 30, 2009. Of this amount, \$2,188,665 was invested in capital assets, and the remaining \$622,881 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, 2009**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets	\$ 626,940	\$ 606,704
Assets restricted for tenant deposits	28,992	29,534
Capital assets, net of depreciation	2,188,665	2,258,966
Total assets	<u>\$ 2,844,597</u>	<u>2,895,204</u>
LIABILITIES		
Current liabilities	<u>\$ 33,051</u>	<u>103,060</u>
Total liabilities	<u>33,051</u>	<u>103,060</u>
NET ASSETS		
Invested in capital assets, net of depreciation	2,188,665	2,258,966
Unrestricted net assets	622,881	533,178
Total net assets	<u>2,811,546</u>	<u>2,792,144</u>
Total liabilities and net assets	<u>\$ 2,844,597</u>	<u>2,895,204</u>

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009

The net assets of these funds increased by \$19,402, or by 0.7%, from those of fiscal year 2008, 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, 2009

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 243,475	\$ 191,983
Other tenant revenue	3,188	3,493
Total operating revenues	<u>246,663</u>	<u>195,476</u>
OPERATING EXPENSES		
Maintenance and repairs	228,774	240,587
Administration	214,616	198,697
Depreciation	179,040	196,608
General	63,135	57,359
Utilities	22,244	23,571
Extraordinary repairs	2,647	3,010
Tenant services	1,115	1,133
Total operating expenses	<u>711,571</u>	<u>720,965</u>
(Losses) from operations	<u>(464,908)</u>	<u>(525,489)</u>
NON-OPERATING REVENUES		
Federal grants for operations	320,399	295,339
Other non-tenant revenue	39,092	43,911
Interest income	8,871	17,021
Total Non-Operating Revenues	<u>368,362</u>	<u>356,271</u>
NON-OPERATING EXPENSES		
Casualty losses	4,890	-
(Losses) after non-operating revenues and expenses	<u>(101,436)</u>	<u>(169,218)</u>
OTHER CHANGES IN NET ASSETS		
Federal grants for capital expenditures	<u>120,838</u>	<u>235,357</u>
NET INCREASES IN NET ASSETS	19,402	66,139
NET ASSETS, beginning of fiscal year	<u>2,792,144</u>	<u>2,726,005</u>
NET ASSETS, end of fiscal year	<u>\$ 2,811,546</u>	<u>2,792,144</u>

HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$58,778, or by 8%, 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 revenues from HUD for operations increased by \$25,060, or by 8% 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, 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.
- ☐ Federal Capital Funds from HUD decreased by \$114,519, or by 49% 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 2006 through 2009, and submitted a new grant during fiscal year 2010.
- ☐ Total other non-operating revenue decreased by \$15,687 from that of the prior, or by 92% because the Authority received proceeds from casualty insurance claims in the prior year which are recorded as other income by the Authority in the year received.
- ☐ Interest income decreased by \$12,969, or by 21% from that of the prior fiscal year, because of declining interest rates on deposits and renewed CD's as the national interest rates had fallen due to the decline in the economy experienced during the fiscal year.
- ☐ Total tenant revenue increased by \$51,187, or by 26% from that of the prior fiscal year, due to these major factors: Tenant rental revenues increased by \$51,492, or by 27%, because occupancy rates increased by 0%, 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) decreased by \$305, or by 9%.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$12,041, or by 2%, 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:

- ☐ Administrative Expenses increased by \$15,919, or by 8% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$6,188, or by 5%, and related employee benefit contributions increased by \$1,372, or by 3%; therefore, total staff salaries and benefit costs increased by 5%. In addition, audit fees increased by \$7,856, or by 145%, accounting fees increased by \$969, or by 25%; thus, total outside professional fees increased by 95%. Finally, staff travel reimbursements increased by \$4,446, or by 56%, staff training costs decreased by \$254, or by 55%, and sundry expenses decreased by \$5,013, or by 38%; therefore, other staff administrative expense decreased by 4%.
- ☐ Maintenance and repairs decreased by \$14,823, or by 6% from that of the prior fiscal year.
- ☐ Depreciation expense decreased by \$17,568, or by 9% from that of the prior fiscal year.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

- ▢ General Expenses increased by \$5,776, or by 10% from that of the prior fiscal year.
- ▢ Utilities Expense decreased by \$1,327, or by 6% from that of the prior fiscal year.
- ▢ Tenant services, totaling \$1,115, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Housing Authority had a total cost of \$8,623,772 invested in a broad range of assets and construction in progress from projects funded in 2006 through 2009, listed below. This amount, not including depreciation, represents increases of \$70,336 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of June 30, 2009**

	<u>2009</u>	<u>2008</u>
Land	\$ 253,436	\$ 253,436
Construction in progress	199,855	388,208
Buildings	1,616,847	1,518,190
Leasehold improvements	72,766	55,480
Furniture and equipment	45,761	43,652
	<u>2,188,665</u>	<u>2,258,966</u>
Total	<u>2,188,665</u>	<u>2,258,966</u>

As of the end of the 2009 fiscal year, the Authority is still in the process of completing HUD grants of \$1,154,885 obtained during 2006 through 2009 fiscal years. A total remainder of \$625,075 will be received and spent for completing these projects during fiscal year 2010.

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 2010 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.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2009**

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Terry Baca, at 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, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$	136,023
Certificates of deposit		468,781
Tenant accounts receivable		4,529
Accrued interest receivable		1,898
Inventory		12,165
Prepaid insurance		3,544

Total unrestricted current assets 626,940

Restricted Cash and Cash Equivalents

Tenant deposits		<u>28,992</u>
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Total restricted current assets 28,992

Total current assets 655,932

Capital assets not depreciated		453,291
Capital assets depreciated, net		<u>1,735,374</u>

Capital assets, net 2,188,665

Total assets \$ 2,844,597

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2009

LIABILITIES AND NET ASSETS

Current Liabilities, Payable From

Unrestricted Assets

Accounts payable

\$ 2,167

Total unrestricted current liabilities

2,167

Current Liabilities, Payable From

Restricted Assets

Tenant deposits

28,992

Other

1,892

Total restricted current liabilities

30,884

Total current liabilities

33,051

Net Assets

Invested in capital assets

2,188,665

Restricted

-

Unrestricted

622,881

Total net assets

2,811,546

Total liabilities and net assets

\$ 2,844,597

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

Operating Income	
Net tenant rental income	\$ 246,663
HUD operating grants	320,399
Other income	39,092
	<hr/>
Total operating income	606,154
	<hr/>
Operating Expenses	
Administrative	214,616
Tenant services	1,115
Utilities	22,244
Maintenance and repairs	228,774
General	63,135
Depreciation	179,040
	<hr/>
Total operating expenses	708,924
	<hr/>
Operating loss	(102,770)
	<hr/>
Non-Operating Income (Expenses)	
Interest income	8,871
Non-operating HUD grant	120,838
Other Expense	(7,537)
	<hr/>
Total non-operating income	122,172
	<hr/>
Net income	19,402
	<hr/>
Net assets, beginning of year	2,792,144
	<hr/>
Net assets, end of year	\$ 2,811,546
	<hr/> <hr/>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 300,860
Cash received from HUD for operations	320,399
Cash payments to and on behalf of employees	(358,759)
Cash payments to suppliers for goods and services	<u>(209,769)</u>
Net cash provided by operating activities	<u>52,731</u>
Cash Flows From Investing Activities	
Purchase of capital assets	(372,589)
Disposal of capital assets	263,850
HUD grants for purchase of capital assets	120,838
Purchase of certificates of deposit	(63,781)
Interest income	8,871
Other Expense	<u>(7,537)</u>
Net cash used by investing activities	<u>(50,348)</u>
Net increase in cash and cash equivalents	2,383
Cash and cash equivalents, beginning of year	<u>162,632</u>
Cash and cash equivalents, end of year	<u><u>\$ 165,015</u></u>
Cash and cash equivalents	
Unrestricted cash	\$ 136,023
Restricted	<u>28,992</u>
	<u><u>\$ 165,015</u></u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2009

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (102,770)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation	179,040
Changes in assets and liabilities	
Accounts receivable	43,855
Prepays	(64)
Inventories	2,679
Accounts payable	(41,259)
Restricted assets	(28,750)
	<hr/>
Net cash provided by operating activities	\$ <u>52,731</u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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, 2009

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
Appliances	7 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, 2009

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, 2009

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's cash, cash equivalents and investments as of June 30, 2009, 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, 2009, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	<u>Bank Balances</u>
FDIC Insured	\$ 624,458
Collateralized with securities held in financial institution's name	18,648
Uninsured and uncollateralized	-
	<u>\$ 643,106</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 four banks.

	Carrying Amount	Bank Deposits
International Bank		
Checking	\$ 134,915	144,225
Savings	24,423	24,423
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 259,338</u>	268,648
FDIC insurance		<u>250,000</u>
Uninsured bank balance		<u>18,648</u>
Collateral pledged – FHLB securities held by financial institution		<u>200,000</u>
Amount over collateralized		<u>\$ 181,352</u>

	Carrying Amount	Bank Deposits
First National Bank of New Mexico		
Total Certificates of deposit – fully insured by FDIC	<u>\$ 95,100</u>	<u>95,100</u>

	Carrying Amount	Bank Deposits
First National Bank of Trinidad		
Total Certificates of deposit – fully insured by FDIC	<u>\$ 213,000</u>	<u>213,000</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

	Carrying Amount	Bank Deposits
Wells Fargo Bank		
Certificate of deposit	\$ 10,000	10,000
Savings Account	<u>14,290</u>	<u>14,290</u>
Total	<u>\$ 24,290</u>	24,290
FDIC insurance		<u>24,290</u>
Uninsured bank balance		-
Collateral pledged – FHLB securities held by financial institution		<u>45,918</u>
Amount over collateralized		<u>\$ 45,918</u>
State Farm Insurance Bank		
Total Certificates of deposit – fully insured by FDIC	<u>\$ 42,068</u>	<u>42,068</u>

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

Cash and cash equivalents	
Cash accounts	\$ 136,023
Certificates of deposit	468,781
Current assets, restricted for Tenant Security Deposits	<u>28,992</u>
Total	<u>\$ 633,796</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

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 6/30/09	Outstanding Checks	Book Balance at 6/30/09
International Bank	Checking	\$ 144,225	9,310	134,915
International Bank	Savings	24,423	-	24,423
International Bank	Certificate of Deposit	15,000	-	15,000
International Bank	Certificate of Deposit	10,000	-	10,000
International Bank	Certificate of Deposit	35,000	-	35,000
International Bank	Certificate of Deposit	40,000	-	40,000
		<u>268,648</u>	<u>9,310</u>	<u>259,338</u>
First National Bank	Certificate of Deposit	15,000	-	15,000
First National Bank	Certificate of Deposit	30,000	-	30,000
First National Bank	Certificate of Deposit	115,000	-	115,000
First National Bank	Certificate of Deposit	33,000	-	33,000
First National Bank	Certificate of Deposit	35,000	-	35,000
First National Bank	Certificate of Deposit	30,100	-	30,100
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
		<u>308,100</u>	<u>-</u>	<u>308,100</u>
State Farm Bank	Certificate of Deposit	25,068	-	25,068
State Farm Bank	Certificate of Deposit	17,000	-	17,000
		<u>42,068</u>	<u>-</u>	<u>42,068</u>
Wells Fargo Bank	Savings Account	14,290	-	14,290
Wells Fargo Bank	Certificate of Deposit	10,000	-	10,000
		<u>24,290</u>	<u>-</u>	<u>24,290</u>
Totals		<u>\$ 643,106</u>	<u>9,310</u>	<u>633,796</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2009.

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental activities					
<i>Nondepreciable assets</i>					
Land	\$ 253,436	-	-	-	\$ 253,436
Construction in progress	388,208	61,518	(249,871)	-	199,855
Total nondepreciable assets	<u>641,644</u>	<u>61,518</u>	<u>(249,871)</u>	<u>-</u>	<u>453,291</u>
<i>Depreciable assets</i>					
Buildings	6,641,905	249,231	-	-	6,891,136
Furniture, equipment, machinery - dwellings	114,915	19,134	(12,436)	-	121,613
Furniture, equipment, machinery - administration	212,586	18,098	(35,146)	-	195,538
Leasehold Improvements	942,386	24,608	(4,800)	-	962,194
Total depreciable assets	<u>7,911,792</u>	<u>311,071</u>	<u>(52,382)</u>	<u>-</u>	<u>8,170,481</u>
<i>Less accumulated depreciation for</i>					
Buildings	5,123,715	150,574	-	-	5,274,289
Furniture, equipment, machinery - dwellings	87,689	9,099	(14,016)	-	82,772
Furniture, equipment, machinery - administration	196,160	12,046	(19,588)	-	188,618
Leasehold Improvements	886,906	7,321	(4,800)	-	889,428
Total accumulated depreciation	<u>6,294,470</u>	<u>179,040</u>	<u>(38,404)</u>	<u>-</u>	<u>6,435,107</u>
Capital assets, net	<u>\$ 2,258,966</u>	<u>193,549</u>	<u>(263,849)</u>	<u>-</u>	<u>\$ 2,188,665</u>

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 2008 and 2007 were \$45,230, \$44,948, and \$43,368 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, 2009

NOTE 5. RISK MANAGEMENT (CONTINUED)

Automobile Liability	
a. Coverage	\$300,000/\$100,000
b. Insurance agent/company	Peerless Indemnity Insurance Co.
c. Expiration date	3-19-2010
d. Premium paid	\$4,873
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

The Liabilities and Casualty and Workman's Compensation 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 is 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, 2009, the Authority received 60.6% 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, 2009

	Budget		Actual	Variance
	Original	Final		
Revenues				
Net tenant rental income	\$ 191,460	244,960	246,663	1,703
HUD operating grants	299,134	299,134	320,399	21,265
Other income	52,363	57,643	39,092	(18,551)
	<hr/>			
Total operating income	542,957	601,737	606,154	4,417
	<hr/>			
Expenses				
Administrative	222,542	225,970	214,616	11,354
Tenant services	2,000	2,000	1,115	885
Utilities	25,830	26,530	22,244	4,286
Maintenance and repairs	216,628	243,300	228,774	14,526
General	107,363	86,043	63,135	22,908
	<hr/>			
Total operating expenses	574,363	583,843	529,884	53,959
	<hr/>			
Excess of revenues over expenses	(31,406)	17,894	76,270	58,376
Budgeted reserve	31,406	(17,894)	-	17,894
	<hr/>			
Excess of revenue over expenses after reserves	\$ -	-	76,270	76,270
	<hr/>			
Interest income			8,871	
Non-operating HUD Grant			120,838	
Non-operating Expense - Other			(7,537)	
Depreciation Expense			(179,040)	
			<hr/>	
Net income - GAAP basis			\$ 19,402	
			<hr/>	

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE
 June 30, 2009

Line Item Number		Low Rent	Capital Fund	Total
	Assets			
	Current Assets			
111	Cash - unrestricted	\$ 136,023	-	136,023
114	Cash - tenant security deposits	28,992	-	28,992
	Total cash	<u>165,015</u>	<u>-</u>	<u>165,015</u>
	Receivables			
126	Accounts receivable - tenants - dwelling rents	4,529	-	4,529
129	Accrued Interest Receivable	1,898	-	1,898
120	Total receivables, net of allowances for doubtful accounts	<u>6,427</u>	<u>-</u>	<u>6,427</u>
131	Investments - unrestricted	468,781	-	468,781
142	Prepaid expenses and other assets	3,544	-	3,544
143	Inventories	12,165	-	12,165
150	Total current assets	<u>655,932</u>	<u>-</u>	<u>655,932</u>
	Noncurrent Assets			
	Fixed Assets			
161	Land	253,436	-	253,436
162	Buildings	6,641,264	249,871	6,891,135
163	Furniture, equipment & machinery - dwellings	102,480	19,134	121,614
164	Furniture, equipment & machinery - administration	180,607	14,932	195,539
165	Leasehold improvements	942,386	19,808	962,194
166	Accumulated depreciation	(6,409,269)	(25,838)	(6,435,107)
167	Construction in progress	-	199,854	199,854
160	Total fixed assets, net of accumulated depreciation	<u>1,710,904</u>	<u>477,761</u>	<u>2,188,665</u>
190	Total assets	<u>\$ 2,366,836</u>	<u>477,761</u>	<u>2,844,597</u>
	Liabilities and Equity			
	Liabilities			
	Current Liabilities			
312	Accounts payable <= 90 days	\$ 2,167	-	2,167
341	Tenant security deposits	28,992	-	28,992
345	Other Current Liabilities	1,892	-	1,892
300	Total liabilities	<u>33,051</u>	<u>-</u>	<u>33,051</u>
508.1	Invested in capital assets, net of related debt	1,710,904	477,761	2,188,665
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	622,881	-	622,881
513	Total equity/net assets	<u>2,333,785</u>	<u>477,761</u>	<u>2,811,546</u>
600	Total liabilities and equity/net assets	<u>\$ 2,366,836</u>	<u>477,761</u>	<u>2,844,597</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE (CONTINUED)
 June 30, 2009

Line Item Number	Description	Low Rent	Capital Fund	Total
Revenue				
Tenant Revenue				
703	Net tenant rental revenue	\$ 243,475	-	243,475
704	Tenant revenue - other	3,188	-	3,188
705	Total tenant revenue	<u>246,663</u>	<u>-</u>	<u>246,663</u>
706	HUD PHA operating grants	320,399	13,038	333,437
706.1	Capital grants	-	107,800	107,800
711	Investment income - unrestricted	8,871	-	8,871
715	Other revenue	38,197	-	38,197
716	Gain/Loss on Sale of Fixed Assets	895	-	895
700	Total revenue	<u>615,025</u>	<u>120,838</u>	<u>735,863</u>
Expenses Administrative				
911	Administrative salaries	123,536	-	123,536
912	Accounting and Auditing Fees	10,291	3,000	13,291
915	Employee benefit contributions - administrative	51,941	-	51,941
916	Other operating - administrative	25,848	-	25,848
		<u>211,616</u>	<u>3,000</u>	<u>214,616</u>
Tenant Services				
924	Tenant services - other	1,115	-	1,115
		<u>1,115</u>	<u>-</u>	<u>1,115</u>
Utilities				
931	Water	5,941	-	5,941
932	Electricity	10,098	-	10,098
933	Gas	4,405	-	4,405
938	Other utilities expense	1,800	-	1,800
		<u>22,244</u>	<u>-</u>	<u>22,244</u>
Ordinary Maintenance & Operation				
941	Ordinary maintenance and operations - labor	127,147	2,675	129,822
942	Ordinary maintenance and operations - materials and other	22,463	5,741	28,204
943	Ordinary maintenance and operations - contract costs	15,666	1,622	17,288
945	Employee benefit contributions - ordinary maintenance	53,460	-	53,460
		<u>218,736</u>	<u>10,038</u>	<u>228,774</u>

HOUSING AUTHORITY OF THE CITY OF RATON
 FINANCIAL DATA SCHEDULE (CONTINUED)
 June 30, 2009

Line Item Number	Description	Low Rent	Capital Fund	Total
General Expenses				
961	Insurance premiums	\$ 38,680	-	38,680
963	Payment in lieu of taxes	22,442	-	22,442
964	Bad debt - tenant rents	2,013	-	2,013
		<u>63,135</u>	<u>-</u>	<u>63,135</u>
969	Total operating expenses	<u>516,846</u>	<u>13,038</u>	<u>529,884</u>
970	Excess operating revenue over operating expenses	<u>98,179</u>	<u>107,800</u>	<u>205,979</u>
Other Expenses				
971	Extraordinary maintenance	2,647	-	2,647
972	Casualty Losses-Non-Controlled	4,890	-	4,890
974	Depreciation expense	155,030	24,010	179,040
900	Total expenses	<u>679,413</u>	<u>37,048</u>	<u>716,461</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ (64,388)</u>	<u>83,790</u>	<u>19,402</u>
Memo Account Information				
1120	Unit months available	1,848	-	1,848
1121	Number of unit months leased	1,804	-	1,804

HOUSING AUTHORITY OF THE CITY OF RATON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2009

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	\$ 320,399
Public housing - Capital Fund Program	14.872	<u>120,838</u>
Total federal expenditures		<u><u>\$ 441,237</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF PLEDGED COLLATERAL**

June 30, 2009

	International	Wells Fargo	First National	First National	State
	Bank CD, Checking & Savings	Bank CD, Savings	Bank of New Mexico CD	Bank of Trinidad CD	Farm Bank CD
Deposits at June 30, 2009	\$ 268,648	24,290	95,100	213,000	42,068
Less: FDIC coverage	250,000	24,290	95,100	213,000	42,068
Uninsured and uncollateralized public funds	\$ 18,648	-	-	-	-
50% pledged collateral requirement per statute	\$ 9,324	-	-	-	-
Total pledged collateral	200,000	45,918	-	-	-
Pledged collateral (over) under the requirement	\$ (190,676)	(45,918)	-	-	-

Pledged collateral at June 30, 2009 consists of the following:

Security	CUSIP	Maturity	Market Value
FHLB Fixed Rate Note	3133XKTV7	6/13/2014	\$ 100,000
FHLB Fixed Rate Note	3133XLX7	9/17/2010	100,000
FRB Fixed Rate Note	31410DQAI	8/1/2036	-
			45,918
			\$ 200,000
			45,918

The custodian of the pledged securities for International Bank is the Federal Home Loan Bank. The custodian of the pledged securities for Wells Fargo Bank is the Federal Reserve Bank.

**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), a component unit of the City of Raton, as of and for the year ended June 30, 2009, including the budgetary statement and have issued our report thereon dated December 1, 2009.

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.

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

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.

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
December 1, 2009

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None.

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2009

None.

**HOUSING AUTHORITY OF THE CITY OF RATON
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on November 30, 2009, and attended by:

Raton Housing Authority

Tony Vigil, Commissioner
Terry Baca, Executive Director

Moss Adams LLP

James Hartogensis, CPA Senior Manager

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