



**HOUSING AUTHORITY OF THE
CITY OF RATON**

FINANCIAL STATEMENTS

JUNE 30, 2010

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

TABLE OF CONTENTS

HOUSING AUTHORITY OF THE CITY OF RATON

INTRODUCTORY SECTION

Official Roster	1
-----------------------	---

FINANCIAL SECTION

Independent Auditors' Report.....	2
-----------------------------------	---

Management's Discussion and Analysis	4
--------------------------------------------	---

BASIC FINANCIAL STATEMENTS

Statement of Net Assets	11
-------------------------------	----

Statement of Activities	13
-------------------------------	----

Statement of Cash Flows.....	14
------------------------------	----

Notes to Financial Statements.....	16
------------------------------------	----

Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis).....	28
---------------------------------------------------------------------------------------------	----

SUPPLEMENTAL INFORMATION

Financial Data Schedule.....	29
------------------------------	----

Schedule of Expenditures of Federal Awards	32
--------------------------------------------------	----

Schedule of Pledged Collateral	33
--------------------------------------	----

TABLE OF CONTENTS

HOUSING AUTHORITY OF THE CITY OF RATON

OTHER INFORMATION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	34
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	36
Schedule of Findings and Questioned Costs	38
Exit Conference.....	40

HOUSING AUTHORITY OF THE CITY OF RATON

Official Roster
June 30, 2010

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, 2010, as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information for the year ended June 30, 2010. 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. 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, 2010, 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, 2010, 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 statements 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 8 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, 2010, 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 accounting principles generally accepted in the United States of America. 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 as is required by the U.S. Office of Management and Budget (OMB) 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 of the Authority. 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.

Mess Adams LLP

Albuquerque, New Mexico
December 1, 2010

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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 \$3,141,217 at the close of the fiscal year ended 2010.
 - Of this amount \$2,423,720 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$717,497 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 93.7% of the total operating expenses of \$765,630 for the fiscal year 2010, which means the Authority might be able to operate about 11 months using the unrestricted assets alone, which is comparable to the 11 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$329,671, an 11.7% change from the prior fiscal year 2009. 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 decrease in unrestricted cash by \$51,966 from fiscal year 2009, primarily due to spending \$89,610 less for operations than Federal funds received for operations and transferring \$148,627 in excess cash into investments.
- The Authority spent \$424,057 on capital asset additions and \$25,569 on construction in progress during the current fiscal year.
- These changes led to an increase in total assets by \$332,735 and an increase in total liabilities by \$3,064. As related measure of financial health, there are still over \$21 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$20 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, 2010**

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 2010?" 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, 2010**

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 \$3,141,217 as of June 30, 2010. Of this amount, \$2,423,720 was invested in capital assets, and the remaining \$717,497 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, 2010**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets	\$ 725,150	626,940
Assets restricted for tenant deposits	28,462	28,992
Capital assets, net of depreciation	2,423,720	2,188,665
	<hr/>	<hr/>
Total assets	\$ 3,177,332	2,844,597
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current liabilities	\$ 36,115	33,051
	<hr/>	<hr/>
Total liabilities	36,115	33,051
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets, net of depreciation	2,423,720	2,188,665
Unrestricted net assets	717,497	622,881
	<hr/>	<hr/>
Total net assets	3,141,217	2,811,546
	<hr/>	<hr/>
Total liabilities and net assets	\$ 3,177,332	2,844,597
	<hr/> <hr/>	<hr/> <hr/>

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

The net assets of these funds increased by \$329,671, or by 11.7%, from those of fiscal year 2009, 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, 2010**

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 257,616	243,475
Other tenant revenue	2,055	3,188
Total operating revenues	<u>259,671</u>	<u>246,663</u>
OPERATING EXPENSES		
Maintenance and repairs	235,002	228,774
Administration	224,599	214,616
Depreciation	214,571	179,040
General	64,230	63,135
Utilities	25,852	22,244
Extraordinary repairs	-	2,647
Tenant services	1,376	1,115
Total operating expenses	<u>765,630</u>	<u>711,571</u>
(Losses) from operations	<u>(505,959)</u>	<u>(464,908)</u>
NON-OPERATING REVENUES		
Federal grants for operations	331,356	320,399
Other non-tenant revenue	37,204	39,092
Interest income	7,823	8,871
Total Non-Operating Revenues	<u>376,383</u>	<u>368,362</u>
NON-OPERATING EXPENSES		
Casualty losses	-	4,890
Other Expense	3,197	-
(Losses) after non-operating revenues and expenses	<u>(132,773)</u>	<u>(101,436)</u>
OTHER CHANGES IN NET ASSETS		
Federal grants for capital expenditures	<u>462,444</u>	<u>120,838</u>
NET INCREASES IN NET ASSETS	329,671	19,402
NET ASSETS, beginning of fiscal year	<u>2,811,546</u>	<u>2,792,144</u>
NET ASSETS, end of fiscal year	<u>\$ 3,141,217</u>	<u>2,811,546</u>

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$362,635, or by 49.3%, 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 \$10,957, or by 3.4% 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.
- Federal Capital Funds from HUD increased by \$341,606, or by 282.7% 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 2007 through 2009, and submitted a new grant during fiscal year 2010. The Authority also received and expended American Recovery and Reinvestment Act (ARRA) monies in the amount of \$322,162.
- Total other non-operating revenue increased by \$8,021 from that of the prior, or by 2.2% because the Authority received waivers of payments in lieu of taxes from its related City taxing authority.
- Total tenant revenue increased by \$13,008, or by 5.3% from that of the prior fiscal year because occupancy rates increased 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 \$1,133, or by 35.5%.
- Interest income decreased by \$1,048 or by 11.8% from that of the prior fiscal year, because the Authority spent available cash mostly on capital assets instead of temporary investments.

Compared with the prior fiscal year, total operating and non-operating expenses increased by \$52,366, or by 7.3%, 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 \$35,531, or by 19.8% from that of the prior fiscal year because there was an increase in capital assets by \$449,626.
- Maintenance and repairs increased by \$6,228, or by 2.7% from that of the prior fiscal year.
- Administrative Expenses increased by \$9,983, or by 4.7% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$8,796, or by 7% and related employee benefit contributions increased by \$318, or by 1%. In addition, accounting fees decreased by \$3,852, or by 80%. Finally, staff travel reimbursements increased by \$5,546, or by 54%, staff training costs increased by \$169, or by 81%, but sundry expenses decreased by \$971, or by 9%.

**HOUSING AUTHORITY OF THE CITY OF RATON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010**

- General Expenses increased by \$1,095, or by 1.7% from that of the prior fiscal year.
- Utilities Expense increased by \$3,608, or by 16.2% from that of the prior fiscal year, because water cost decreased by \$429, electricity cost increased by \$1,809, gas cost increased by \$1,839 and other utilities expense (such as labor, benefits, garbage, sewage and waste removal) increased by \$389.
- Tenant services, totaling \$1,376, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Housing Authority had a total cost of \$9,073,398 invested in a broad range of assets and construction in progress from projects funded in 2007 through 2010, listed below. This amount, not including depreciation, represents increases of \$449,626 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, 2010**

	<u>2010</u>	<u>2009</u>
Land	\$ 253,436	\$ 253,436
Construction in progress	22,569	199,855
Buildings	7,331,966	1,616,847
Leasehold improvements	1,136,662	72,766
Furniture and equipment	<u>328,765</u>	<u>45,761</u>
Total	<u>\$9,073,398</u>	<u>\$2,188,665</u>

As of the end of the 2010 fiscal year, the Authority is still in the process of completing HUD grants of \$882,912 obtained during 2007 through 2009 fiscal years. A total remainder of \$162,631 will be received and spent for completing these projects during fiscal year 2011.

Debt

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 2011 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, 2010**

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, 2010

ASSETS

Unrestricted Current Assets

Cash and cash equivalents	\$ 84,057
Certificates of deposit	619,046
Tenant accounts receivable	1,377
Accrued interest receivable	1,561
Inventory	14,741
Prepaid insurance	4,368

Total unrestricted current assets 725,150

Restricted Cash and Cash Equivalents

Tenant deposits	<u>28,462</u>
-----------------	---------------

Total restricted current assets 28,462

Total current assets 753,612

Capital assets not depreciated	276,005
Capital assets depreciated, net	<u>2,147,715</u>

Capital assets, net 2,423,720

Total assets \$ 3,177,332

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2010

LIABILITIES AND NET ASSETS

Current Liabilities, Payable From
 Unrestricted Assets

Accounts payable	\$ 6,269
------------------	----------

Total unrestricted current liabilities	<u>6,269</u>
-----------------------------------------------	--------------

Current Liabilities, Payable From
 Restricted Assets

Tenant deposits	28,462
Deferred revenue on rents	<u>1,384</u>

Total restricted current liabilities	<u>29,846</u>
---------------------------------------------	---------------

Total current liabilities	<u>36,115</u>
----------------------------------	---------------

Net Assets

Invested in capital assets	2,423,720
Restricted	-
Unrestricted	<u>717,497</u>

Total net assets	<u>3,141,217</u>
-------------------------	------------------

Total liabilities and net assets	<u><u>\$ 3,177,332</u></u>
-----------------------------------------	----------------------------

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Operating Revenues	
Net tenant rental income	\$ 259,671
HUD operating grants	331,356
Other income	37,204
	<hr/>
Total operating revenues	628,231
	<hr/>
Operating Expenses	
Administrative	224,599
Tenant services	1,376
Utilities	25,852
Maintenance and repairs	235,002
General	64,230
Depreciation	214,571
	<hr/>
Total operating expenses	765,630
	<hr/>
Operating loss	(137,399)
	<hr/>
Non-Operating Income (Expenses)	
Interest income	7,823
Non-operating HUD grant	462,444
Other Expense	(3,197)
	<hr/>
Total non-operating income	467,070
	<hr/>
Change in net assets	329,671
	<hr/>
Net assets, beginning of year	2,811,546
	<hr/>
Net assets, end of year	\$ 3,141,217
	<hr/> <hr/>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 299,326
Cash received from HUD for operations	331,356
Cash payments to and on behalf of employees	(380,314)
Cash payments to suppliers for goods and services	<u>(170,043)</u>
Net cash provided by operating activities	<u>80,325</u>
Cash Flows From Noncapital Financing Activities	
Other Expense	<u>(3,197)</u>
Cash Flows From Capital And Related Financing Activities	
Purchase of capital assets	(449,626)
HUD grants for purchase of capital assets	<u>462,444</u>
Net cash provided by capital and related financing activities	<u>12,818</u>
Cash Flows From Investing Activities	
Purchase of certificates of deposit	(150,265)
Interest income	<u>7,823</u>
Net cash used by investing activities	<u>(142,442)</u>
Net decrease in cash and cash equivalents	(52,496)
Cash and cash equivalents, beginning of year	<u>165,015</u>
Cash and cash equivalents, end of year	<u><u>\$ 112,519</u></u>
Cash and cash equivalents	
Unrestricted cash	\$ 84,057
Restricted	<u>28,462</u>
	<u><u>\$ 112,519</u></u>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2010

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (137,399)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation	214,571
Changes in assets and liabilities	
Accounts receivable	3,489
Prepays	(824)
Inventories	(2,576)
Accounts payable	4,102
Restricted assets	(1,038)
	<hr/>
Net cash provided by operating activities	\$ 80,325
	<hr/> <hr/>

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 finance 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, 2010

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 are organized on the basis of a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. 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, 2010

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 affects 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, 2010

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 of the Authority may be invested in:

- a. Bonds or negotiable securities of the United States, the state or any county, municipality or town which has a taxable valuation of real property for the preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- b. Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government; or
- c. In contracts with banks, savings and 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, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's cash, cash equivalents and investments as of June 30, 2010, 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, 2010, the Housing Authority's deposits were exposed to custodial credit risk as follows:

	<u>Bank Balances</u>
FDIC Insured	\$ 742,749
Collateralized with securities held in financial institution's name	-
Uninsured and uncollateralized	-
	<u>\$ 742,749</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	\$ 65,948	77,207
Savings	3,738	3,738
Certificates of deposit	200,000	200,000
Petty cash	75	-
Total	<u>\$ 269,761</u>	<u>280,945</u>
FDIC insurance		<u>280,945</u>
Uninsured bank balance		<u>-</u>
Collateral pledged – FHLB securities held by financial institution		<u>212,430</u>
Amount over collateralized		<u>\$ 212,430</u>

First National Bank of New Mexico

Total Certificates of deposit – fully insured by FDIC	<u>\$ 145,100</u>	<u>145,100</u>
--------------------------------------------------------------	-------------------	----------------

First National Bank of Trinidad

Total Certificates of deposit – fully insured by FDIC	<u>\$ 250,000</u>	<u>250,000</u>
--------------------------------------------------------------	-------------------	----------------

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

	Carrying Amount	Bank Deposits
Wells Fargo Bank		
Certificate of deposit	\$ 10,000	10,000
Savings Account	14,296	14,296
Total	<u>\$ 24,296</u>	<u>24,296</u>
FDIC insurance		<u>24,296</u>
Uninsured bank balance		<u>-</u>
Collateral pledged – FRB securities held by financial institution		<u>27,526</u>
Amount over collateralized		<u>\$ 27,526</u>
State Farm Insurance Bank		
Total Certificates of deposit – fully insured by FDIC	<u>\$ 42,408</u>	<u>42,408</u>
Cash, cash equivalents and investments in CDs are presented on the statement of net assets as follows:		
Cash and cash equivalents		
Cash accounts		\$ 84,057
Certificates of deposit		619,046
Current assets, certificate of deposit restricted for Tenant Security Deposits		<u>28,462</u>
Total		<u>\$ 731,565</u>

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 6/30/10	Outstanding (Checks) / Other	Book Balance at 6/30/10
International Bank	Checking	\$ 77,207	(11,259)	65,948
International Bank	Savings	3,738	-	3,738
International Bank	Certificate of Deposit	100,000	-	100,000
International Bank	Certificate of Deposit	100,000	-	100,000
		<u>280,945</u>	<u>(11,259)</u>	<u>269,686</u>
First National Bank	Certificate of Deposit	50,000	-	50,000
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	10,000	-	10,000
First National Bank	Certificate of Deposit	15,000	-	15,000
First National Bank	Certificate of Deposit	30,100	-	30,100
First National Bank of New Mexico		<u>145,100</u>	<u>-</u>	<u>145,100</u>
First National Bank	Certificate of Deposit	35,000	-	35,000
First National Bank	Certificate of Deposit	30,000	-	30,000
First National Bank	Certificate of Deposit	33,000	-	33,000
First National Bank	Certificate of Deposit	115,000	-	115,000
First National Bank	Certificate of Deposit	37,000	-	37,000
First National Bank of Trinidad		<u>250,000</u>	<u>-</u>	<u>250,000</u>
State Farm Bank	Certificate of Deposit	17,191	-	17,191
State Farm Bank	Certificate of Deposit	25,217	-	25,217
		<u>42,408</u>	<u>-</u>	<u>42,408</u>
Wells Fargo Bank	Savings Account	14,296	-	14,296
Wells Fargo Bank	Certificate of Deposit	10,000	-	10,000
		<u>24,296</u>	<u>-</u>	<u>24,296</u>
Change Fund		<u>-</u>	<u>75</u>	<u>75</u>
Totals		<u>\$ 742,749</u>	<u>(11,184)</u>	<u>731,565</u>

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3. CHANGES IN CAPITAL ASSETS

The following schedule shows the changes in capital assets during the year ended June 30, 2010.

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Governmental Activities					
<i>Nondepreciable assets</i>					
Land	253,436	-	-	-	253,436
Construction in progress	199,855	25,569	-	(202,855)	22,569
Total nondepreciable assets	453,291	25,569	-	(202,855)	276,005
<i>Depreciable assets</i>					
Buildings	6,891,136	265,246	-	175,584	7,331,966
Furniture, equipment, machinery - dwellings	121,613	6,915	-	-	128,528
Furniture, equipment, machinery - administration	195,538	4,699	-	-	200,237
Leasehold Improvements	962,194	147,197	-	27,271	1,136,662
Total depreciable assets	8,170,481	424,057	-	202,855	8,797,393
<i>Less accumulated depreciation for</i>					
Buildings	5,274,289	180,006	-	-	5,454,295
Furniture, equipment, machinery - dwellings	82,772	9,771	-	-	92,543
Furniture, equipment, machinery - administration	188,618	5,842	-	-	194,460
Leasehold Improvements	889,428	18,952	-	-	908,380
Total accumulated depreciation	6,435,107	214,571	-	-	6,649,678
Capital assets, net	2,188,665	235,055	-	-	2,423,720

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4. PENSION PLAN – Public Employees Retirement Association

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 for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 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, 2010, 2009 and 2008 were \$23,713, \$22,615, and \$22,474 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 5. POST-EMPLOYEMENT BENEFITS – State Retiree Health Care Plan

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

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

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5. POST-EMPLOYEMENT BENEFITS – State Retiree Health Care Plan (CONTINUED)

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Authority's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$3,007, \$3,281 and \$3,369, respectively, which equal the required contributions for each year.

HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6. 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	6-30-2010
d. Premium paid	\$14,041 Property insurance
e. Premium paid	\$11,942 Liability insurance

Automobile Liability

a. Coverage	\$500,000/\$500,000
b. Insurance agent/company	Peerless Indemnity Insurance Co.
c. Expiration date	3-19-2011
d. Premium paid	\$4,870

Workman's Compensation

a. Coverage	Statutory Limits
b. Insurance agent/company	New Mexico Self Insurers' Fund
c. Expiration date	6-30-2010
d. Premium paid	\$5,884

The Liabilities and Casualty and Workman's Compensation policies were renewed during the subsequent fiscal year with no substantial changes in coverage.

NOTE 7. 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.

**HOUSING AUTHORITY OF THE CITY OF RATON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8. 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 fund level.

NOTE 9. 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, 2010, the Authority received 72.26% 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, 2010

	Budget		Actual	Variance
	Original	Final		
Revenues				
Net tenant rental income	\$ 241,460	261,560	259,671	(1,889)
HUD operating grants	394,295	311,703	331,356	19,653
Other income	58,597	60,607	37,204	(23,403)
	<hr/>			
Total operating income	694,352	633,870	628,231	(5,639)
	<hr/>			
Expenses				
Administrative	231,803	235,603	224,599	11,004
Tenant services	3,700	3,700	1,376	2,324
Utilities	23,700	23,700	25,852	(2,152)
Maintenance and repairs	207,927	211,657	235,002	(23,345)
General	100,576	103,786	64,230	39,556
	<hr/>			
Total operating expenses	567,706	578,446	551,059	27,387
	<hr/>			
Excess of revenues over expenses	126,646	55,424	77,172	21,748
	<hr/>			
Budgeted reserve	(126,646)	(55,424)	-	55,424
	<hr/>			
Excess of revenue over expenses after reserves	\$ -	-	77,172	<u>77,172</u>
	<hr/>			
Interest income			7,823	
Non-operating HUD Grant			462,444	
Non-operating Expense - Other			(3,197)	
Depreciation Expense			(214,571)	
	<hr/>			
Net income - GAAP basis			<u>\$ 329,671</u>	

HOUSING AUTHORITY OF THE CITY OF RATON
FINANCIAL DATA SCHEDULE
June 30, 2010

Line Item Number		Low Rent	Capital Fund	Total
	Assets			
	Current Assets			
111	Cash - unrestricted	\$ 84,057	-	84,057
114	Cash - tenant security deposits	28,462	-	28,462
	Total cash	<u>112,519</u>	<u>-</u>	<u>112,519</u>
	Receivables			
126	Accounts receivable - tenants - dwelling rents	1,377	-	1,377
129	Accrued Interest Receivable	1,561	-	1,561
120	Total receivables, net of allowances for doubtful accounts	<u>2,938</u>	<u>-</u>	<u>2,938</u>
131	Investments - unrestricted	619,046	-	619,046
142	Prepaid expenses and other assets	4,368	-	4,368
143	Inventories	14,741	-	14,741
150	Total current assets	<u>753,612</u>	<u>-</u>	<u>753,612</u>
	Noncurrent Assets			
	Fixed Assets			
161	Land	253,436	-	253,436
162	Buildings	6,891,136	440,827	7,331,963
163	Furniture, equipment & machinery - dwellings	102,480	26,049	128,529
164	Furniture, equipment & machinery - administration	192,697	7,541	200,238
165	Leasehold improvements	942,386	194,276	1,136,662
166	Accumulated depreciation	(6,596,859)	(52,818)	(6,649,677)
167	Construction in progress	-	22,569	22,569
160	Total fixed assets, net of accumulated depreciation	<u>1,785,276</u>	<u>638,444</u>	<u>2,423,720</u>
190	Total assets	<u>\$ 2,538,888</u>	<u>638,444</u>	<u>3,177,332</u>
	Liabilities and Equity			
	Liabilities			
	Current Liabilities			
312	Accounts payable <= 90 days	\$ 6,269	-	6,269
341	Tenant security deposits	28,462	-	28,462
342	Deferred Revenues - Other	1,384	-	1,384
300	Total liabilities	<u>36,115</u>	<u>-</u>	<u>36,115</u>
508.1	Invested in capital assets, net of related debt	1,785,276	638,444	2,423,720
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	717,497	-	717,497
513	Total equity/net assets	<u>2,502,773</u>	<u>638,444</u>	<u>3,141,217</u>
600	Total liabilities and equity/net assets	<u>\$ 2,538,888</u>	<u>638,444</u>	<u>3,177,332</u>

HOUSING AUTHORITY OF THE CITY OF RATON
FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2010

Line Item Number	Description	Low Rent	Capital Fund	Total
Revenue				
Tenant Revenue				
703	Net tenant rental revenue	\$ 257,616	-	257,616
704	Tenant revenue - other	2,055	-	2,055
705	Total tenant revenue	259,671	-	259,671
706	HUD PHA operating grants	331,356	-	331,356
706.1	Capital grants	-	462,444	462,444
711	Investment income - unrestricted	7,823	-	7,823
715	Other revenue	37,204	-	37,204
716	Gain/Loss on Sale of Fixed Assets	-	-	-
700	Total revenue	636,054	462,444	1,098,498
Expenses Administrative				
911	Administrative salaries	132,332	-	132,332
912	Accounting and Auditing Fees	11,831	1,315	13,146
914	Advertising and marketing	122	-	122
915	Employee benefit contributions - administrative	52,259	-	52,259
916	Office expense	15,907	-	15,907
917	Legal	377	-	377
918	Travel	957	-	957
919	Other	8,847	652	9,499
		222,632	1,967	224,599
Tenant Services				
924	Tenant services - other	1,376	-	1,376
		1,376	-	1,376
Utilities				
931	Water	5,512	-	5,512
932	Electricity	11,907	-	11,907
933	Gas	6,244	-	6,244
936	Sewer	2,189	-	2,189
		25,852	-	25,852
Ordinary Maintenance & Operation				
941	Ordinary maintenance and operations - labor	132,531	-	132,531
942	Ordinary maintenance and operations - materials and other	24,790	10,854	35,644
943	Ordinary maintenance and operations - contract costs	14,489	-	14,489
945	Employee benefit contributions - ordinary maintenance	52,338	-	52,338
		224,148	10,854	235,002

HOUSING AUTHORITY OF THE CITY OF RATON
FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2010

Line Item Number	Description	Low Rent	Capital Fund	Total
General Expenses				
961	Insurance premiums	\$ 36,735	-	36,735
963	Payment in lieu of taxes	23,381	-	23,381
964	Bad debt - tenant rents	4,114	-	4,114
		<u>64,230</u>	<u>-</u>	<u>64,230</u>
969	Total operating expenses	<u>538,238</u>	<u>12,821</u>	<u>551,059</u>
970	Excess operating revenue over operating expenses	<u>97,816</u>	<u>449,623</u>	<u>547,439</u>
Other Expenses				
971	Extraordinary maintenance	3,197	-	3,197
974	Depreciation expense	166,375	48,196	214,571
900	Total expenses	<u>707,810</u>	<u>61,017</u>	<u>768,827</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>\$ (71,756)</u>	<u>401,427</u>	<u>329,671</u>
Memo Account Information				
1119	Unit months available	1,848	-	1,848
1121	Number of unit months leased	1,794	-	1,794

HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

Federal Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Grants Public Housing Cluster		
Public Housing - Capital Fund Program	14.872	\$ 140,282
Public Housing - Capital Fund Program (ARRA)	14.885	<u>322,162</u>
Total Public Housing Cluster		<u>462,444</u>
Direct Grants		
Public and Indian Housing Operating Subsidy	14.850	<u>331,356</u>
Total federal expenditures		<u><u>\$ 793,800</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, 2010

	International Bank CD, Checking & Savings	Wells Fargo Bank CD, Savings	First National Bank of New Mexico CD	First National Bank of Trinidad CD	State Farm Bank CD
Deposits at June 30, 2010	\$ 280,945	24,296	145,100	250,000	42,408
Less: FDIC coverage	280,945	24,296	145,100	250,000	42,408
Uninsured and uncollateralized public funds	\$ -	-	-	-	-
50% pledged collateral requirement per statute	\$ -	-	-	-	-
Total pledged collateral	212,430	27,526	-	-	-
Pledged collateral (over) under the requirement	\$ (212,430)	(27,526)	-	-	-

Pledged collateral at June 30, 2010 consists of the following:

Security	CUSIP	Maturity	Market Value				
FHLB Fixed Rate Note	3133XKTV7	6/13/2014	\$ 111,540	-	-	-	-
FHLB Fixed Rate Note	3133X4LX7	9/17/2010	100,890	-	-	-	-
FRB Fixed Rate Note	31410DQA1	8/1/2036	-	27,526	-	-	-
			\$ 212,430	27,526	-	-	-

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, 2010, including the budgetary statement and have issued our report thereon dated December 1, 2010. 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 the Authority'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 Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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.

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

Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards, January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978 and Section 2.2.2.9 (c) of the NMAC, which is described in the accompanying schedule of findings and questioned costs as finding 10-01.

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, the State of New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 1, 2010

**Report on Compliance
With Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over
Compliance in Accordance With
OMB Circular A-133**

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 City of Raton Housing Authority, New Mexico (Authority), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 of the Authority's compliance with those requirements.

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 the requirements that could have a direct and material effect on a

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

major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, the State of New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 1, 2010

**HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies (s) identified that are not considered to be material weaknesses? _____ 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 programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.872/14.885 (ARRA)	Public Housing Cluster

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

Auditee qualified as low-risk auditee? _____ yes x no

**HOUSING AUTHORITY OF THE CITY OF RATON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section II - Financial Statement Findings

10-01 Late Audit Report

CONDITION

The audit report for the year ending June 30, 2010 was not submitted by the deadline of December 1, 2010. The State Auditor's Office received the report on February 11, 2011.

CRITERIA

2.2.2 NMAC, Audit Rule 2008, specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(c) stipulates that County reports are due no later than December 1, 2010. Further, Section 2.2.2.9 A (3) requires that submission of a late audit report shall be reported as a current year audit finding in the audit report.

CAUSE

The audit report was rejected by the State Auditor's Office due to non-compliance with State Audit Rule requirements.

EFFECT

The Department is not in compliance with *Section 2.2.2.9 A (1) (c) of the NMAC, Audit Rule 2008*, which may impact funding.

RECOMMENDATION

Moss Adams and Management of the Authority will continue to work towards providing the timely completion of the financial statements.

MANAGEMENT RESPONSE

The Authority will ensure that the financial are submitted by the State Auditor deadline.

Section III - Federal Award Findings and Questioned Costs

None reported

HOUSING AUTHORITY OF THE CITY OF RATON
EXIT CONFERENCE
Year Ended June 30, 2010

An exit conference was held on November 24, 2010, and attended by:

Raton Housing Authority

Margaret Evans, Vice-Chairperson
Terry Baca, Executive Director

Moss Adams LLP

Chris Garner, CPA Senior Manager
Jim Cox Senior

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