

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

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY**
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PUBLIC HOUSING AUTHORITY**
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**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY**
Directory of Officials
June 30, 2008

Board of Commissioners

Y. Irene Gonzales Chairperson
Eloy Gonzales Vice-Chairperson
Becky Claycomb Commissioner
Carrell R. Blakely Commissioner
Reinaldo Sanchez Commissioner

Administrative Staff

Ferdinand Garcia, III 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 Auditor's 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, 2008, as listed in the table of contents. We have also audited the financial statement of the Authority's non-major enterprise fund presented as supplementary information in the accompanying individual fund financial statement for the year ended June 30, 2008, 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, 2008, 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 financial statements referred to above present fairly, in all material respects, the financial position of the non-major enterprise fund of the Authority as of June 30, 2008, and the respective changes in financial position and cash flows 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 13, 2008, 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 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 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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, 2008. 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 close of the fiscal year ended June 30, 2008, the Clayton Housing Authority was in good financial condition. Cash reserves were well above required amounts, and projected expenses were kept considerably better than in previous years. Rental income, which has increased, as well as other income sources, has been collected on a timely basis. Low vacancy rates and effective expense control has resulted in a financially sound entity.

Capital Fund Program (CFP) funds were used in the best of constructive venues. The interior of the units were enhanced by painting and adding new fixtures. The area surrounding the units were enhanced as well, thus creating a well rounded operation. The brick fence surrounding one of the areas of units has created a unique and attractive appearance. Overall, the Authority will not only be able to increase the bottom line, but will 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. A budget to actual schedule is also presented, followed by notes to the financial statements. In addition to the basic financial statements, 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008</u>	<u>June 30, 2007</u>
Assets:		
Current and other assets	\$ 114,897	\$ 120,151
Capital assets, net of accumulated depreciation	<u>1,223,253</u>	<u>1,275,448</u>
Total assets	<u>1,338,150</u>	<u>1,395,599</u>
Liabilities:		
Current liabilities	<u>12,330</u>	<u>11,803</u>
Net Assets:		
Invested in capital assets	1,223,253	1,275,448
Unrestricted	<u>102,567</u>	<u>108,348</u>
Total net assets	<u><u>\$ 1,325,820</u></u>	<u><u>\$ 1,383,796</u></u>

The remaining balance of unrestricted net assets of \$102,567 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, 2008**

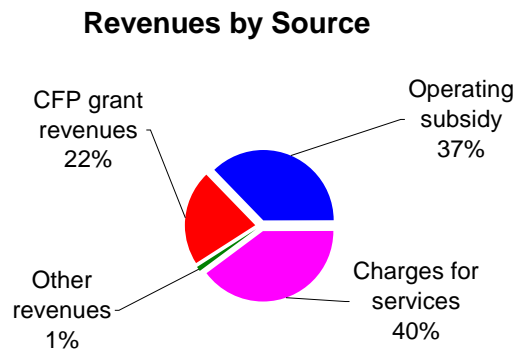
Financial Statement Analysis (continued)

The Authority's activities during the year decreased the Authority's net assets by \$(57,976). Total revenues increased by \$31,404, while expenses increased by \$20,454 when compared to the previous year.

Clayton Housing Authority's Changes in Net Assets	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues:		
Operating Revenues:		
Charges for services	\$ 108,977	\$ 100,097
Non-Operating Revenues:		
HUD operating subsidy	102,298	81,648
CFP grant revenues	59,926	57,663
Interest income	2,548	2,825
Miscellaneous	<u>279</u>	<u>391</u>
Total revenues	274,028	242,624
Expenses:		
Operating Expenses:		
Personnel services	57,983	51,866
Employee benefits	21,768	19,731
Professional services	19,018	18,949
Utilities	42,883	37,174
General operating	89,534	86,004
Depreciation	<u>100,818</u>	<u>97,826</u>
Total expenses	<u>332,004</u>	<u>311,550</u>
Change in net assets	<u>\$ (57,976)</u>	<u>\$ (68,926)</u>

Revenues

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2008:



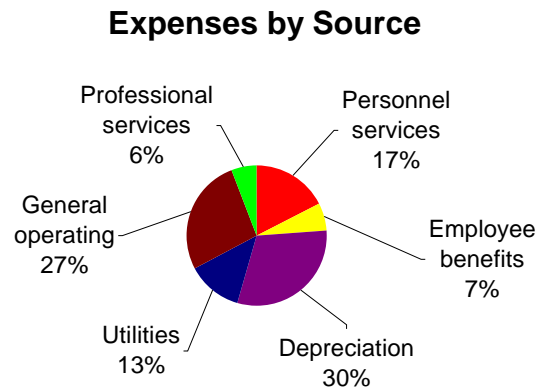
**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Revenues (continued)

As in previous years, grant revenues account for 59% of the total revenues for the Authority, while tenant income accounts for 40% 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, 2008:



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 \$204,913. The actual revenues for the fiscal year were \$211,554, an increase of \$6,641. The majority of the increase was due to additional tenant rental income revenues. The Authority had budgeted those revenues at \$93,720; actual tenant rental income revenues were \$100,725. The increase amounted to \$7,005. During the year, the Authority budgeted operating (low rent) expenses at \$222,084. Actual operating expenses were \$219,884. The Authority expended \$2,200 less than what was budgeted.

For the year ended June 30, 2008, the Authority anticipated expenses would exceed operating revenues and non-operating revenues (expenses) by \$16,671. Actual operating expenses of \$219,884 exceeded operating revenues of \$211,554 and net non-operating revenues (expenses) by \$2,548; producing a net loss of \$5,782. During the fiscal year the Authority increased anticipated operating revenues by \$21,263, when it amended its original budget. The Authority increased anticipated operating expenses by \$31,165 from \$190,919 to \$222,084.

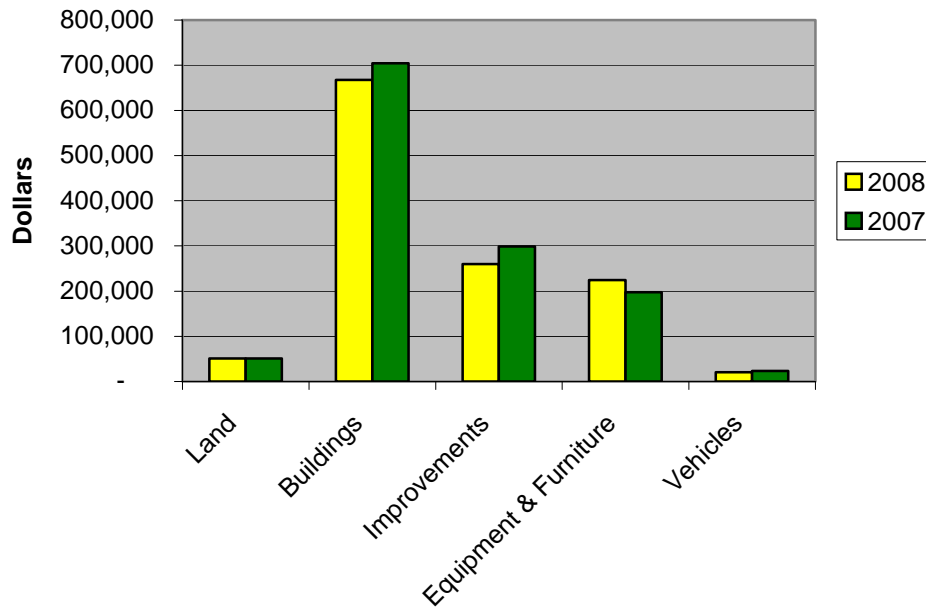
**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Capital Assets

The Authority's investment in net assets as of June 30, 2008 amounted to \$1,223,253 (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, 2008	June 30, 2007
Land	\$ 51,294	\$ 51,294
Buildings	667,434	704,681
Building improvements	260,102	298,532
Equipment and furniture	224,194	197,498
Vehicles	20,229	23,443
	\$ 1,223,253	\$ 1,275,448

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, 2008, 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, 2008

Currently Known Facts, Decisions or Conditions

The Housing Authority's staff and Board of Commissioners considered many factors when planning the fiscal year 2008 budget. Some of these factors include the increased dwelling rent caused by improving economic conditions in the area. The HUD subsidy and CFP monies were considered in determining additional expenses for the upcoming year.

The Authority strives to keep its vacancy rate very low, and also works with other entities in the community to attract economic development projects. Some of these projects help to improve the financial conditions of the tenants, thereby improving the rental income amounts.

The construction of a solid brick fence around one area of the complex, and a plan to construct additional fencing around another area not only makes the area very attractive, it also contributes to lower maintenance costs by keeping down trash accumulations and crisscrossing of the Authority grounds by unauthorized personnel. These and other factors keep the Authority's budget monies available for a variety of other issues.

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, 2008**

	Low Rent Fund	Non-Major Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 100,366	\$ -	\$ 100,366
Receivables (net of allowance):			
Tenants	1,553	-	1,553
Interest	269	-	269
Inventory	3,572	-	3,572
Prepaid expenses	4,962	-	4,962
Restricted Assets:			
Cash	4,175	-	4,175
Capital Assets:			
Land	51,294	-	51,294
Improvements	533,237	27,526	560,763
Buildings	1,805,791	-	1,805,791
Equipment and furniture	460,975	54,426	515,401
Vehicles	32,324	-	32,324
Less accumulated depreciation	<u>(1,737,424)</u>	<u>(4,896)</u>	<u>(1,742,320)</u>
Total capital assets, net	<u>1,146,197</u>	<u>77,056</u>	<u>1,223,253</u>
Total assets	<u>1,261,094</u>	<u>77,056</u>	<u>1,338,150</u>
 LIABILITIES			
Current Liabilities:			
Accounts payable	7,089	-	7,089
Accrued salaries	366	-	366
Deferred revenues	<u>700</u>	<u>-</u>	<u>700</u>
Total current liabilities	8,155	-	8,155
Current Liabilities Payable From Restricted Assets:			
Tenant deposits	<u>4,175</u>	<u>-</u>	<u>4,175</u>
Total liabilities	12,330	-	12,330
 NET ASSETS			
Invested in capital assets	1,146,197	77,056	1,223,253
Unrestricted	<u>102,567</u>	<u>-</u>	<u>102,567</u>
Total net assets	<u>\$ 1,248,764</u>	<u>\$ 77,056</u>	<u>\$ 1,325,820</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, 2008

	<u>Low Rent Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 108,977	\$ -	\$ 108,977
Operating Expenses:			
Personnel services	47,983	10,000	57,983
Employee benefits	21,768	-	21,768
Professional services	19,018	-	19,018
Utilities	42,883	-	42,883
General operating	88,232	1,302	89,534
Depreciation	96,377	4,441	100,818
Total operating expenses	<u>316,261</u>	<u>15,743</u>	<u>332,004</u>
Operating (loss)	(207,284)	(15,743)	(223,027)
Non-Operating Revenues (Expenses):			
HUD operating subsidy	102,298	-	102,298
CFP grant revenues	-	59,926	59,926
Interest income	2,548	-	2,548
Miscellaneous income	279	-	279
Total non-operating revenues (expenses)	<u>105,125</u>	<u>59,926</u>	<u>165,051</u>
Change in net assets	(102,159)	44,183	(57,976)
Net assets, beginning of year	<u>1,350,923</u>	<u>32,873</u>	<u>1,383,796</u>
Net assets, end of year	<u>\$ 1,248,764</u>	<u>\$ 77,056</u>	<u>\$ 1,325,820</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, 2008**

	Low Rent <u>Fund</u>	Non-Major <u>Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from tenants	\$ 109,017	\$ -	\$ 109,017
Cash payments to suppliers for goods and services	(158,560)	(1,302)	(159,862)
Cash payments to employees for services	<u>(59,385)</u>	<u>(10,000)</u>	<u>(69,385)</u>
Net cash (used) for operating activities	(108,928)	(11,302)	(120,230)
Cash Flows from Non-Capital and Related Financing Activities:			
Cash received from intergovernmental sources	102,298	-	102,298
Miscellaneous income	<u>279</u>	<u>-</u>	<u>279</u>
Net cash provided by non-capital and related financing activities	102,577	-	102,577
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	59,926	59,926
Acquisition and construction of capital assets	<u>-</u>	<u>(48,624)</u>	<u>(48,624)</u>
Net cash provided by capital and related financing activities	-	11,302	11,302
Cash Flows from Investing Activities:			
Interest income	<u>2,760</u>	<u>-</u>	<u>2,760</u>
Net (decrease) in cash	(3,591)	-	(14,893)
Cash and cash equivalents, beginning of year	<u>108,132</u>	<u>-</u>	<u>108,132</u>
Cash and cash equivalents, end of year	<u><u>\$ 104,541</u></u>	<u><u>-</u></u>	<u><u>\$ 93,239</u></u>
Displayed as:			
Cash	\$ 100,366	\$ -	\$ 100,366
Restricted cash	<u>4,175</u>	<u>-</u>	<u>4,175</u>
	<u><u>\$ 104,541</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 104,541</u></u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating (loss)	\$ (207,284)	\$ (15,743)	\$ (223,027)
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities:			
Depreciation	96,376	4,441	100,817
Obsolete inventory	(207)	-	(207)
Change in Assets and Liabilities:			
Decrease in tenants' receivable	610	-	610
(Increase) in prepaid expenses	(1,018)	-	(1,018)
Decrease in inventories	2,068	-	2,068
Decrease in accounts payable	(489)	-	(489)
Increase in accrued salaries	366	-	366
Increase in deferred revenues	700	-	700
(Decrease) in security deposits	<u>(50)</u>	<u>-</u>	<u>(50)</u>
Total adjustments	<u>98,356</u>	<u>4,441</u>	<u>102,797</u>
Net cash (used) for operating activities	<u><u>\$ (108,928)</u></u>	<u><u>\$ (11,302)</u></u>	<u><u>\$ (120,230)</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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Housing Authority (the Authority) of the Town of Clayton was established in 1972. In 1974, the 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 only, 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, 2008

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 new 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 major business-type fund:

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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The Authority reports maintains one other individual enterprise fund that is considered a non-major fund. A description of the non-major fund is as follows:

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, 2008**

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, 2008, 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, 2008

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, Net of Related Debt – 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, 2008**

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, 2008, 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		\$ -	\$ 799	\$ 799
Farmer's & Stockmen's Bank	Checking	47,537	(3,791)	43,746
Farmer's & Stockmen's Bank	Certificate of deposit	18,968	-	18,968
First Nat'l Bank of NM	Certificate of deposit	41,028	-	41,028
		<u>\$ 107,533</u>	<u>\$ (2,992)</u>	<u>\$ 104,541</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 \$100,000 in aggregate and separate from the \$100,000 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, 2008**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

	<u>Farmer's & Stockmen's Bank</u>	<u>First National Bank of NM</u>
Checking accounts	\$ 47,537	\$ -
Certificates of deposit	18,968	41,028
Total cash	66,505	41,028
Less FDIC checking	(47,537)	-
Less FDIC time deposits	(18,968)	(41,028)
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>

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, 2008, 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, 2008:

	<u>Balance 06/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/08</u>
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	-	-	560,763
Equipment and furniture	466,778	48,623	-	515,401
Vehicles	32,324	-	-	32,324
Total other capital assets, being depreciated	2,865,656	48,623	-	2,914,279

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

3. CAPITAL ASSETS (continued)

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Less accumulated depreciation for:				
Buildings	(1,101,110)	(37,247)	-	(1,138,357)
Building improvements	(262,231)	(38,430)	-	(300,661)
Equipment and furniture	(269,280)	(21,927)	-	(291,207)
Vehicles	(8,881)	(3,214)	-	(12,095)
Total accumulated depreciation	(1,641,502)	(100,818)	-	(1,742,320)
Other capital assets, net	1,224,154	(52,195)	-	1,171,959
Total capital assets, net	<u>\$ 1,275,448</u>	<u>\$ (52,195)</u>	<u>\$ -</u>	<u>\$ 1,223,253</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, 2008, 2007 and 2006 were \$6,443, \$5,861, and \$5,167, 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, 2008**

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
Assets	\$ 1,338,150	\$ -	\$ 1,338,150
Liabilities	\$ 12,330	\$ -	\$ 12,330
Net assets	1,325,820	-	1,325,820
Total liabilities and net assets	\$ 1,338,150	\$ -	\$ 1,338,150
Revenues	\$ 274,028	\$ -	\$ 274,028
Expenses	332,004	-	332,004
Excess (deficiency) of revenues over expenditures	\$ (57,976)	\$ -	\$ (57,976)

INDIVIDUAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUND
JUNE 30, 2008**

	<u>Capital Fund Program Fund</u>
ASSETS:	
Current Assets:	
Cash	\$ -
Receivables (net of allowance):	
Tenants	-
Interest	-
Inventory	-
Prepaid expenses	-
Restricted Assets:	
Cash	-
Capital Assets:	
Land	-
Improvements	27,526
Buildings	-
Equipment and furniture	54,426
Vehicles	-
Less accumulated depreciation	<u>(4,896)</u>
Total capital assets, net	<u>77,056</u>
Total assets	<u>77,056</u>
 LIABILITIES:	
Current Liabilities:	
Accounts payable	-
Accrued salaries	-
Deferred revenues	<u>-</u>
Total current liabilities	-
Current Liabilities Payable From Restricted Assets:	
Tenant deposits	<u>-</u>
Total liabilities	-
 NET ASSETS:	
Invested in capital assets	77,056
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ 77,056</u></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
NON-MAJOR ENTERPRISE FUND
JUNE 30, 2008

	Capital Fund Program Fund
Operating Revenues:	
Charges for services	\$ -
Operating Expenses:	
Personnel services	10,000
Employee benefits	-
Professional services	-
Utilities	-
General operating	1,302
Depreciation	4,441
Total operating expenses	15,743
Operating (loss)	(15,743)
Non-Operating Revenues (Expenses):	
HUD operating subsidy	-
CFP grant revenues	59,926
Interest income	-
Miscellaneous income	-
Total non-operating revenues (expenses)	59,926
Change in net assets	44,183
Net assets, beginning of year	32,873
Net assets, end of year	\$ 77,056

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
NON-MAJOR ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Capital Fund Program Fund
Cash Flows from Operating Activities:	
Cash received from tenants	\$ -
Cash payments to suppliers for goods and services	(1,302)
Cash payments to employees for services	(10,000)
Net cash (used) for operating activities	(11,302)
Cash Flows from Non-Capital and Related Financing Activities:	
Cash received from intergovernmental sources	-
Miscellaneous income	-
Net cash provided by non-capital and related financing activities	-
Cash Flows from Capital and Financing Activities:	
Cash received from intergovernmental sources	59,926
Acquisition and construction of capital assets	(48,624)
Net cash provided by capital and related financing activities	11,302
Cash Flows from Investing Activities:	
Interest income	-
Net (decrease) in cash	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Displayed as:	
Cash	\$ -
Restricted cash	-
	\$ -
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating (loss)	\$ (15,743)
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	4,441
Obsolete inventory	-
Change in Assets and Liabilities:	
Decrease in tenants' receivable	-
(Increase) in prepaid expenses	-
Decrease in inventories	-
Decrease in accounts payable	-
Increase in accrued salaries	-
Increase in deferred revenues	-
(Decrease) in security deposits	-
Total adjustments	4,441
Net cash (used) for operating activities	\$ (11,302)

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF LOW RENT REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Intergovernmental revenues	\$ 84,930	\$ 102,193	\$ 102,298	\$ 105
Tenant rental income	93,720	93,720	100,725	7,005
Other receipts	5,000	9,000	8,531	(469)
Total operating revenues	183,650	204,913	211,554	6,641
Operating Expenses:				
Administrative salaries	59,820	59,820	47,983	11,837
Training	1,000	1,000	-	1,000
Travel	500	500	1,051	(551)
Accounting fees	5,000	5,000	4,160	840
Auditing fees	14,000	14,860	14,858	2
Other administrative expenses	5,125	12,620	8,835	3,785
Collection losses	-	2,500	2,423	77
Water and solid waste	14,244	14,244	17,882	(3,638)
Electricity	5,828	5,828	6,829	(1,001)
Gas	8,498	8,498	9,247	(749)
Other utilities	6,924	6,924	8,925	(2,001)
Maintenance materials	4,500	12,000	17,783	(5,783)
Maintenance contract costs	29,000	42,000	43,074	(1,074)
Insurance	14,230	14,040	15,066	(1,026)
Employee benefit contributions	22,250	22,250	21,768	482
Total operating expenses	190,919	222,084	219,884	2,200
Operating income (loss)	(7,269)	(17,171)	(8,330)	8,841
Non-Operating Revenue:				
Interest income	500	500	2,548	2,048
Net income (loss)	(6,769)	(16,671)	(5,782)	10,889
Beginning net assets	108,348	108,348	108,348	-
Ending net assets	\$ 101,579	\$ 91,677	\$ 102,566	\$ 10,889

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 GRANT PERIOD ENDED JUNE 30, 2008

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/08	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 85,276	\$ 85,276	\$ 34,350	\$ 49,926	\$ 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	5,803	48,624	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>34,350</u>	<u>49,926</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 GRANT PERIOD ENDED JUNE 30, 2008

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/08	Total Project	Variance With Finance Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 76,769	\$ 79,037	\$ 7,000	\$ -	\$ 7,000	(72,037)
Expenses:						
Operations	-	1,000	7,000	-	7,000	(6,000)
Administration	-	-	-	-	-	-
Site improvements	40,000	78,037	-	-	-	78,037
Dwelling structures	36,769	-	-	-	-	-
Non-dwelling equipment	-	-	-	-	-	-
Total expenses	<u>76,769</u>	<u>79,037</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>72,037</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 NM02P055501-07
REVENUES AND EXPENSES BUDGET AND ACTUAL
FOR THE GRANT PERIOD ENDED JUNE 30, 2008

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/08	Variance With Finance Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 77,094	\$ 77,094	\$ 10,000	\$ 67,094
Expenses:				
Operations	10,000	10,000	10,000	-
Administration	5,000	5,000	-	5,000
Site improvements	62,094	62,094	-	62,094
Total expenses	<u>77,094</u>	<u>77,094</u>	<u>10,000</u>	<u>67,094</u>
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2008

Sources/Inflows of Resources:

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

Schedule of Low Rent Revenues and Expenses	\$	211,554
Schedule of CFP NM02P055501-05 Revenues and Expenses		-
Schedule of CFP NM02P055501-06 Revenues and Expenses		-
Schedule of CFP NM02P055501-07 Revenues and Expenses		-
		-
Total budgetary basis revenues		211,554

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. (102,298)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. (279)

Total revenues as reported on the statement of revenues, expenses, and changes in fund net assets \$ 108,977

Uses/Outflows of Resources:

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

Schedule of Low Rent Revenues and Expenses	\$	219,884
Schedule of CFP NM02P055501-05 Revenues and Expenses		49,926
Schedule of CFP NM02P055501-06 Revenues and Expenses		-
Schedule of CFP NM02P055501-07 Revenues and Expenses		10,000
		10,000
Total budgetary basis expenses		279,810

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. (48,624)

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 100,818

Total expenses as reported on the statement of revenues, expenses, and changes in fund net assets \$ 332,004

Non-Operating Revenues:

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

Schedule of Low Rent Revenues and Expenses	\$	2,548
Schedule of CFP NM02P055501-05 Revenues and Expenses		49,926
Schedule of CFP NM02P055501-06 Revenues and Expenses		-
Schedule of CFP NM02P055501-07 Revenues and Expenses		10,000
		10,000
Total budgetary basis revenues		62,474

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. 102,298

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes. 279

Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets \$ 165,051

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008**

<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	\$ 43,362	\$ (3,791)	\$ 39,571
Clayton Housing Authority	Checking	4,175	-	4,175
Clayton Housing Authority	CD	18,968	-	18,968
		<u>\$ 66,505</u>	<u>\$ (3,791)</u>	<u>\$ 62,714</u>
First National Bank of NM 201 Main Street Clayton, NM 88415				
Clayton Housing Authority	CD	<u>\$ 41,028</u>	<u>\$ -</u>	<u>\$ 41,028</u>

ADDITIONAL INDEPENDENT AUDITOR'S REPORT

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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, and the aggregate remaining fund information, of the Public Housing Authority (Authority) of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. We have also audited the non-major enterprise fund financial statement and the budgetary comparisons as of and for the year ended June 30, 2008, and have issued our opinion thereon dated October 13, 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Compliance and Other Matters

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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 finding 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, 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 13, 2008

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

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:

- Four occasions where, the applicant did not fill out Form 9886, *Authorization for the Release of Information/Privacy Act Notice*.
- Two occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Six occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.

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 tenants’ files.

Recommendation – We suggest that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files.

Views of Responsible Officials and Planned Corrective Actions – This finding was caused by an oversight of not actually checking off the necessary paperwork required from each family. All 50 unit files have been checked and all proper documents are now in the files.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

PRIOR YEAR'S AUDITOR FINDINGS

Item 2007-01 – Budget Authority – In the previous year's audit report, it was noted that the Authority had unauthorized excess expenditures within the Low Rent Budget. During the fiscal year, the Authority approved budget adjustment resolutions as necessary. The finding is considered resolved.

Item 2007-02 – Davis-Bacon Act – In the previous year's audit report, it was noted that the Housing Authority did not retain all documentation concerning contractor's weekly wage reports for construction projects at the Authority. The project has been completed and the audit finding is considered resolved.

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.

Item 2007-04 – Authority Credit Cards Expenditures – In the previous year's audit report, it was noted that the Authority failed to retain all documentation concerning credit card expenditures. The Authority provided travel and lodging expenses for an individual who was not affiliated with the Authority. During the fiscal year, the Authority took additional steps to ensure all back up documentation was retained and only individuals authorized to travel on behalf of the Authority. The audit finding is considered resolved.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE
JUNE 30, 2008**

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on November 13, 2008. Present for the Public Housing Authority was: Carrell R. Blakely, commissioner and Bob Lawrence, clerk. Present from the auditing firm was Rose Fierro, CPA.

Financial Statement Presentation

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, 2008. 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.