



New Mexico

TAOS COUNTY HOUSING AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)

STATE OF NEW MEXICO
Taos County Housing Authority
Official Roster
June 30, 2008

| Name | | Title |
|---------------------------------|--|---|
| Governing Board | | |
| Stephen Trujillo | | Chairman |
| Esther Garcia | | Vice Chair |
| Tom Lopez | | Member |
| Sam Martinez | | Member |
| Thomas Garcia | | Member |
| Nikolos Jaramillo | | Non-Voting Member |
| Administrative Officials | | |
| Carmella Martinez | | Interim Executive Director/Finance Specialist |

(This page intentionally left blank)

STATE OF NEW MEXICO
Taos County Housing Authority
June 30, 2008
Table of Contents

| | <u>Exhibit</u> | <u>Page</u> |
|---|--------------------------------|-------------|
| INTRODUCTORY SECTION | | |
| Official Roster | | 1 |
| Table of Contents | | 2 |
| FINANCIAL SECTION | | |
| Independent Auditors' Report | | 7-9 |
| Management's Discussion and Analysis | | 11-17 |
| BASIC FINANCIAL STATEMENTS | | |
| Statement of Fund Net Assets | A-1 | 21 |
| Statement of Revenues, Expenses and Changes in Net Assets | A-2 | 23 |
| Statement of Cash Flows - Proprietary Funds | A-3 | 25 |
| NOTES TO THE FINANCIAL STATEMENTS | | 27-35 |
| | <u>Statement/ Schedule</u> | <u>Page</u> |
| SUPPLEMENTARY INFORMATION | | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Low Income & Indian Housing | A-1 | 39 |
| Choice Housing Vouchers | A-2 | 41 |
| Capital Project Fund | A-3 | 43 |
| SUPPORTING SCHEDULES | | |
| Schedule of Collateral Pledged by Depository for Public Funds | I | 47 |
| Schedule of Deposits and Investment Accounts | II | 49 |
| Financial Data Schedule | III | 50-53 |
| COMPLIANCE SECTION | | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 57-59 |
| FEDERAL FINANCIAL ASSISTANCE | | |
| Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 | | 63-65 |
| Schedule of Expenditures of Federal Awards | IV | 67 |
| Schedule of Findings and Questioned Costs | V | 69-70 |
| Other Disclosures | | 71 |

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
Executive Director and Board of Commissioners
Taos County Housing Authority
Taos, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Taos County Housing Authority (the "Authority"), a component unit of Taos County, New Mexico (the "County"), as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the budgetary comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of Taos County as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, 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 respective financial position of the business-type activities of the Taos County Housing Authority as of June 30, 2008, and the respective change in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Authority for the year ended June 30, 2008.

(This page intentionally left blank)

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is 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 did not express an opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying Schedule IV-Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule III-Financial Data Schedule is presented for purposes of additional analysis as required by U.S. Department of Housing and Urban development and is not a required part of the 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.

Precision Accounting LLC
Albuquerque, New Mexico
October 1, 2008

(This page intentionally left blank)

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

INTRODUCTION

The Taos County Housing Authority (the Authority) is a political subdivision of Taos County and is empowered To implement housing, community development, redevelopment, and revitalization programs within Taos, New Mexico (the County). The Authority has the power to acquire, lease, and improve property; to acquire via eminent domain; to make loans or grants; to investigate and determine whether an area is blighted; and to carry out a redevelopment plan in cooperation with local government.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended June 30, 2008, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

The Authority's FY2008 annual financial report consists of two parts - the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to the U.S. Department of Housing and Urban Development (HUD) related to our basic financial statements.

The primary focus of the Authority's financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2008

Under GASB 34, the Authority's single business-type activities financial statements for FY2008 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. In summary, the Authority's FY2008 financial highlights included the following:

- Overall funding for Taos County Housing Authority has increased by \$409,244 compared to prior year. While there was an increase in rental revenue of \$92,844, there was a increase of \$316,400 in funding from grants. The net impact was a net increase in funding of 11.2%. The reduction of federal grants was a result of TCHA not having the cash flow to carry the shortfalls and not placing all applicants that could have otherwise been placed.
- Total assets and liabilities of the Authority were approximately \$5,062,359 and \$135,002 respectively; thus total net assets were \$4,927,357 at June 30, 2008 which is a increase of \$300,873 due to an increase in Housing Choice Vouchers.
- Total revenues and expenses were approximately \$3,660,954 and \$3,273,489 respectively; thus net Assets increased by approximately \$300,873 during the fiscal year again due to increased revenues from additional grants and rental income.
- Revenues are derived from various sources with approximately 11.9% from non-grant sources and 88.1% Received either directly or indirectly (through the County) from the U.S. Department of Housing and Urban Development (HUD). For example, approximately 93.1% or \$3,031,364 of the \$3,255,734 in total revenues, are derived from the Low Rent Public Housing and Choice Voucher (and related Section 8 Low Income & Indian Housing) (HUD) grants. Rental revenues from Authority-owned properties were approximately \$387,465, or 10.5% of total revenues, which is an increase of \$92,844. Additionally, funds were received from ROSS (Family Self Sufficiency), Low Rent \$46,000 and Section 8 \$46345.
- Cash flows from operating activities were \$704,686. Furthermore, after considering Investing and capital financing activities, the decrease in cash and cash equivalents for the year was approximately \$543,462. This was a direct result of the increase from Operating Activities.
- HUD Public Housing Assessment System financial indicators show that the Authority is a high performer this year. The current ratio that measures the Authority's liquidity is .629, in the ideal range for public housing authorities of this size as determined by HUD.

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

AUTHORITY FINANCIAL STATEMENTS

The Authority's mission in the County focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of commercial and industrial areas in Taos County. The Authority, as of June 30, 2008, owned 155 residential units that are leased to low-income families and individuals. In addition, housing assistance was being paid to over 166 households under the Federal Housing Choice Voucher Low Income & Indian Housing programs for privately-owned existing housing.

In view of this mission, the Authority's financial reporting objective under GASB 34 in FY2008 focuses on the financial activities of the Authority as a whole.

Financial Statements Used in Fiscal Year 2008

The Authority is presenting its FY20087 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements - the Statement of Net Assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories.

- *Net assets, invested in capital assets, net of related debt* consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consist of assets that are restricted by constraints placed on the asset by external parties, such as, creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt, or restricted net assets*.

The statement of revenues and expenses (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, depreciation; and nonoperating revenues and expenses, such as non-program grant revenue, investment income, interest expense, and capital contributions. The statement of changes in fund net assets focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

This entity-wide presentation represents all programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by development and financing fees, and by investment income and loan proceeds. The authority also administers housing and community development activities in which funding are controlled at the County level. In FY2008, the following programs make up the Authority's single business-type activities financial statements:

- *Low Rent Public Housing Program* - Funding is from federal grants from HUD, rents, and other user charges and provides essential affordable housing for low-income families, disabled person, and the elderly.
- *Housing Choice Voucher and Section 8 Programs* - These programs are funded by HUD and are subsidy programs for low- and moderate-income families seeking housing in the private rental market.
- *Capital Projects Fund* - These programs are funded by HUD and are for the purpose of upgrading existing rental properties.

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

Net Assets

The following table reflects the Authority's condensed summary of the statement of net assets as of June 30, 2008 and 2007.

| | 2007 | 2008 |
|---|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 190,560 | \$ 730,640 |
| Capital assets, net of accumulated depreciation | <u>4,597,062</u> | <u>4,331,719</u> |
| Total assets | <u>4,787,796</u> | <u>5,062,359</u> |
| Liabilities: | | |
| Current liabilities | 138,351 | 107,302 |
| Long-term liabilities | 22,787 | 27,700 |
| Total liabilities | <u>161,138</u> | 135,002 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 4,597,062 | 4,331,719 |
| Restricted for security deposits | 41,699 | - |
| Unrestricted | <u>(12,277)</u> | <u>595,638</u> |
| Total net assets | \$ <u>4,626,484</u> | \$ <u>4,927,357</u> |

Investments in capital assets comprise about 83.4% of the Authority's total assets. However, the amount invested in capital assets, net of related debt, amounts to about 94.8% of total net assets.

The Authority's net assets consist of unrestricted net assets. Unrestricted net assets would include cash in the bank, receivables net of allowances, and other assets less all other liabilities not previously applied.

Revenues, Expenses and Changes in Fund Net Assets

The results of the Authority's operations are reported in the statement of revenues, expenses and changes in net assets. In Fiscal Year 2008 the Authority realized an increase in net assets of \$300,873. The following table presents a condensed summary of data from the Authority's statement of revenues, expenses and changes in net assets.

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2007

| | 2007 | 2008 |
|-----------------------------------|---------------------|---------------------|
| Revenues: | | |
| Operating revenues | | |
| Dwelling rentals | \$ 294,621 | \$ 387,465 |
| Federal operating grants | 2,939,344 | 3,255,734 |
| Non-operating revenues | <u>2,222</u> | <u>17,755</u> |
| Total revenues | <u>3,236,177</u> | <u>3,660,954</u> |
| Expenses: | | |
| Operating expenses | | |
| Housing assistance payments | 2,059,837 | 1,990,768 |
| General and Administration | 772,283 | 770,180 |
| Utilities | 193,529 | 189,256 |
| Depreciation | <u>407,391</u> | <u>409,878</u> |
| Total expenses | <u>3,433,040</u> | <u>3,360,082</u> |
| Increase (decrease) in net assets | <u>(196,863)</u> | <u>300,872</u> |
| Net assets, beginning of year | <u>4,823,347</u> | <u>4,626,485</u> |
| Net assets, end of year | <u>\$ 4,626,484</u> | <u>\$ 4,927,357</u> |

About .89% of the Authority's total revenues in Fiscal Year 2008 were non-operating revenues that are derived from HUD Operating and Capital Grants, interest income, and miscellaneous income. The remaining 11% of revenues were from rental income.

In Fiscal Year 2008, the Authority incurred expense totaling \$3,360,082 that is operating expenses related to its role as a housing authority. About \$1,990,768, or 59.2%, of these operating expenses are housing assistance payments made in the Housing Choice Voucher programs. General and other program expenses include costs related to tenant and protective services, loans receivable, bad debt, and redevelopment and rehabilitation expenses.

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

The Authority's Fiscal Year 2008 Financial Data Schedule, included with these financial statements, supplies activity detail for the Statement of Revenues, Expenses and Change in Net Assets and shows noteworthy transactions that influenced financial results of its rental assistance programs - the Low Rent Public Housing Program and Housing Choice Voucher. These transactions include:

- *The Low Rent Public Housing Program* had total revenues and expenses of approximately \$671,701 and \$1,070,499.
- *The Housing Choice Voucher (Section 8) Program* had revenues totaling approximately \$2,227,746 and expenses (mainly housing assistance payments) of approximately \$2,764,883.
- *Capital Projects Fund* had revenues totaling approximately \$224,370 and expenses of approximately \$59,254.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Authority's capital assets as of June 30, 2008, included land, buildings and improvements, and equipment that totaled \$10,267,351 (without accumulated depreciation), most of which is comprised of Public Housing units available for lease to low- and moderate-income residents, construction in these Public Housing areas in Taos County. A breakdown of these assets is shown below:

| Description | Beginning Balance | Additions/ (Deletions) | Ending Balance |
|--------------------------------|----------------------|---------------------------|-------------------|
| Non-depreciable assets: | | | |
| Land | \$ 167,589 | \$ | \$ 167,589 |
| Other capital assets: | | | |
| Buildings and improvements | 8,990,231 | 144,532 | 9,134,763 |
| Furniture and equipment | 1,109,531 | | 1,109,531 |
| Less accumulated depreciation: | | | |
| Buildings and improvements | (5,849,122) | (388,426) | (6,237,548) |
| Furniture and equipment | <u>(358,123)</u> | <u>(21,450)</u> | <u>(379,573)</u> |
| Totals | \$ 4,597,064 | \$ (265,344) | \$ 4,331,720 |

The Authority had approximately \$21,450 in net additions/deletions to capital assets in 2008 and \$12,394 in net additions/deletions in FY 2007.

TAOS COUNTY HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
June 30, 2008

The Authority's 2008 financial statements include long-term debt, consisting of loans, and notes payable, of approximately \$ 27,700.

The Authority has no knowledge of currently known facts that are expected to have a significant effect on the financial position of the authority.

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide the citizens of Taos County, taxpayers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Administration, Taos County Housing Authority, NM038 4239 NDCBU, Taos, New Mexico 87571.

(This page intentionally left blank)

**BASIC
FINANCIAL STATEMENTS**

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

Exhibit A-1

| | Low Income & Indian Housing | Housing Choice Vouchers | Capital Projects Fund | Total |
|---|--|------------------------------------|----------------------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and temporary investments | \$ 67,292 | \$ 569,577 | \$ - | \$ 636,869 |
| Receivables (net of allowance for uncollectibles) | 32,767 | - | - | 32,767 |
| Prepaid expenses | 5,855 | - | - | 5,855 |
| Total Current Assets | <u>105,914</u> | <u>569,577</u> | <u>-</u> | <u>675,491</u> |
| Noncurrent Assets | | | | |
| Restricted assets: | | | | |
| Cash and cash equivalents | 46,498 | 8,651 | - | 55,149 |
| Capital assets | 11,323,521 | - | - | 11,323,521 |
| Less: accumulated depreciation | (6,991,802) | - | - | (6,991,802) |
| Total capital assets | <u>4,331,719</u> | <u>-</u> | <u>-</u> | <u>4,331,719</u> |
| Total noncurrent Assets | <u>4,378,217</u> | <u>8,651</u> | <u>-</u> | <u>4,386,868</u> |
| Total assets | <u>\$ 4,484,131</u> | <u>\$ 578,228</u> | <u>\$ -</u> | <u>\$ 5,062,359</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 16,083 | \$ 10,279 | \$ - | \$ 26,362 |
| Accrued salaries | 15,866 | 7,827 | - | 23,693 |
| Security deposits | 42,382 | - | - | 42,382 |
| Due to other funds | - | - | - | - |
| Current portion of accrued compensated absences | 10,649 | 4,216 | - | 14,865 |
| Total Current Liabilities: | <u>84,980</u> | <u>22,322</u> | <u>-</u> | <u>107,302</u> |
| Noncurrent liabilities: | | | | |
| Noncurrent portion of accrued compensated absences | <u>20,464</u> | <u>7,236</u> | <u>-</u> | <u>27,700</u> |
| Total liabilities | <u>105,444</u> | <u>29,558</u> | <u>-</u> | <u>135,002</u> |
| Invested in capital assets | 4,331,719 | - | - | 4,331,719 |
| Unrestricted | <u>46,968</u> | <u>548,670</u> | <u>-</u> | <u>595,638</u> |
| Total net assets | <u>4,378,687</u> | <u>548,670</u> | <u>-</u> | <u>4,927,357</u> |
| Total liabilities and net assets | <u>\$ 4,484,131</u> | <u>\$ 578,228</u> | <u>\$ -</u> | <u>\$ 5,062,359</u> |

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-2

| | Low Income Indian Housing | Housing Choice Vouchers | Capital Projects Fund | Total |
|--|------------------------------|----------------------------|--------------------------|---------------------|
| <i>Operating revenues:</i> | | | | |
| Rental revenue | \$ 325,701 | \$ 61,764 | \$ - | \$ 387,465 |
| Total operating revenues | <u>325,701</u> | <u>61,764</u> | <u>-</u> | <u>387,465</u> |
| <i>Operating expenses:</i> | | | | |
| Housing assistance payments | - | 1,990,768 | - | 1,990,768 |
| Depreciation | 409,878 | - | - | 409,878 |
| Personnel services | 158,755 | 190,338 | - | 349,093 |
| Contractual services | 18,579 | 8,803 | - | 27,382 |
| Maintenance and materials | 201,521 | 1,492 | - | 203,013 |
| Utilities | 189,256 | - | - | 189,256 |
| Miscellaneous | 95,093 | 36,345 | 59,254 | 190,692 |
| Total operating expenses | <u>1,073,082</u> | <u>2,227,746</u> | <u>59,254</u> | <u>3,360,082</u> |
| Operating income (loss) | (747,381) | (2,165,982) | (59,254) | (2,972,617) |
| <i>Nonoperating income:</i> | | | | |
| Interest income | 7,235 | 10,520 | - | 17,755 |
| Operating and capital grants | 338,765 | 2,692,599 | 224,370 | 3,255,734 |
| Total nonoperating revenues (expenses) | <u>346,000</u> | <u>2,703,119</u> | <u>224,370</u> | <u>3,273,489</u> |
| Net from operations | (401,381) | 537,137 | 165,116 | 300,872 |
| <i>Transfers</i> | <u>165,116</u> | <u>-</u> | <u>(165,116)</u> | <u>-</u> |
| <i>Change in net assets</i> | (236,265) | 537,137 | - | 300,872 |
| <i>Total net assets - beginning</i> | <u>4,614,952</u> | <u>11,533</u> | <u>-</u> | <u>4,626,485</u> |
| <i>Total net assets - ending</i> | <u>\$ 4,378,687</u> | <u>\$ 548,670</u> | <u>\$ -</u> | <u>\$ 4,927,357</u> |

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit A-3

| | Low Income & Indian Housing | Housing Choice Vouchers | Capital Project Fund | Total |
|---|--------------------------------|----------------------------|-------------------------|---------------------|
| <i>Cash Flows From Operating Activities:</i> | | | | |
| Receipts from Customers and Users | \$ 607,240 | \$ 2,718,538 | \$ 224,370 | \$ 3,550,148 |
| Cash paid to employees for services | (112,806) | (2,137,041) | - | \$ (2,249,847) |
| Cash paid to suppliers for goods and services | (547,794) | (61,212) | (59,254) | \$ (668,260) |
| Other cash received | 57,226 | 15,419 | - | \$ 72,645 |
| <i>Net Cash (Used) by Operating Activities</i> | <u>3,866</u> | <u>535,704</u> | <u>165,116</u> | <u>\$ 704,686</u> |
| <i>Cash Flows From Non Capital Financing Activities:</i> | | | | |
| Increase in long term accrued compensated absences | (5,007) | 10,103 | - | \$ 5,096 |
| Operating Transfers in(out) | 165,116 | - | (165,116) | \$ - |
| <i>Net Cash Provided (Used) by Non Capital Financing Activities</i> | <u>160,109</u> | <u>10,103</u> | <u>(165,116)</u> | <u>\$ 5,096</u> |
| <i>Cash Flows from Capital and related financing activities</i> | | | | |
| Acquisition of Capital Assets | (148,565) | - | - | \$ (148,565) |
| Due to other funds | - | - | - | - |
| <i>Net Cash Provided (Used) by Capital and Related Financing Activities:</i> | <u>(148,565)</u> | <u>-</u> | <u>-</u> | <u>\$ (148,565)</u> |
| <i>Cash Flows From Investing Activities:</i> | | | | |
| Interest on Investments | (7,235) | (10,520) | - | \$ (17,755) |
| <i>Net Cash Provided (Used) by Investing Activities:</i> | <u>(7,235)</u> | <u>(10,520)</u> | <u>-</u> | <u>\$ (17,755)</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | 8,175 | 535,287 | - | 543,462 |
| <i>Cash and Cash Equivalents, Beginning of Year</i> | 105,615 | 42,941 | - | \$ 148,556 |
| <i>Cash and Cash Equivalents, End of Year</i> | <u>\$ 113,790</u> | <u>\$ 578,228</u> | <u>\$ -</u> | <u>\$ 692,018</u> |
| <i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i> | | | | |
| Operating Income (Loss) | \$ (401,381) | \$ 537,137 | \$ 165,116 | \$ 300,872 |
| Adjustments to reconcile operating Income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 409,878 | - | - | \$ 409,878 |
| (Increase) Decrease in: | | | | |
| Accounts receivable | (3,927) | - | - | \$ (3,927) |
| Security Deposits | (683) | - | - | \$ (683) |
| (Decrease) Increase in: | | | | |
| Prepaid Expenses | 545 | - | - | \$ 545 |
| Accrued Expenses | (3,620) | (1,595) | - | \$ (5,215) |
| Accounts Payable | 3,054 | 162 | - | \$ 3,216 |
| <i>Net Cash Provided (Used) by Operating Activities</i> | <u>\$ 3,866</u> | <u>\$ 535,704</u> | <u>\$ 165,116</u> | <u>\$ 704,686</u> |

Summary of Significant Noncash Activities:

There were no significant noncash activities during the year ended June 30, 2008.

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Taos County Housing Authority (Authority) was organized under New Mexico statutes, to provide a conduit for housing funds for disadvantaged citizens of the County of Taos, New Mexico. The Authority is a political subdivision of the State of New Mexico of Taos County, New Mexico.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the County's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

This summary of significant accounting policies of Authority is presented to assist in the understanding of Authority's financial statements. The financial statements and notes are the representation of Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Authority has implemented Government Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* for the year ended June 30, 2004. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The programs of the authority are as follows:

Section 8 Programs - These programs, funded through direct grants from HUD, provide rental assistance to qualified families through rent subsidies paid directly to third-party landlords.

Low Rent Housing Program - The overall objective of the Public and Indian Housing program is to provide and operate cost-effective, decent, safe and affordable dwellings for lower income families.

Capital Project Fund - This program is funded by HUD and are for the purpose of upgrading existing rental properties.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential programs and operations of the entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14 as amended by GASB 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of Authority and is generally available to its residents and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a component unit of Taos County.

B. *Basis of Accounting and Measurement Focus*

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary. That category, in turn, is divided into separate "programs". The programs are shown on the combining statements for grantor purposes but are all included on the one "fund".

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 Summary of Significant Accounting Policies (continued)

B. *Basis of Accounting and Measurement Focus (continued)*

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 proprietary funds are charges to customers for rent and services, although subsidies may be used for operating or capital to some degree. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets are prepared on the modified accrual basis of accounting. Actual expenditures may not exceed the budget on a per fund basis.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes annual debt service contributions and monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as non-operating revenues.

C. *Assets, Liabilities, and Net Assets*

Deposits and Temporary Investments

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Note 2).

Accounts Receivable

All trade receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 Summary of Significant Accounting Policies (continued)

C. *Assets, Liabilities, and Net Assets (Continued)*

Inventories

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditure at the time of consumption. Inventory for the Authority is valued at cost.

Capital Assets

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more including software. Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

There was no interest incurred during construction during the current fiscal year. There is no internally developed software expensed or capitalized. Information Technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

| | |
|--------------------------|-------------|
| Buildings & improvements | 20-40 years |
| Equipment | 5-15 years |

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, of which only vacation is payable to the employee upon termination or retirement.

| | Balance | | | Balance | Due Within |
|----------------------|---------------|-----------|-----------|---------------|------------|
| | June 30, 2007 | Additions | Deletions | June 30, 2008 | One Year |
| Compensated absences | 37,597 | 19,784 | 14,816 | 42,565 | 14,865 |
| | \$ 37,597 | \$ 19,784 | \$ 14,816 | \$ 42,565 | \$ 14,865 |

Interprogram Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other programs" or "due to other programs" on the balance sheet.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates.

Restricted Assets

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. Another restriction is the use of assets set aside for debt service. The third type consists of capital assets less debt related to those assets. Net assets should be reported as restricted when constraints placed on net asset use are either:

- a) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments, or
- b) imposed by law through constitutional provision or enabling legislation.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 Deposits and Investments

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed the State investment requirements as of June 30, 2008.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The deposits consist of cash in demand deposit accounts and short-term investments with an original maturity of three months or less.

New Mexico State statutes requires collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$555,424 of the Authority's bank balances was exposed to custodial credit risk as follows:

| | First Community | Centinel | Peoples | |
|---|------------------------|------------------|----------------|---------------------|
| | Bank | Bank | Bank | Totals |
| Amount of Deposits (includes CD \$57,600) | \$ 655,424 | \$ 100,313 | \$ 5,509 | \$ 761,246 |
| FDIC Coverage | <u>(100,000)</u> | <u>(100,313)</u> | <u>(5,509)</u> | <u>(205,822)</u> |
| Total uninsured public funds | <u>555,424</u> | <u>-</u> | <u>-</u> | <u>555,424</u> |
| Collateral requirement (50%) | \$ 277,712 | \$ - | \$ - | \$ 277,712 |
| Pledged Securities | <u>536,534</u> | <u>-</u> | <u>-</u> | <u>536,534</u> |
| (Over) under collateralized | \$ <u>(258,822)</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>(258,822)</u> |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name | \$ 536,534 | \$ - | \$ - | \$ 536,534 |
| Uninsured and uncollateralized | \$ 555,424 | \$ - | \$ - | \$ 555,424 |

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 3 Accounts Receivable

The Authority's accounts receivable at June 30, 2008, are as follows:

| | <u>Accounts Receivable</u> |
|---|--------------------------------|
| Tenants, net of allowance for doubtful accounts | \$ 26,315 |
| Federal Grants | <u>6,452</u> |
| | <u>\$ 32,767</u> |

NOTE 4 Capital Assets

| | <u>Balance July 1, 2007</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 2008</u> |
|--------------------------------|---------------------------------|--------------------|------------------|----------------------------------|
| Capital Assets: | | | | |
| Land | \$ 167,589 | \$ — | \$ — | \$ 167,589 |
| Buildings | 8,990,231 | 144,532 | — | 9,134,763 |
| Equipment | 1,109,531 | — | — | 1,109,531 |
| Leasehold Improvement | <u>911,638</u> | <u>—</u> | <u>—</u> | <u>911,638</u> |
| | <u>11,178,989</u> | <u>144,532</u> | <u>—</u> | <u>11,323,521</u> |
| | | | | |
| Accumulated depreciation: | | | | |
| Buildings | \$ 5,849,122 | \$ 388,426 | \$ — | \$ 6,237,548 |
| Equipment | 358,123 | 21,450 | — | 379,573 |
| Leasehold Improvements | <u>374,680</u> | <u>—</u> | <u>—</u> | <u>374,680</u> |
| Total accumulated depreciation | <u>6,581,925</u> | <u>409,876</u> | <u>—</u> | <u>6,991,801</u> |
| Net Capital Assets | <u>\$ 4,597,064</u> | <u>\$(265,344)</u> | <u>\$ —</u> | <u>\$ 4,331,720</u> |

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2008, totaled \$409,876.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 5 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Authority expects such amounts, if any, to be immaterial.

NOTE 6 Risk Management

Taos County Housing Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. Authority has joined together with other housing authorities throughout the Country and obtained insurance through the Housing Authority Insurance Group, a housing authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred.

NOTE 7 Other Information

PERA Pension Plan

Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Plan members are required to contribute 15.65% of their gross salary. The Authority is required to contribute 11.65% of the gross salary. The contribution requirements of plan members and the Authority are established 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 years ending June 30, 2008, 2007 and 2006 were \$ 46,917, \$ 50,188, and \$ 32,222, while the employee's contributions were \$63,026, \$64,741 and \$43,286, respectively. All amounts expended were equal to the amount of the required contributions for each year.

Post Employment Benefits

The Retiree Health Care Act (10-7C-1 to 10-7C-16 NMSA 1978) provides comprehensive core group health insurance for persons who have retired from selected public service in New Mexico.

The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, State Agencies, State Courts, Magistrate Courts, Municipalities or Counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 7 Other Information (Continued)

Post Employment Benefits (Continued)

Eligible retirees are either 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 Retiree Health Care Act on the person's behalf, unless that person retired on or before July 1, 1995, in which event the time period for contributions becomes the period of time between July 1, 1990, and the date of retirement; or secondly, retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to 0.65% of the employee's annual salary. Each participating retiree pays a monthly premium of fifty seven dollars and sixty five cents (\$57.65) for the basic single plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstance, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions must be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, public available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle N.E. Suite 104, Albuquerque, New Mexico 87107.

During the fiscal year ended June 30, 2008, the Authority remitted \$4,777 in employer contributions and \$2,338 in employee contributions to the Retiree Health Care Authority.

NOTE 8 Concentrations

Seventy percent of the Authority's revenues are derived from grants from various federal agencies. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

NOTE 9 Transfers

The transfers between Programs totaling \$165,116 were for the cost of construction borne by the CFP Program for the Low Rent Program.

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF TAOS COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 10 Other Required Individual Fund Disclosures

Fund Deficits

At June 30, 2008, the Authority reported no deficit fund balances.

NOTE 11 Accounting Standards

As of June 30, 2005, the Authority adopted the provisions of GASB Statement No. 40. In April 2004 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other than Pension Plans, which amends GASB Statements No. 14, 25, 26, 27, 31 and 34, and which is effective for financial statements for periods beginning after December 15, 2005. The Statement establishes uniform financial reporting standards for other post employment benefits plans and supersedes the interim guidance included in Statement No. 26. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In June, 2004 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions, an amendment to GASB Statements No. 10, 12, 27 and 26, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition and display of other post employment benefits expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

NOTE 12 Federal and State Grants

Taos County Housing Authority participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, Taos County may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of Taos County Housing Authority.

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

STATE OF NEW MEXICO

Statement A-1

TAOS COUNTY HOUSING AUTHORITY
LOW INCOME AND INDIAN HOUSINGSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|-----------|-------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| Intergovernmental | 624,936 | 624,936 | 671,700 | 46,764 |
| <i>Total revenues</i> | 624,936 | 624,936 | 671,700 | 46,764 |
| <i>Expenditures:</i> | | | | |
| Current | | | | |
| Housing | 1,073,081 | 1,073,081 | 1,073,081 | - |
| <i>Total expenditures</i> | 1,073,081 | 1,073,081 | 1,073,081 | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | (448,145) | (448,145) | (401,381) | 46,764 |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers in (out) | - | - | 165,116 | 165,116 |
| Bond proceeds | - | - | - | - |
| Designated cash | 448,145 | 448,145 | - | (448,145) |
| <i>Total other financing sources (uses)</i> | 448,145 | 448,145 | 165,116 | (283,029) |
| <i>Net change in fund balances</i> | - | - | (236,265) | (236,265) |
| <i>Fund balances - beginning of year</i> | - | - | 4,614,952 | 4,614,952 |
| <i>Fund balances - end of year</i> | \$ - | \$ - | \$ 4,378,687 | \$ 4,378,687 |

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
HOUSING CHOICE VOUCHERS

Statement A-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|-----------|-------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| Intergovernmental | 2,692,374 | 2,692,374 | 2,764,883 | 72,509 |
| <i>Total revenues</i> | 2,692,374 | 2,692,374 | 2,764,883 | 72,509 |
| <i>Expenditures:</i> | | | | |
| Current | | | | |
| Housing | 2,694,506 | 2,694,506 | 2,227,746 | 466,760 |
| <i>Total expenditures</i> | 2,694,506 | 2,694,506 | 2,227,746 | 466,760 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (2,132) | (2,132) | 537,137 | 539,269 |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers in (out) | - | - | - | - |
| Bond proceeds | - | - | - | - |
| Designated cash | 2,132 | 2,132 | - | (2,132) |
| <i>Total other financing sources (uses)</i> | 2,132 | 2,132 | - | (2,132) |
| <i>Net change in fund balances</i> | - | - | 537,137 | 537,137 |
| <i>Fund balances - beginning of year</i> | - | - | 11,533 | 11,533 |
| <i>Fund balances - end of year</i> | \$ - | \$ - | \$ 548,670 | \$ 548,669 |

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
CAPITAL FUNDS PROJECT

Statement A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|---------|-------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| Intergovernmental | 278,373 | 278,373 | 224,370 | (54,003) |
| <i>Total revenues</i> | 278,373 | 278,373 | 224,370 | (54,003) |
| <i>Expenditures:</i> | | | | |
| Current | | | | |
| Housing | 278,373 | 278,373 | 59,254 | 219,119 |
| <i>Total expenditures</i> | 278,373 | 278,373 | 59,254 | 219,119 |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | - | 165,116 | 165,116 |
| <i>Other financing sources (uses):</i> | | | | |
| Operating transfers in (out) | - | - | (165,116) | (165,116) |
| Bond proceeds | - | - | - | - |
| Designated cash | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | - | (165,116) | (165,116) |
| <i>Net change in fund balances</i> | - | - | - | - |
| <i>Fund balances - beginning of year</i> | - | - | - | - |
| <i>Fund balances - end of year</i> | \$ - | \$ - | \$ - | \$ - |

(This page intentionally left blank)

SUPPORTING SCHEDULES

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2008

Schedule I

| Name of Depository | Description of Pledged Collateral | Par/Market Value June 30, 2008 | Name and Location of Safekeeper | |
|----------------------|--|-----------------------------------|------------------------------------|--|
| First Community Bank | FHLMC CC 6/15/06 W/5, 7/21/08 Cusip 31339YVV1 3.38% | \$ 25,011 | FHLB, Dallas, TX | |
| | FHLMC CC 06/15/06 W/5, 7/21/08 Cusip 31339YVV1 3.38% | 25,011 | FHLB, Dallas, TX | |
| | FHLB AGENCY NOTE, 8/14/09 Cusip 3133X8CS9 3.88% | 25,245 | FHLB, Dallas, TX | |
| | MBS FNMA 420265, 8/1/2013 Cusip 31374TBT5 6.00% | 41,791 | FHLB, Dallas, TX | |
| | MBS FHLMC 15 Yr-M30301, 12/1/2016 Cusip 31282CJE8 5.50% | 64,418 | FHLB, Dallas, TX | |
| | Taos NM St Shared Gross, 6/1/2023 Cusip 87601RAL4 4.10% | * 30,000 | FHLB, Dallas, TX | |
| | FNR 2004-18 ED, 3/25/2031 Cusip 31393XSV0 6.00% | 297,266 | FHLB, Dallas, TX | |
| | MBS FHLMC Gold 15 Yr, 7/1/2037 Cusip 33128KUNS2 5.5% | 27,792 | FHLB, Dallas, TX | |
| | | <u>536,534</u> | | |
| | Total, First Community Bank | | <u>536,534</u> | |
| | * Stated at Par Value | | | |

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2008

Schedule II

| <u>Bank Account Type/Name</u> | <u>First Community</u> | <u>Centinel Bank</u> | <u>Peoples Bank</u> | <u>Totals</u> |
|---|----------------------------|--------------------------|-------------------------|-------------------|
| Accounts Payable Checking | \$ - | \$ - | \$ - | \$ - |
| Section 8 Housing Assistance Program Checking | 577,142 | - | - | 577,142 |
| Low Rent Checking | 6,248 | - | - | 6,248 |
| Escrow Account Checking | 12,767 | - | - | 12,767 |
| Paryoll Checking | - | 147 | - | 147 |
| Taos County Housing Authority Checking | - | 42,566 | - | 42,566 |
| Certificate of Deposit | - | 57,600 | - | 57,600 |
| Low Rent Public Housing Checking | - | - | 5,509 | 5,509 |
| | | | | |
| Total On Deposit | 596,158 | 100,313 | 5,509 | 701,980 |
| Petty Cash | | | | 200 |
| | | | | |
| Reconciling Items | <u>(6,270)</u> | <u>(184)</u> | <u>(3,707)</u> | <u>(10,162)</u> |
| | | | | |
| Reconciled Balance June 30, 2008 | <u>\$ 589,887</u> | <u>\$ 100,129</u> | <u>\$ 1,802</u> | <u>\$ 692,018</u> |
| | | | | |
| Cash as shown on the Statement of Net Assets | | | | |
| Cash and Temporary Investments | | | | \$ 636,869 |
| Restricted Cash | | | | 55,149 |
| | | | | <u>\$ 692,018</u> |

STATE OF NEW MEXICO
 TAOS COUNTY HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008

Schedule III

| | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund | Total |
|--|----------------------------|----------------------------|--------------------------------|-------------------------|
| Assets | | | | |
| 111 Cash-Unrestricted | 67,292 | 569,577 | - | 636,869 |
| 112 Cash-Restricted-Modernization & Development | - | - | - | - |
| 113 Cash-Other Restricted | 4,116 | 8,651 | - | 12,767 |
| 114 Cash-Tenant Security Deposits | 42,382 | - | - | 42,382 |
| 115 Cash Restricted for Payment of Current Liability | - | - | - | - |
| 100 Total Cash | <u>113,790</u> | <u>578,228</u> | - | <u>692,018</u> |
| 121 Accounts Receivable-PHA projects | 6,452 | - | - | 6,452 |
| 122 Accounts Receivable-HUD projects | - | - | - | - |
| 124 Accounts Receivable-Other Government | - | - | - | - |
| 125 Accounts Receivable -Miscellaneous | 17,374 | - | - | 17,374 |
| 126 Accounts Receivable- Tenants Dwelling Rents | 15,628 | - | - | 15,628 |
| 126.1 Allowance for Doubtful Accounts-Dwelling Rents | (6,687) | - | - | (6,687) |
| 126.2 Allowance for Doubtful Accounts-Other | - | - | - | - |
| 128 Fraud Recovery | - | - | - | - |
| 128.1 Allowance for Doubtful Accounts-Fraud | - | - | - | - |
| 129 Accrued Interest Receivable | - | - | - | - |
| 120 Total Receivables, Net of Allowance for Doubtful Accounts | <u>32,767</u> | - | - | <u>32,767</u> |
| 131 Investments-Unrestricted | - | - | - | - |
| 132 Investments-Restricted | - | - | - | - |
| 135 Investments Restricted for Payment of Current Liability | - | - | - | - |
| 142 Prepaid Expense and Other Assets | 5,855 | - | - | 5,855 |
| 143 Inventories | - | - | - | - |
| 143.1 Allowance for Obsolete Inventories | - | - | - | - |
| 144 Interprogram Due From | - | - | - | - |
| 145 Assets Held for Sale | - | - | - | - |
| 146 Amounts to be provided | - | - | - | - |
| 150 Total Current Assets | <u>5,855</u> | - | - | <u>5,855</u> |
| 161 Land | 167,589 | - | - | 167,589 |
| 162 Buildings | 10,046,401 | - | - | 10,046,401 |
| 163 Furniture, Equipment & Machinery-Dwelling | 846,716 | - | - | 846,716 |
| 164 Furniture, Equipment & Machinery-Administration | 262,815 | - | - | 262,815 |
| 165 Leasehold improvements | - | - | - | - |
| 166 Accumulated Depreciation | (6,991,802) | - | - | (6,991,802) |
| 167 Construction in Progress | - | - | - | - |
| 168 Infrastructure | - | - | - | - |
| 160 Total Capital Assets, Net of Accumulated Depreciation | <u>4,331,719</u> | - | - | <u>4,331,719</u> |
| 171 Notes, Loans, and Mortgages Receivable-Noncurrent | - | - | - | - |
| 172 Notes, Loans, and Mortgages Receivable-Noncurrent-past due | - | - | - | - |
| 173 Grants Receivable-Noncurrent | - | - | - | - |
| 174 Other Assets | - | - | - | - |
| 176 Investments in Joint Ventures | - | - | - | - |
| 180 Total Noncurrent Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 190 Total Assets | <u><u>4,484,131</u></u> | <u><u>578,228</u></u> | <u><u>-</u></u> | <u><u>5,062,359</u></u> |

| | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund | Total |
|--|----------------------------|----------------------------|--------------------------------|-----------|
| Liabilities | | | | |
| 311 Loan Payable to Town | - | - | - | - |
| 312 Accounts Payable-less than 90 days | 10,567 | 1,630 | - | 12,197 |
| 313 Accounts Payable-greater than 90 days | - | - | - | - |
| 321 Accrued Wage/Payroll Taxes Payable | 15,866 | 7,827 | - | 23,693 |
| 322 Accrued Compensated Absences-Current | 10,649 | 4,216 | - | 14,865 |
| 324 Accrued Contingency Liability | - | - | - | - |
| 325 Accrued Interest Payable | - | - | - | - |
| 331 Accounts Payable-HUD PHA programs | 5,514 | 8,651 | - | 14,165 |
| 332 Accounts Payable PHA projects | - | - | - | - |
| 333 Accounts Payable-Other Government | - | - | - | - |
| 341 Tenant Security Deposits | 42,382 | - | - | 42,382 |
| 342 Deferred Revenue | - | - | - | - |
| 344 Current Portion of Long-term Debt Operating Borrowings | - | - | - | - |
| 345 Other Current Liabilities | - | - | - | - |
| 346 Accrued Liabilities-Other | - | - | - | - |
| 347 Interprogram Due To | - | - | - | - |
| 348 Loan Liability-Current | - | - | - | - |
| 310 Total Current Liabilities | 84,978 | 22,324 | - | 107,302 |
| 352 Long-term Debt, net of current-operating borrowings | - | - | - | - |
| 353 Noncurrent liabilities-Other | - | - | - | - |
| 354 Accrued Compensated Absences-Noncurrent | 20,464 | 7,236 | - | 27,700 |
| 355 Loan liability-noncurrent | - | - | - | - |
| 350 Total Noncurrent Liabilities | 20,464 | 7,236 | - | 27,700 |
| 300 Total Liabilities | 105,442 | 29,560 | - | 135,002 |
| Equity | | | | |
| 501 Investments in General Capital Assets | - | - | - | - |
| 502 Project Notes (HUD) | - | - | - | - |
| 503 Long-term Debt-HUD Guaranteed | - | - | - | - |
| 504 Net HUD PHA Contributions | - | - | - | - |
| 505 Other HUD Contributions | - | - | - | - |
| 507 Other Contributions | - | - | - | - |
| 508 Total Contributed Capital | - | - | - | - |
| 508.1 Invested in capital assets, net of related debt | 4,331,719 | - | - | 4,331,719 |
| 510 Fund Balance reserved for capital activities | - | - | - | - |
| 511 Total reserved fund balance | - | - | - | - |
| 511.1 Restricted Net Assets | - | - | - | - |
| 512 Undesignated fund balance/retained earnings | - | - | - | - |
| 512.1 Unrestricted Net Assets | 46,968 | 548,670 | - | 595,638 |
| 513 Total Equity/Net Assets | 4,378,687 | 548,670 | - | 4,927,357 |
| 600 Total Liabilities and Equity/Net Assets | 4,484,129 | 578,230 | - | 5,062,359 |

(This page intentionally left blank)

| | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund | Total |
|---|----------------------------|----------------------------|--------------------------------|-------------------------|
| Revenues | | | | |
| 703 Net Tenant Rental Revenue | 268,475 | - | - | 268,475 |
| 704 Tenant Revenue-Other | - | - | - | - |
| 706 HUD PHA Operating Grants | 338,765 | 2,692,599 | 224,370 | 3,255,734 |
| 706.1 Capital Grants | - | - | - | - |
| 711 Investment Income-Unrestricted | 7,235 | 10,520 | - | 17,755 |
| 714 Fraud Recovery | - | 15,419 | - | 15,419 |
| 716 Other Revenue | 57,226 | 46,345 | - | 103,571 |
| 700 Total Revenue | <u>671,701</u> | <u>2,764,883</u> | <u>224,370</u> | <u>3,660,954</u> |
| Expenses | | | | |
| 911 Administrative Salaries | 112,806 | 135,753 | - | 248,559 |
| 912 Auditing Fees | 4,170 | 3,993 | - | 8,163 |
| 913 Outside Management Fees | 14,408 | 4,810 | - | 19,218 |
| 914 Compensated Absences | 2,544 | (909) | - | 1,635 |
| 915 Employee Benefit Contributions-Administrative | 43,405 | 55,494 | - | 98,899 |
| 916 Other Operating-Administrative | 18,566 | 19,865 | - | 38,431 |
| 931 Water | 75,081 | - | - | 75,081 |
| 932 Electricity | 14,855 | - | - | 14,855 |
| 933 Gas | 92,288 | - | - | 92,288 |
| 938 Other Utilities Expense | 7,032 | - | - | 7,032 |
| 941 Ordinary Maintenance and Operations-Labor | 141,629 | - | - | 141,629 |
| 942 Ordinary Maintenance and Operations-Materials and Other | 11,071 | 1,492 | - | 12,563 |
| 943 Ordinary Maintenance and Operations-Contract Costs | 48,821 | - | - | 48,821 |
| 961 Insurance Premiums | 20,663 | 16,480 | - | 37,143 |
| 962 Other General Expenses | 46,575 | - | 59,254 | 105,829 |
| 964 Bad Debt-Tenant Rents | 6,687 | - | - | 6,687 |
| 969 Total Operating Expenses | <u>660,601</u> | <u>236,978</u> | <u>59,254</u> | <u>956,833</u> |
| 970 Excess Operating Revenue over Operating Expenses | <u>11,100</u> | <u>2,527,905</u> | <u>165,116</u> | <u>2,704,121</u> |
| 971 Extraordinary Maintenance | 2,603 | - | - | 2,603 |
| 973 Housing Assistance Payments | - | 1,990,768 | - | 1,990,768 |
| 974 Depreciation Expense | 409,878 | - | - | 409,878 |
| Total Other Expenses | <u>412,481</u> | <u>1,990,768</u> | <u>-</u> | <u>2,403,249</u> |
| 900 Total Expenses | 1,073,082 | 2,227,746 | 59,254 | 3,360,082 |
| 1001 Operating Transfers In (out) | <u>165,116</u> | <u>-</u> | <u>(165,116)</u> | <u>-</u> |
| 1000 Excess (deficiency) of Revenue over Total Expenses | <u>(236,265)</u> | <u>537,137</u> | <u>-</u> | <u>300,872</u> |
| 1103 Beginning Equity | <u>4,614,952</u> | <u>11,533</u> | <u>-</u> | <u>4,626,485</u> |
| Ending Equity (deficit) | <u><u>4,378,687</u></u> | <u><u>548,670</u></u> | <u><u>-</u></u> | <u><u>4,927,357</u></u> |

(This page intentionally left blank)

COMPLIANCE SECTION

(This page intentionally left blank)

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

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Governing Board
Taos County Housing Authority
Taos, New Mexico

We have audited the financial statements of the business-type activities of Taos County Housing Authority (Authority), a component unit of Taos County, New Mexico, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. We have also audited the Budgetary comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Taos County Housing 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 Taos County Housing Authority internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taos County Housing Authority'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 Housing Authority'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 misstatements of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a more likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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 identified above.

(This page intentionally left blank)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taos County Housing 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*.

This report is intended solely for the information and use of management, the governing board, others within the organization, and the Office of the State Auditor, 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.

Precision Accounting LLC
Albuquerque, New Mexico
October 1, 2008

(This page intentionally left blank)

FEDERAL FINANCIAL ASSISTANCE

(This page intentionally left blank.)

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Governing Board
Taos County Housing Authority
Taos, New Mexico

Compliance

We have audited the compliance of Taos County Housing Authority, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Taos County Housing 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 Taos County Housing Authority's management. Our responsibility is to express an opinion on Taos County Housing 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 Taos County Housing 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 Taos County Housing Authority's compliance with those requirements.

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

(This page intentionally left blank)

Internal Control over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily disclose all deficiencies in the Taos County Housing Authority's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies that we consider to be significant deficiencies or material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the designs or operation of control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance to be significant deficiencies as defined above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance to be material weaknesses as defined above.

This report is intended solely for the information and use of, management, Governing Board, others within the entity, 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.

Precision Accounting LLC
Albuquerque, New Mexico
October 1, 2008

(This page intentionally left blank)

STATE OF NEW MEXICO
TAOS COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Schedule IV

| Federal Grantor/ Pass-through Grantor/ Program Title | Grant Number | Federal CFDA Number | Program or Award Amount | Federal Expenditures |
|---|-----------------|---------------------------|-------------------------------|-------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Section 8 Housing Choice Vouchers(1) | N/A | 14.871 | 2,692,599 | 2,227,748 |
| CFP | N/A | 14.872 | 224,370 | 59,254 |
| <i>Pass-through NM Mortgage Finance Authority</i> | | | | |
| Low Income and Indian Housing(1) | 2007 | 14.850 | 338,765 | 660,601 |
| Total U.S. Department of Housing and Urban Development | | | <u>3,255,734</u> | <u>2,947,603</u> |
| Total Federal Financial Assistance | | | <u>\$ 3,255,734</u> | <u>\$ 2,947,603</u> |

(1) Denotes Major Federal Financial Assistance Program

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Taos County Housing Authority, New Mexico (Housing Authority) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2 Subrecipients

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

3 Loans

The Housing Authority had no loans or guarantees during the year.

4 Non-Cash Assistance

The Housing Authority received no non-cash assistance during the year.

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

| | |
|--|---------------------|
| Total federal awards expended per Schedule of Expenditures of Federal Awards | \$ 2,947,603 |
| Total expenditures funded by other sources | <u>412,479</u> |
| Total expenditures | <u>\$ 3,360,082</u> |

(This page intentionally left blank)

STATE OF NEW MEXICO
Taos County Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I - Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | | | | | |
|--|-----------------------------------|------------------------|---------------|--|--------|-----------------------------------|--------|-------------------------------|--|
| 1. Internal control over major programs: | | | | | | | | | |
| a. Material weaknesses identified? | No | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | |
| <table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: center;"><u>CFDA</u></td> <td style="text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td></td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Low Income and Indian Housing</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | <u>Number</u> | | 14.871 | Section 8 Housing Choice Vouchers | 14.850 | Low Income and Indian Housing | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | | | |
| <u>Number</u> | | | | | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | | | | |
| 14.850 | Low Income and Indian Housing | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | | | |

STATE OF NEW MEXICO
Taos County Housing Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Schedule V

SECTION II FINANCIAL STATEMENT FINDINGS

None

SECTION III FEDERAL AWARD FINDINGS

None

SECTION IV PRIOR YEAR AUDIT FINDINGS

FS 07-01 — Expenditures in Excess of Budget –Resolved

STATE OF NEW MEXICO
Taos County Housing Authority
Other Disclosures
For the Year Ended June 30, 2008

Other Disclosures

Exit Conference

An exit conference was held on October 1, 2008. In attendance were the following:

Representing the Taos County Housing Authority:

Nikolos Jaramillo, Board Member
Carmella Martinez, Interim Executive Director/Financial Specialist
Uvaldo Mondragon, Fee Accountant

Representing Precision Accounting LLC:

Melissa R. Santistevan, CPA

Auditor Prepared Financial Statements

Precision Accounting LLC prepared the financial statements of Taos County Housing Authority from the original books and records provided to them by the management of the Housing Authority. The Housing Authority has the ability to prepare, understand and accept responsibility for their financial statements.