

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY**

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY**

Table of Contents
June 30, 2009

	<u>PAGE</u>
Directory of Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis.....	4-9
 Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-21
 Individual Fund Financial Statements:	
Statement of Low Rent Fund Revenues and Expenses Budget and Actual.....	22
Schedule of Capital Fund Program Grant Project No. NM02P055501-05 Revenues and Expenses Budget and Actual.....	23
Schedule of Capital Fund Program Grant Project No. NM02P055501-06 Revenues and Expenses Budget and Actual.....	24
Schedule of Capital Fund Program Grant Program No. NM02P055501-07 Revenues and Expenses Budget and Actual.....	25
Schedule of Capital Fund Program Grant Program No. NM02P055501-08 Revenues and Expenses Budget and Actual.....	26
Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses and Changes in Net Assets	27
Schedule of Cash Accounts	28
 Supplemental Financial Information:	
Financial Data Schedule	29-31
 Additional Independent Auditors' Report:	
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>	32-33
Schedule of Findings and Responses	34-38
Exit Conference and Financial Statement Preparation	39

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2009

Board of Commissioners

Y. Irene Gonzales Chairperson
Alan Dunaway Vice-Chairperson
Carrell R. Blakely Commissioner
Rick Hood Commissioner
Tammy Kear Commissioner

Administrative Staff

Angela Lucero Executive Director

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Board of Commissioners
Town of Clayton Public Housing Authority
Clayton, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Public Housing Authority (Authority) of the Town of Clayton, New Mexico, a component unit of the Town of Clayton, New Mexico, as of and for the year then ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions of 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2009, and the respective changes 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 budget comparison statements present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through nine 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 express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the individual fund financial statements and the budgetary comparison statements. The accompanying schedule of cash accounts and financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements and other opinion units listed above. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion units listed above and in our opinion, is fairly stated in all material respects in relation to the basic financial statements, and other opinion units listed above, taken as a whole.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

October 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The following is an overview of the financial condition for the Public Housing Authority of the Town of Clayton, New Mexico (the Authority), for the fiscal year ended June 30, 2009. This narrative highlights the major aspects of the Authority's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

The Authority is a component unit of the Town of Clayton and is governed by its own set of commissioners. The Authority is funded and monitored by the U.S. Housing and Urban Department and the Real Estate Assessment Center.

Financial Highlights

At the end of 2008, the executive director resigned after many years of service to the Authority. A new executive director was hired in February 2009. Even with these changes, at the close of the fiscal year ended June 30, 2009, the Authority was in good financial condition. The Board of Commissioners kept a watchful eye on the finances of the Authority while a new executive director could be found, hired, and trained. Utility refund amounts have increased due to a change in the determination of how much a tenant should be charged. Low vacancy rates and effective expense control have resulted in a financially sound entity.

Capital Fund Program (CFP) funds were used in the best of constructive venues. The brick fence project has been temporarily suspended while other repair and maintenance items of a higher priority are being addressed. Overall, the Authority will continue to strive to maintain its High Performance classification.

Overview of the Financial Statements

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under two enterprise funds. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. The notes to the financial statements follow the basic financial statements. Budget to actual schedules are presented, after the notes to the financial statements. In addition, this report also contains required supplementary information pertaining to the schedule of cash accounts and financial data schedule for the Authority.

Statement of Net Assets

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the Authority's financial position is improving or deteriorating.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

Statement of Cash Flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balance at the end of the current fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on page thirteen through twenty-one of this report.

Financial Statement Analysis

A summary of the Authority's statement of net assets is presented below:

Clayton Housing Authority's Net Assets	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets:		
Current and other assets	\$ 130,740	\$ 114,897
Capital assets, net of accumulated depreciation	<u>1,182,964</u>	<u>1,223,253</u>
Total assets	<u>1,313,704</u>	<u>1,338,150</u>
Liabilities:		
Current liabilities	<u>12,761</u>	<u>12,330</u>
Net Assets:		
Invested in capital assets	1,182,964	1,223,253
Unrestricted	<u>117,979</u>	<u>102,567</u>
Total net assets	<u><u>\$ 1,300,943</u></u>	<u><u>\$ 1,325,820</u></u>

The remaining balance of unrestricted net assets of \$117,979 may be used to meet the Authority's ongoing obligations.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

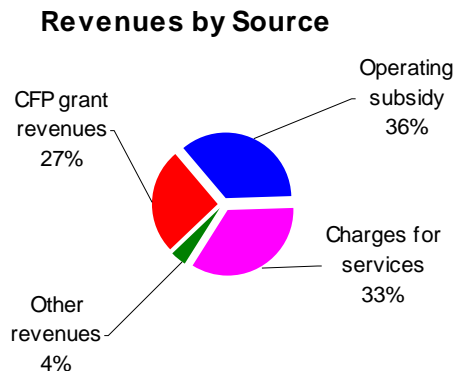
Financial Statement Analysis (continued)

The Authority's activities during the year decreased the Authority's net assets by \$(24,877). Total revenues increased by \$42,795, while expenses increased by \$9,696 when compared to the previous year.

Clayton Housing Authority's Changes in Net Assets	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues:		
Operating Revenues:		
Charges for services	\$ 105,980	\$ 108,977
Non-Operating Revenues:		
HUD operating subsidy	114,490	102,298
CFP grant revenues	85,037	59,926
Interest income	1,409	2,548
Miscellaneous	<u>9,907</u>	<u>279</u>
Total revenues	316,823	274,028
Expenses:		
Operating Expenses:		
Personnel services	67,307	57,983
Employee benefits	20,005	21,768
Professional services	20,645	19,018
Utilities	37,507	42,883
General operating	92,032	89,534
Depreciation	<u>104,204</u>	<u>100,818</u>
Total expenses	<u>341,700</u>	<u>332,004</u>
Change in net assets	<u>\$ (24,877)</u>	<u>\$ (57,976)</u>

Revenues

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2009:



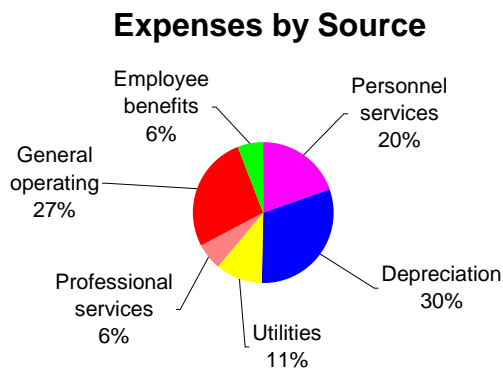
**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Revenues (continued)

As in previous years, grant revenues account for 63% of the total revenues for the Authority, while tenant income accounts for 33% of the total revenues. Even though the yearly operating subsidy from the U.S. Department of Housing and Urban Development continues to increase, the Authority continues to pursue additional capital grant revenues to offset yearly capital expenditures (upgrades, new equipment, etc.).

Expenses

The following chart shows the major sources of operating expenses for the fiscal year ended June 30, 2009:



As in previous years, depreciation makes up the largest portion of expenses. Due to the significant investments the Authority has in capital assets, depreciation continues to be a large expense. Unlike the other expenses listed, depreciation is not a cash expense. The Authority has and continues to pursue ways to reduce costs without affecting services.

Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the Authority budgeted operating (low rent) revenues at \$230,960. The actual revenues for the fiscal year were \$230,377, a decrease of \$583. The majority of the decrease was due to a decrease in intergovernmental revenues. The Authority had budgeted those revenues at \$118,000; actual intergovernmental revenues were \$114,490. The decrease amounted to \$3,510. During the year, the Authority budgeted operating (low rent) expenses at \$237,230. Actual operating expenses were \$216,374. The Authority expended \$20,856 less than what was budgeted.

For the year ended June 30, 2009, the Authority anticipated expenses would exceed operating revenues and non-operating revenues (expenses) by \$4,870. Actual operating revenues of \$230,377 exceeded operating expenses of \$216,374 and net non-operating revenues (expenses) by \$1,409; producing net income of \$15,412. During the fiscal year the Authority increased anticipated operating revenues by \$200, when it amended its original budget. The Authority increased anticipated operating expenses by \$15,900 from \$221,330 to \$237,230.

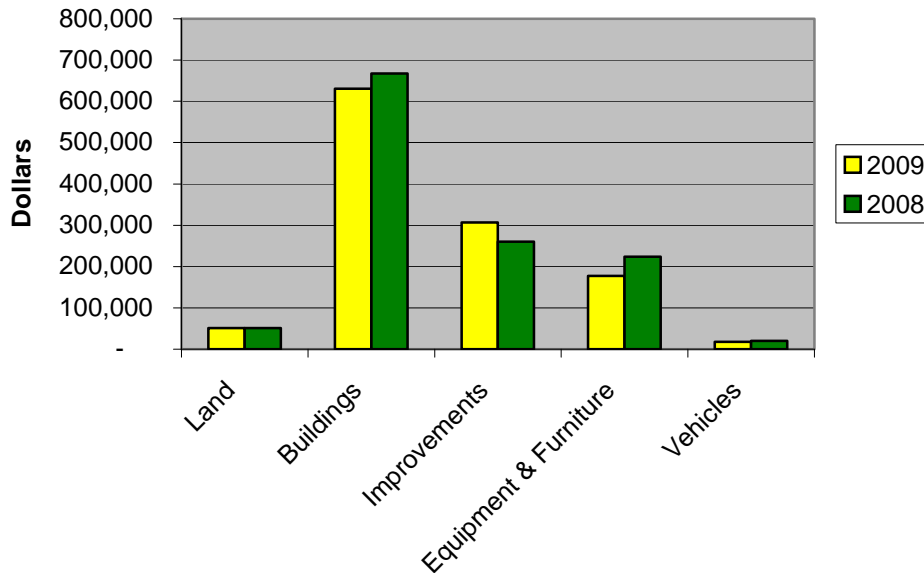
**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Capital Assets

The Authority's investment in net assets as of June 30, 2009 amounted to \$1,182,964 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and furniture, and vehicles. The following chart shows the breakdown of assets by classification:

Clayton Housing Authority's Capital Assets (Net of Accumulated Depreciation)	June 30, 2009	June 30, 2008
Land	\$ 51,294	\$ 51,294
Buildings	630,187	667,434
Building improvements	306,727	260,102
Equipment and furniture	177,076	224,194
Vehicles	17,680	20,229
	<u>\$ 1,182,964</u>	<u>\$ 1,223,253</u>

Capital Assets (net of accumulated depreciation)



Additional information on the Authority's capital assets can be found in note three on pages nineteen and twenty of this report.

Long-Term Debt

As of June 30, 2009, the Authority did not have any long-term debt.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Currently Known Facts, Decisions or Conditions

Under the direction of a new executive director and three new board members, the overall future plan for the Authority has changed.

It was decided not to complete the brick fence at this time. Although, the fence is attractive, it was decided that money would be better spent to install new doors. The current doors are thirty-five years old, as well as, the windows. The Authority has been awarded some stimulus money through the American Recovery and Reinvestment Act. This money will be used to replace the windows in all the units.

Under the direction of the new executive director, a maintenance person has been hired and several units have been rehabilitated. These units were in great need of painting, plumbing, and drywall repair. Also, a seasonal part time grounds keeper was hired to keep the grounds in a clean and attractive manner.

The Authority continues to strive to keep the vacancy rate low. All HUD rules and regulations are being strongly enforced with background checks, income verifications, family sizes and family needs are strongly being enforced when leasing to new and existing tenants. It is the goal of the Authority to make sure the needs of low income families in the community are being met, as well as, keeping the safety of all tenants in mind.

Supplementary Information

The Authority contracts a fee accountant for all accounting services. The fee accountant is responsible for the preparation of budgets and budget revisions, monthly financial reports and all REAC required submissions.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, 200 Aspen Street, Clayton, New Mexico 88415.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Low Rent Fund	Capital Fund Program Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 104,752	\$ -	\$ 104,752
Receivables (net of allowance):			
Tenants	2,232	-	2,232
Intergovernmental	3,000	-	3,000
Interest	146	-	146
Inventory	12,330	-	12,330
Prepaid expenses	4,205	-	4,205
Restricted Assets:			
Cash	4,075	-	4,075
Capital Assets:			
Land	51,294	-	51,294
Improvements	543,366	91,441	634,807
Buildings	1,805,791	-	1,805,791
Equipment and furniture	450,846	54,426	505,272
Vehicles	32,324	-	32,324
Less accumulated depreciation	<u>(1,831,509)</u>	<u>(15,015)</u>	<u>(1,846,524)</u>
Total capital assets, net	<u>1,052,112</u>	<u>130,852</u>	<u>1,182,964</u>
Total assets	<u>1,182,852</u>	<u>130,852</u>	<u>1,313,704</u>
 LIABILITIES			
Current Liabilities:			
Accounts payable	7,257	-	7,257
Accrued salaries	783	-	783
Compensated absences	<u>646</u>	<u>-</u>	<u>646</u>
Total current liabilities	8,686	-	8,686
Current Liabilities Payable From Restricted Assets:			
Tenant deposits	<u>4,075</u>	<u>-</u>	<u>4,075</u>
Total liabilities	12,761	-	12,761
 NET ASSETS			
Invested in capital assets	1,052,112	130,852	1,182,964
Unrestricted	<u>117,979</u>	<u>-</u>	<u>117,979</u>
Total net assets	<u>\$ 1,170,091</u>	<u>\$ 130,852</u>	<u>\$ 1,300,943</u>

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Low Rent Fund</u>	<u>Capital Fund Program Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 105,980	\$ -	\$ 105,980
Operating Expenses:			
Personnel services	57,307	10,000	67,307
Employee benefits	20,005	-	20,005
Professional services	20,645	-	20,645
Utilities	37,507	-	37,507
General operating	80,910	11,122	92,032
Depreciation	94,085	10,119	104,204
Total operating expenses	<u>310,459</u>	<u>31,241</u>	<u>341,700</u>
Operating (loss)	(204,479)	(31,241)	(235,720)
Non-Operating Revenues (Expenses):			
HUD operating subsidy	114,490	-	114,490
CFP grant revenues	-	85,037	85,037
Interest income	1,409	-	1,409
Miscellaneous income	9,907	-	9,907
Total non-operating revenues (expenses)	<u>125,806</u>	<u>85,037</u>	<u>210,843</u>
Change in net assets	(78,673)	53,796	(24,877)
Net assets, beginning of year	<u>1,248,764</u>	<u>77,056</u>	<u>1,325,820</u>
Net assets, end of year	<u>\$ 1,170,091</u>	<u>\$ 130,852</u>	<u>\$ 1,300,943</u>

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

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash received from tenants	\$ 107,600	\$ -	\$ 107,600
Cash payments to suppliers for goods and services	(78,375)	(11,122)	(89,497)
Cash payments to employees for services	<u>(147,868)</u>	<u>(10,000)</u>	<u>(157,868)</u>
Net cash (used) for operating activities	(118,643)	(21,122)	(139,765)
Cash Flows from Non-Capital and Related Financing Activities:			
Cash received from intergovernmental sources	111,490	-	111,490
Miscellaneous income	<u>9,907</u>	<u>-</u>	<u>9,907</u>
Net cash provided by non-capital and related financing activities	121,397	-	121,397
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	85,037	85,037
Acquisition and construction of capital assets	<u>-</u>	<u>(63,915)</u>	<u>(63,915)</u>
Net cash provided by capital and related financing activities	-	21,122	21,122
Cash Flows from Investing Activities:			
Interest income	<u>1,532</u>	<u>-</u>	<u>1,532</u>
Net increase in cash	4,286	-	4,286
Cash and cash equivalents, beginning of year	<u>104,541</u>	<u>-</u>	<u>104,541</u>
Cash and cash equivalents, end of year	<u><u>\$ 108,827</u></u>	<u><u>-</u></u>	<u><u>\$ 108,827</u></u>
Displayed as:			
Cash	\$ 104,752	\$ -	\$ 104,752
Restricted cash	<u>4,075</u>	<u>-</u>	<u>4,075</u>
	<u><u>\$ 108,827</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 108,827</u></u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating (loss)	\$ (204,479)	\$ (31,241)	\$ (235,720)
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities:			
Depreciation	94,085	10,119	104,204
Obsolete inventory	973	-	973
Change in Assets and Liabilities:			
(Increase) in tenants' receivable	(679)	-	(679)
Decrease in prepaid expenses	756	-	756
(Increase) in inventories	(9,731)	-	(9,731)
Increase in accounts payable	169	-	169
Increase in accrued salaries	417	-	417
Increase in compensated absences	646	-	646
(Decrease) in deferred revenues	(700)	-	(700)
(Decrease) in security deposits	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Total adjustments	<u>85,836</u>	<u>10,119</u>	<u>95,955</u>
Net cash (used) for operating activities	<u><u>\$ (118,643)</u></u>	<u><u>\$ (21,122)</u></u>	<u><u>\$ (139,765)</u></u>

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Housing Authority (the Authority) of the Town of Clayton was established in 1972. In 1974, fifty (50) low-rent housing units were completed and ready for occupation. Five commissioners who are selected by the Town's Board of Trustees govern it. For financial reporting purposes, the Authority is a discretely presented component unit of the Town of Clayton. The Authority was created to provide a conduit for housing funds for disadvantaged citizens.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. 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 government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with 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 used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. 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.

B. Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies Government Auditing Standards Board (GASB) pronouncements, as well as relevant pronouncement of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the Authority are organized on the basis of proprietary fund type, specifically two enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Authority has elected not to follow subsequent private-sector guidance.

These financial statements include the implementation of GASB Statement No. 34, *Basic Financial Statements, Management Discussion and Analysis*, for state and local governments and related standards. This standard provides for significant changes in terminology; recognition of contributions in the statements of revenues, expenses and changes in net assets; inclusion of a management discussion and analysis and supplementary information; and other changes.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenues are rental income and charges for services. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal non-operating revenues are governmental subsidies and grants. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net total assets.

The Authority reports the following two major business-type funds:

The *low rent fund* accounts for the provisions of low rent income services to the resident of the Authority. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collection.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The *capital fund program fund* accounts for the yearly capital grants and associated capital projects at the Authority. The fund is authorized by the U.S. Department of Housing and Urban Development.

C. Budgets

The Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. The executive director submits the budget to the Authority's board of commissioners for approval.
4. The board of commissioner's approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, certificates of deposit, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State 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. The pledged securities remain in the name of the financial institution.

E. Inventory

Inventory is valued at cost and consists of repair and maintenance supplies held for consumption. The Authority has created an allowance for obsolete inventory. The allowance is 10% of total cost. The Authority deems this percentage sufficient.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items.

H. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation.

Major outlay for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	40 years
Equipment, computer hardware and software, furniture, and fixtures	5 years
Building improvements	40 years
Vehicles	10 years

I. Deferred Revenues

The Authority reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Revenues (continued)

Deferred revenues also arise when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

J. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

K. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

L. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits may be made to the extent that they are insured by an agency of the United States of America 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that 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.

Cash Deposited with Financial Institutions

The Authority maintains cash in two financial institutions within Clayton, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
Cash on hand		\$ -	\$ 200	\$ 200
Farmer's & Stockmen's Bank	Checking	47,214	127	47,341
Farmer's & Stockmen's Bank	Certificate of deposit	19,341	-	19,341
First Nat'l Bank of NM	Certificate of deposit	41,945	-	41,945
		<u>\$ 108,500</u>	<u>\$ 327</u>	<u>\$ 108,827</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are insured by the Federal Deposit Insurance Corporation.

According to the Federal Deposit Insurance Corporation, the public unit owns public unit deposits. Time deposits, saving deposits and interest-bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

	Farmer's & Stockmen's Bank	First National Bank of NM
Checking accounts	\$ 47,214	\$ -
Certificates of deposit	19,341	41,945
Total cash	66,555	41,945
Less FDIC checking	(47,214)	-
Less FDIC time deposits	(19,341)	(41,945)
Total uninsured public funds	\$ -	\$ -

Custodial Credit Risk Deposits

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, 2009, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

3. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2009:

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 51,294	\$ -	\$ -	\$ 51,294
Other capital assets, being depreciated:				
Buildings	1,805,791	-	-	1,805,791
Building improvements	560,763	74,044	-	634,807
Equipment and furniture	515,401	-	(10,129)	505,272
Vehicles	32,324	-	-	32,324
Total other capital assets, being depreciated	2,914,279	74,044	(10,129)	2,978,194

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

3. CAPITAL ASSETS (continued)

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Less accumulated depreciation for:				
Buildings	(1,138,357)	(37,247)	-	(1,175,604)
Building improvements	(300,661)	(36,873)	9,454	(328,080)
Equipment and furniture	(291,207)	(36,989)	-	(328,196)
Vehicles	(12,095)	(2,549)	-	(14,644)
Total accumulated depreciation	<u>(1,742,320)</u>	<u>(113,658)</u>	<u>9,454</u>	<u>(1,846,524)</u>
Other capital assets, net	<u>1,171,959</u>	<u>(39,614)</u>	<u>(675)</u>	<u>1,131,670</u>
Total capital assets, net	<u>\$ 1,223,253</u>	<u>\$ (39,614)</u>	<u>\$ (675)</u>	<u>\$ 1,182,964</u>

4. RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Authority is required to contribute 11.30% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$6,677, \$6,443, and \$5,861, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

5. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Authority has elected not to participate in the post-employment health insurance plan.

6. RISK MANAGEMENT

The 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. The Authority has purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

7. CONTINGENT LIABILITIES

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

8. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

The financial data schedule presented as supplemental federal financial information is financial data required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds. These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

	Financial Statements		Financial Data Schedule
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets	1,313,704	-	1,313,704
Liabilities	12,761	-	12,761
Net assets	<u>1,300,943</u>	<u>-</u>	<u>1,300,943</u>
Total liabilities and net assets	<u>\$ 1,313,704</u>	<u>\$ -</u>	<u>\$ 1,313,704</u>
Revenues	316,823	-	316,823
Expenses	<u>341,700</u>	<u>-</u>	<u>341,700</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (24,877)</u>	<u>\$ -</u>	<u>\$ (24,877)</u>

INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Intergovernmental revenues	\$ 118,000	\$ 118,000	\$ 114,490	\$ (3,510)
Tenant rental income	103,400	103,400	105,980	2,580
Other receipts	9,360	9,560	9,907	347
Total operating revenues	230,760	230,960	230,377	(583)
Operating Expenses:				
Administrative salaries	62,100	62,100	49,596	12,504
Training	500	700	539	161
Travel	1,500	2,000	1,757	243
Accounting fees	5,000	5,800	5,786	14
Auditing fees	14,860	14,860	14,858	2
Other administrative expenses	10,200	12,900	11,620	1,280
Collection losses	-	1,200	573	627
Water and solid waste	12,600	12,600	16,129	(3,529)
Electricity	8,110	8,110	6,584	1,526
Gas	8,450	8,450	5,595	2,855
Other utilities	8,310	8,310	9,199	(889)
Maintenance labor	5,600	5,600	7,065	(1,465)
Maintenance materials	14,000	15,500	7,150	8,350
Maintenance contract costs	33,000	42,000	41,553	447
Insurance	15,900	15,900	18,364	(2,464)
Employee benefits administrative	20,500	20,500	19,238	1,262
Employee benefits maintenance	700	700	767	(67)
Total operating expenses	221,330	237,230	216,373	20,857
Operating income (loss)	9,430	(6,270)	14,004	20,274
Non-Operating Revenue:				
Interest income	600	1,400	1,409	9
Net income (loss)	10,030	(4,870)	15,413	20,283
Beginning net assets	102,566	102,566	102,566	-
Ending net assets	\$ 112,596	\$ 97,696	\$ 117,979	\$ 20,283

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P055501-05
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/09	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 85,276	\$ 85,276	\$ 84,276	\$ -	\$ 84,276	(1,000)
Expenses:						
Operations	1,000	1,000	1,021	-	1,021	(21)
Administration	1,000	1,000	-	-	-	1,000
Site improvements	-	26,687	27,526	-	27,526	(839)
Dwelling structures	-	-	-	-	-	-
Dwelling equipment-nonexpendable	78,276	56,589	54,427	-	54,427	2,162
Non-dwelling equipment	5,000	-	1,302	-	1,302	(1,302)
Total expenses	<u>85,276</u>	<u>85,276</u>	<u>84,276</u>	<u>-</u>	<u>84,276</u>	<u>1,000</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P055501-06
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/09	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 76,769	\$ 79,037	\$ 7,000	\$ 72,037	\$ 79,037	-
Expenses:						
Operations	-	1,000	7,000	-	7,000	(6,000)
Administration	-	-	-	-	-	-
Site improvements	40,000	78,037	-	72,037	72,037	6,000
Dwelling structures	36,769	-	-	-	-	-
Non-dwelling equipment	-	-	-	-	-	-
Total expenses	<u>76,769</u>	<u>79,037</u>	<u>7,000</u>	<u>72,037</u>	<u>79,037</u>	<u>-</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P055501-07
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/09	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 77,094	\$ 77,094	\$ 10,000	\$ 3,000	\$ 13,000	(64,094)
Expenses:						
Operations	10,000	10,000	10,000	-	10,000	-
Administration	5,000	5,000	-	3,000	3,000	2,000
Site improvements	62,094	62,094	-	-	-	62,094
Total expenses	<u>77,094</u>	<u>77,094</u>	<u>10,000</u>	<u>3,000</u>	<u>13,000</u>	<u>64,094</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CAPITAL FUND PROGRAM GRANT
PROGRAM NUMBER NM02P055501-08
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/09	Variance With Finance Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 78,709	\$ 78,709	\$ 10,000	\$ (68,709)
Expenses:				
Operations	10,000	10,000	10,000	-
Dwelling structures	68,709	68,709	-	68,709
Total expenses	78,709	78,709	10,000	68,709
Net income	\$ -	\$ -	\$ -	\$ -

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedules:

Schedule of Low Rent Revenues and Expenses	\$	230,377
Schedule of CFP NM02P055501-05 Revenues and Expenses		-
Schedule of CFP NM02P055501-06 Revenues and Expenses		-
Schedule of CFP NM02P055501-07 Revenues and Expenses		-
Schedule of CFP NM02P055501-08 Revenues and Expenses		-
		-
Total budgetary basis revenues		230,377

Differences - Budget to GAAP:

The Authority budgets for Low Rent grant revenues as operating revenues for budgetary purposes. Low Rent revenues are reported as non-operating revenues for financial reporting purposes. (114,490)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. (9,907)

Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets \$ 105,980

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedules:

Schedule of Low Rent Revenues and Expenses	\$	216,374
Schedule of CFP NM02P055501-05 Revenues and Expenses		-
Schedule of CFP NM02P055501-06 Revenues and Expenses		72,037
Schedule of CFP NM02P055501-07 Revenues and Expenses		3,000
Schedule of CFP NM02P055501-08 Revenues and Expenses		10,000
		10,000

Total budgetary basis expenses 301,411

Differences - Budget to GAAP:

The Authority budgets for expenditures paid for during the current accounting period. Capital expenditures are reflected as capital outlay expenditures on the budgetary comparison schedules while those amounts are capitalized for financial reporting purposes. (63,915)

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 104,204

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets \$ 341,700

Non-Operating Revenues:

Actual amounts (budgetary basis) "available for appropriation" from budgetary comparison schedules:

Schedule of Low Rent Revenues and Expenses	\$	1,409
Schedule of CFP NM02P055501-05 Revenues and Expenses		-
Schedule of CFP NM02P055501-06 Revenues and Expenses		72,037
Schedule of CFP NM02P055501-07 Revenues and Expenses		3,000
Schedule of CFP NM02P055501-08 Revenues and Expenses		10,000
		10,000

Total budgetary basis revenues 86,446

Differences - Budget to GAAP:

The Authority budgets for Low Rent grant revenues as operating revenues for budgetary purposes. Low Rent grant revenues are reported as non-operating revenues for financial reporting purposes. 114,490

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. 9,907

Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets \$ 210,843

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, NM 88415-0488				
Clayton Housing Authority	Checking	\$ 43,139	\$ 127	\$ 43,266
Clayton Housing Authority	Checking	4,075	-	4,075
Clayton Housing Authority	CD	19,341	-	19,341
		<u>\$ 66,555</u>	<u>\$ 127</u>	<u>\$ 66,682</u>
First National Bank of NM 201 Main Street Clayton, NM 88415				
Clayton Housing Authority	CD	<u>\$ 41,945</u>	<u>\$ -</u>	<u>\$ 41,945</u>

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 43,466
114	Cash - tenant security deposits	4,075
100	Total cash	47,541
122-020	Accounts receivable - HUD other projects - Capital fund	3,000
122	Accounts receivable - HUD other projects	3,000
126	Accounts receivable - tenants	2,481
126.1	Allowance for doubtful accounts - dwelling rent	(249)
129	Accrued interest receivable	146
120	Total receivables, net of allowance for doubtful accounts	5,378
131	Investments - unrestricted	61,286
142	Prepaid expenses and other assets	4,205
143	Inventories	13,700
143.1	Allowance for obsolete inventories	(1,370)
150	Total current assets	130,740
161	Land	51,294
162	Buildings	1,805,791
163	Furniture, equipment and machinery - dwellings	421,178
164	Furniture, equipment and machinery - administration	116,418
165	Leasehold improvements	634,807
166	Accumulated depreciation	(1,846,524)
160	Total capital assets, net of a/d	1,182,964
190	Total assets	\$ 1,313,704
312	Accounts payable <= 90 days	\$ 7,257
321	Accrued wage/payroll taxes payable	783
322	Accrued compensated absences - current portion	646
341	Tenant security deposits	4,075
310	Total current liabilities	12,761
300	Total liabilities	12,761
508.1	Invested in capital assets net of related debt	1,182,964
512.1	Unrestricted net assets	118,979
513	Total equity	1,301,943
600	Total liabilities and equity	\$ 1,314,704

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 105,980	\$ -	\$ 105,980
70400	Tenant revenue - other	9,049	-	9,049
70500	Total tenant revenue	115,029	-	115,029
70600	HUD PHA operating grants	114,490	-	114,490
70610	Capital grants	-	85,037	85,037
71100	Investment income - unrestricted	1,409	-	1,409
71500	Other revenue	858	-	858
70000	Total revenues	231,786	85,037	316,823
91100	Administrative salaries	60,242	-	60,242
91200	Auditing fees	14,858	-	14,858
91500	Employee benefit contributions - administrative	19,238	-	19,238
91600	Office expenses	21,804	-	21,804
91800	Travel	1,757	-	1,757
91900	Other	6,326	-	6,326
91000	Total operating - administrative	124,225	-	124,225
93100	Water	16,129	-	16,129
93200	Electricity	6,584	-	6,584
93300	Gas	5,595	-	5,595
93600	Sewer	9,199	-	9,199
93000	Total utilities	37,507	-	37,507
94100	Ordinary maintenance and operations - labor	7,065	-	7,065
94200	Ordinary maintenance and operations - materials and other	7,444	-	7,444
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	12,935	-	12,935
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	3,200	-	3,200
94300-050	Ordinary maintenance and operations contracts - landscape and grounds contracts	5,035	-	5,035
94300-060	Ordinary maintenance and operations contracts - until turnaround contracts	7,695	-	7,695
94300-070	Ordinary maintenance and operations contracts - electrical contracts	3,640	-	3,640
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	5,002	-	5,002
94300-090	Ordinary maintenance and operations contracts - extermination contracts	1,411	-	1,411
94300-100	Ordinary maintenance and operations contracts - janitorial contracts	1,403	-	1,403

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Line Item	Description	Low Rent 14.85	Capital Fund Program 14.872	Total
94300-110	Ordinary maintenance and operations contracts - routine maintenance contracts	1,230	-	1,230
94300	Ordinary maintenance and operations contracts	41,551	-	41,551
94500	Employee benefit contribution - ordinary maintenance	767	-	767
94000	Total maintenance	56,827		56,827
96110	Property insurance	12,751	-	12,751
96120	Liability insurance	2,195	-	2,195
96130	Workmen's compensation	1,785	-	1,785
96140	All other insurance	1,633	-	1,633
96100	Total insurance premiums	18,364	-	18,364
96200	Other general expenses	-	-	-
96400	Bad debt - tenant rents	573	-	573
96000	Total other general expenses	573	-	18,937
96900	Total operating expenses	237,496	-	237,496
97000	Excess (deficiency) of revenues over operating expenses	(5,710)	85,037	79,327
97400	Depreciation expense	94,085	10,119	104,204
90000	Total expenses	331,581	10,119	341,700
10010	Operating transfer in	21,122	-	21,122
10020	Operating transfer out	-	(21,122)	(21,122)
10100	Total other financing sources (uses)	21,122	(21,122)	-
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (78,673)</u>	<u>\$ 53,796</u>	<u>\$ (24,877)</u>
11030	Beginning equity	\$ 1,248,764	\$ 77,056	\$ 1,325,820
11040-070	Equity transfers	-	-	-
11190	Unit months available	600	-	600
11210	Unit months leased	577	-	577

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

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 H. Balderas, State Auditor
and
Board of Commissioners
Town of Clayton Public Housing Authority
Clayton, New Mexico

We have audited the financial statements of the business-type activities of the Public Housing Authority (Authority) of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 14, 2009. We have also audited the enterprise funds financial statement and the budgetary comparisons as of and for the year ended June 30, 2009, and have issued our opinion thereon dated October 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2009-01 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described as item 2009-01 we consider to be a material weakness.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-02.

We noted a certain matter that is required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item 2007-03.

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

This report is intended solely for the information and use of the board of commissioners, management, others within the Authority, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration Local Government Division and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

October 14, 2009

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Item 2009-01 – Internal Controls over Disbursements

Statement of Condition – During our review of the internal controls related to the cash disbursements accounting system, and our testing of the cash disbursement transactions we discovered the following deviations:

- As part of his job description, the Clerk prepares all disbursements and deposits for the Authority. The Clerk prepares all draw down requests for funding from the U. S. Department of Housing and Urban Development. The Clerk is an authorized check signer for all checking accounts held for the Authority. During the fiscal year, the Clerk signed, as one of the two signatures on the check, approximately 55% of all disbursements issued by the Authority.
- Of the forty disbursements tested, there were two occasions where the check only had one authorized signature.

Criteria – Internal controls are established to safe guard the assets of the Authority from unauthorized use. An internal control procedure established by the Board is to require two authorized signatures on each check prepared. Additionally, when checks are presented to the authorized check signers the supporting documents such as invoices for the goods or services are attached to the payment voucher. The use of two authorized check signers on all disbursements allows two individuals the opportunity review the supporting documentation to determine valid and accurate Authority payables.

Effect – When the clerk who prepares all the documentation for payment is allowed to sign the check the control established to use two separate individuals is defeated. Allowing only one individual to prepare, review, and sign all disbursements, increase the opportunity to have fictitious vendors receiving payment. Without a proper segregation of duties established, there is ample opportunity for items to be taken or fraud being committed by the staff of the Authority.

Cause – Early in the fiscal year when the prior executive director retired, the Board allowed to Clerk, who was acting executive director to be added as an authorized check signer. Upon the hiring of the new executive director the Board believed the Clerk should have been kept on as an authorized signature.

Recommendation – We recommend the Board of Commissioners to vote to amend the signature card for all Authority cash accounts and to remove the Clerk as an authorized check signer. We recommend the Board of Commissioners to review and determine if all Commissioners should be authorized check signers. Furthermore, we recommend the Board of Commissioners create policies and procedures concerning internal controls over cash disbursements, specifically stating who is authorized to sign disbursement checks.

Views of Responsible Officials and Planned Corrective Actions – During the interim where there was no executive director the Housing Authority was using the Clerk as and “acting” director. During that period it was necessary for the clerk/acting executive director to be able to sign checks so that bills could be paid in a timely manner. Now that the new executive director is familiar with how the office operates, the clerk will be removed as a signer for all checks. It has been determined that only the executive director and commissioners shall be authorized check signers. All checks must have two signatures.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Item 2007-03 – Tenant Eligibility

Statement of Condition – During the course of our audit, we performed audit tests of the tenant files retained by the Authority. We selected twelve tenant files to test. Our tests revealed the following matters:

- Three occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Five occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Nine occasions where a representative of the Authority failed to sign the annual home inspection form.
- Four occasions where a representative of the Authority failed to sign the lease agreement contract.
- One occasion where a representative of the Authority failed to sign the tenant application form.

Criteria – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that *‘as a condition of admission or continued occupancy, the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility’*.

24 CFR section 5.601 *et seq.* states that the Authority *‘determines income eligibility and calculates the tenant’s rent payment using the documentation from third party verification’*. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority *‘reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification’*.

Furthermore, the Quality Housing and Work Responsibility Act of 1998 requires that *‘all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes and other activities which help an individual toward self sufficiency and economic independence. This is a requirement of the Public Housing Lease.’*

Effect – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

Cause – The Authority failed to review all tenant files for completeness and accuracy upon the tenant’s initial entrance into the Authority or the annual review of each of the tenant’s files.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Item 2007-03 – Tenant Eligibility (continued)

Cause (continued) – The Authority failed to ensure that all necessary forms which needed to be signed by a representative of the Authority, were reviewed, completed, and signed.

Recommendation – We recommend that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files. Furthermore, we recommend the Authority’s appointed representatives review and sign all documentation that needs Authority signatures.

Views of Responsible Officials and Planned Corrective Actions – With limited training the new executive director was unaware of all the required documents that should be in the file. The new executive director has established new tenant files and checklist that make files easier to read and documents easier to find. The executive director will review all tenant files before year end to assure accuracy.

Item 2009-02 – Board Minutes

Statement of Condition – During our review of the Board of Commissioner’s monthly board meeting minutes, we discovered the following deviations:

- For the July 2008 board meeting, the Board approved the minutes of the meeting at the conclusion of the meeting and not at the next (August 2008) Board meeting.
- Between January 2009 and June 2009, the Authority held nine meetings. Of these nine meetings, there were five occasions where the Authority’s Board of Commissioners failed to follow the agenda that was prepared prior to the meeting. Items would be added or deleted from the agenda without Board approval or consent.
- Between October 2008 and June 2009, the Authority had ten meetings. On six occasions, the Board failed to properly enter into and out of closed executive sessions as per the Open Meetings Act. The Board discussed limited personnel matters (the hiring of the new executive director, promotion of the clerk, hiring of a part-time employee) during an open session. The Board failed to discuss limited personnel matters during a closed executive session.
- During the Board meetings held between January 2009 and June 2009, the Board failed to approve various items via a motion. The Board would “agree” to an item that was being discussed rather than have a formal vote or the Board would be informed that a specific action has already taken place. The Board failed to vote in a public meeting; the promotion of the clerk to acting executive director, the hiring of the new executive director, a salary increase of the clerk, and the hiring of a part-time maintenance staff.

Criteria – Section 10-15-1 (F) of the New Mexico State Statutes states, in part, “*Meeting notices shall include an agenda containing a list of specific items of business to be discussed or transacted at the meeting or information on how the public may obtain a copy of such an agenda.*”

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Item 2009-02 – Board Minutes (continued)

Criteria (continued) – Section 10-15-1 (H) (2) of the New Mexico State Statutes states, in part, “A meeting may be closed to discuss limited personnel matters. A limited personnel matter indicates the discussion of hiring, promotion, demotion, dismissal, assignment or resignation of any individual public employee. Further that this subsection is not to be construed as to exempt final actions on personnel from being taken at open public meeting.”

Section 10-15-1 (I) (1) of the New Mexico State Statutes states, “If made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote of a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes. Only those subjects announce or voted upon prior to closure by the policymaking body may be discussed in a closed meeting.”

Section 10-15-1 (I) (3) of the New Mexico State Statutes states, in part, “Following completion of any closed meeting, the minutes of the open meeting that was closed shall state that the matters discussed in the closed meeting were limited only to those specified in the motion for closure. This statement shall be approved by the public body.”

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes. By discussing limited personnel matters, in an open session, it violates the confidentiality of the hiring process of all staff. Furthermore, noncompliance with the Open Meetings Act could lead to potential lawsuits.

Cause – The Board of Commissioners and the executive director do not understand the requirements and procedures of the Open Meetings Act. The Board failed to follow the agenda as it was presented; failed to follow the requirements and procedures of discussing limited personnel items during a meeting; and failed to properly vote and approve various items requiring a formal vote by the Board.

Recommendation – We recommend the Board of Commissioners and the executive director review the Open Meetings Act (Section 10-15-1) to ensure compliance with all aspects of the Act. We recommend the Board of Commissioners review how to conduct a meeting including the necessary steps to enter into and out of a closed executive session. Furthermore, we recommend the Board of Commissioners to approve items by a vote of the Board.

Views of Responsible Officials and Planned Corrective Actions – Until recently the board of commissioners and the new executive director were unaware of the proper procedures for the Open Meetings Act. Since the audit, all commissioners and the executive director have been given a copy of the New Mexico Open Meetings Act Compliance Guide. Under the previous executive director, the board of commissioners was not made aware of proper procedures. All meetings are now being conducted properly. The agenda is now being followed without deviation. Everyone is now educated on how to proceed into and conclude executive sessions, and properly vote for items instead of “agreeing”.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

PRIOR YEAR'S AUDITOR FINDINGS

Item 2007-03 – Tenant Eligibility – In the previous year's audit report, it was noted that the tenant files did not contain all of the information required by the United States Department of Housing and Urban Development. The finding has not been resolved and is repeated as 2007-03.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2009**

Exit Conference

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on October 22, 2009. Present for the Public Housing Authority was: Y. Irene Gonzales, chairperson; and Angela Lucero, executive director. Present from the auditing firm was Ed Fierro, CPA.

Financial Statement Preparation

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Town of Clayton Public Housing Authority as of and for the year ended June 30, 2009. The Authority prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The Authority also performed all depreciation calculations for the Authority. The Authority's upper management has reviewed and approved the financial statements and related notes, and they believe the Authority's books and records adequately support them.