

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Prepared by
Marcus, Fairall, Bristol + Co., P.L.L.C.
Certified Public Accountants
6090 Surety Drive Suite 100
El Paso, Texas 79905
Telephone (915) 775-1040

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO**

**Official Roster
June 30, 2012**

Board of Commissioners

Rodolfo Herrera
Johnny Trujillo
Sonya Dixon
Stephen Miranda

Chairperson
Vice-Chairperson
Commissioner
Commissioner

Administration

Gloria Duran

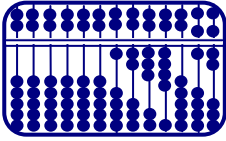
Executive Director

**STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012**

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FINANCIAL SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., P.L.L.C.

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Board of the Santa Clara Public Housing Authority
Santa Clara, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Santa Clara Public Housing Authority, as of and for the years-ended June 30, 2012 and 2011, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Santa Clara Public Housing Authority's budgetary comparisons presented as supplementary information as of and for the years ended June 30, 2012 and 2011 and as listed in the table of contents. These financial statements are the responsibility of Santa Clara Public Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 of the United States of America used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Santa Clara Public Housing Authority as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the Santa Clara Public Housing Authority as of June 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2012 on our consideration of the Santa Clara Public Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, a Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as “other supplemental information” in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



El Paso, Texas

November 30, 2012

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
June 30, 2012

Management's Discussion and Analysis

As management of the Santa Clara Public Housing Authority (SCPHA), we offer readers of the SCPHA's financial statements this narrative overview and analysis of the financial activities of the SCPHA for the latest fiscal year-ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of the SCPHA exceeded its liabilities at the close of the most recent fiscal year by \$794,102 (net assets). Of this amount, \$85,397 (unrestricted net assets) may be used to meet the SCPHA's ongoing obligations to tenants.
- The SCPHA's total net assets decreased by \$26,304 during the fiscal year.
- As of June 30, 2012, the SCPHA had no restricted net assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SCPHA's basic financial statements. The SCPHA's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary Funds. Proprietary funds are generally used to account for services for which the SCPHA charges tenants. The business-type activity of the SCPHA is the leasing and administration of low-rent housing. The SCPHA receives grants that help offset a significant portion of the costs of providing low-rent housing. The balance of the revenue comes through rent and fees charged to tenants.

The statement of net assets presents information on all of the SCPHA'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 indicator of whether the financial position of the SCPHA is improving or deteriorating. SCPHA is a component unit of the Village of Santa Clara.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of an agency's financial position. In the case of the SCPHA, net assets exceeded liabilities by \$794,102 at the close of the current fiscal year.

STATE OF NEW MEXICO
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June 30, 2012

Management's Discussion and Analysis

The largest portion of the SCPHA's net assets represents the Authority's investment of \$708,705 as of June 30, 2012 and \$724,250 as of June 30, 2011 in capital assets (e.g., improvements, buildings, machinery, and equipment). The SCPHA uses these capital assets to provide services to tenants; consequently, these assets are not available for future spending.

SANTA CLARA PUBLIC HOUSING AUTHORITY NET ASSETS
June 30,

	2012	2011
Assets		
Current and Other Assets	\$ 107,445	\$ 118,297
Capital Assets, Net of Accumulated Depreciation	708,705	724,250
Total Assets	\$ 816,150	\$ 842,547
 Liabilities		
Current Liabilities	\$ 19,796	\$ 22,141
Long-Term Liabilities	2,252	-
Total Liabilities	22,048	22,141
 Net Assets		
Invested in Capital Assets	708,705	724,250
Restricted	85,397	-
Unrestricted	-	96,156
Total Net Assets	794,102	820,406
 Total Liabilities and Net Assets	\$ 816,150	\$ 842,547

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
June 30, 2012

Management's Discussion and Analysis

Changes in Net Assets
For the Year-Ended June 30,

	2012	2011
Operating Revenue:		
Dwelling Rental	\$ 59,578	\$ 62,828
Operating Subsidies	150,680	96,503
Capital Grant	37,775	18,342
Other Income	10,503	16,539
Total Operating Revenues	258,536	194,212
 Operating Expenses:		
Administration	67,909	57,630
Audit	22,282	-
Utilities	53,548	46,309
Ordinary Maintenance and Operations	46,222	41,930
Insurance	10,153	12,317
Personnel Services	29,623	18,115
Total Operating Expenses	229,737	176,301
 Operating Income (Loss)	28,599	17,911
 Depreciation Expense	53,119	(52,454)
 Change in Net Assets	(24,520)	(34,543)
 Net Assets-Beginning	820,406	854,949
Prior Period Adjustment	(1,784)	-
Net Assets-Ending	\$ 794,102	\$ 820,406

**STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
June 30, 2012**

Management's Discussion and Analysis

Analysis of Changes in Net Assets (continued)

Revenues. As in previous years, in the low rent fund rental revenues are the majority of the total operating revenues. During the current fiscal year, federal subsidies were in the amount of \$150,680. Grant revenues in the grant fund totaled \$37,775.

Expenses. As in previous years, personnel services make up the largest portion of operating expense in the low rent fund. Due to the significant investments the SCPHA has in capital assets, depreciation continues to be a large operating expense. Unlike the other expenses listed, depreciation is not a cash expense. The total expenses for the current fiscal year increased 30% more than the prior fiscal year.

FINANCIAL ANALYSIS OF THE HOUSING AUTHORITY'S FUNDS

As noted earlier, SCPHA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At the end of the fiscal year, the unrestricted net assets for the low rent fund were \$85,397. The total decrease in transfers was \$10,759. Other factors concerning the finances of this fund have been addressed previously in the discussion of the SCPHA's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The SCPHA's capital assets for its business-type activities as of June 30, 2012 amount to \$708,705 (net of accumulated depreciation). Capital assets include improvements, buildings, machinery, and equipment. There was an increase in business-type capital assets in the amount of \$37,775 (excluding accumulated depreciation) for the current fiscal year.

**Capital Assets, Net of Depreciation
June 30,**

	2012	2011
Buildings	\$ 79,689	\$ 107,115
Computer Software	4,162	5,382
Improvements	624,704	605,952
Machinery and Equipment	150	7,832
Capital Assets, Net of Accumulated Depreciation	\$ 708,705	\$ 726,281

For proprietary fund financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The SCPHA's staff and Board of Commissioners consider many factors when setting the fiscal year 2012 budget. The U.S. Department of Housing and Urban Development has calculated the operating subsidy for the first six months of the most recent fiscal year to be approximately \$25,764. The SCPHA plans to keep the vacancy rate low and expenses will be closely monitored.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
SANTA CLARA, NEW MEXICO
June 30, 2012

Management's Discussion and Analysis

SUPPLEMENTARY INFORMATION

The SCPHA 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the SCPHA's finances for all of those with an interest in the proprietary fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gloria Duran, Santa Clara Public Housing Authority, P.O. Box 275, Santa Clara, New Mexico, 88026.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Statement of Net Assets
Proprietary Fund
June 30,

	2012	2011
Assets:		
Current assets:		
Cash and equivalents	\$ 86,088	\$ 104,892
Dwelling rent receivable (net of allowance for doubtful accounts)	1,336	2,087
Subsidy receivable	5,312	-
Fire loss receivable	3,772	-
Prepays	8,177	8,615
Restricted cash and investments:		
Tenant deposits	2,760	2,703
Capital assets:		
Other capital assets, net of accumulated depreciation	708,705	724,250
Total assets	\$ 816,150	\$ 842,547
Liabilities:		
Current liabilities:		
Accounts payable	\$ 6,997	\$ 5,288
Accrued payroll	1,674	-
PEPA payable	4,890	5,500
Payroll taxes payable	625	7,540
Compensated absences- current portion	2,850	1,110
Tenant security deposits	2,760	2,703
Total current liabilities	19,796	22,141
Long-term liabilities:		
Compensated absences	2,252	-
Total long-term liabilities	2,252	-
Total liabilities	22,048	22,141
Net Assets:		
Invested in capital assets	708,705	724,250
Unrestricted	85,397	96,156
Total net assets	794,102	820,406
Total liabilities and net assets	\$ 816,150	\$ 842,547

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

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year-Ended June 30,

	2012	2011
Operating Revenue:		
Dwelling rental	\$ 59,578	\$ 62,828
Grant income	37,775	18,342
Federal subsidies	150,680	96,503
Other income	10,503	16,539
Total operating revenue	258,536	194,212
Operating Expenses:		
Administrative salaries	49,890	36,939
Legal	-	2,838
Training	1,991	9,299
Travel	1,736	439
Other expenses	14,492	8,115
Auditing fee	22,282	-
Utilities	53,548	46,309
Maintenance salaries	8,650	10,446
Maintenance materials	11,681	10,928
Contract	25,891	20,556
Insurance	10,153	12,317
Employee benefits	29,623	18,115
Total operating expenses	229,937	176,301
Operating income (loss)	28,599	17,911
Depreciation expense	53,119	52,454
Change in net assets	(24,520)	(34,543)
Total net assets, beginning of year	809,617	854,949
Prior year net audit adjustments not posted	10,789	-
Adjusted net assets beginning of year	820,406	-
Prior year adjustment	(1,784)	-
Total net assets, end of year	\$ 794,102	\$ 820,406

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

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year-Ended June 30,

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from dwelling rentals	\$ 59,578	\$ 62,828
Cash received from federal subsidies	150,680	96,503
Other income	10,503	16,539
Cash payments to suppliers and employees	<u>(239,508)</u>	<u>(87,246)</u>
Net cash provided by (used for) operating activities	<u>(18,747)</u>	<u>88,624</u>
Cash flows from capital financing activities		
Purchase of capital assets	37,775	18,342
Cash payments to supplies	<u>(37,775)</u>	<u>(18,342)</u>
Net cash used for financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(18,747)	88,624
Cash and cash equivalents – beginning of year	<u>107,595</u>	<u>18,971</u>
Cash and cash equivalents – end of year	<u>\$ 88,848</u>	<u>\$ 107,595</u>

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

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year-Ended June 30, 2012

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	\$ 28,599	\$ 17,911
Change in unrestricted assets adjustments to reconcile		
Capital grant prior period adjustments	(37,775)	(18,342)
Prior period adjustment	(1,577)	
Operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in tenants receivable	751	2,957
(Increase) decrease in subsidy receivable	(5,312)	83,719
(Increase) decrease in fire loss receivable	(3,772)	3,375
(Increase) decrease in prepaid expenses	438	-
Increase (decrease) in accounts payable	1,709	1,089
Increase (decrease) PERA payable	(610)	5,500
Increase (decrease) in compensated absences	3,992	(8,340)
Increase (decrease) in payroll taxes payable	(6,915)	7,540
Increase (decrease) in accrued payroll	1,674	(6,666)
Increase (decrease) in tenant security deposits	57	(119)
	<u>57</u>	<u>(119)</u>
Net cash provided (used) by operating activities	<u>\$ (18,741)</u>	<u>\$ 88,624</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Santa Clara Public Housing Authority (SCPHA) was established in 1976. Five commissioners who are selected by the Santa Clara Board of Trustees govern it. For financial reporting purposes only, the SCPHA is a discretely presented component unit of the Village of Santa Clara. The SCPHA was created to provide a conduit for housing funds for disadvantaged citizens.

The financial statements of SCPHA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the SCPHA'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 SCPHA is able to exercise oversight responsibilities. Based upon the application of these criteria, the SCPHA has no component units.

B. Basis of Presentation and Accounting

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

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 SCPHA's cost 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 SCPHA establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service.

The accounting and financial reporting treatment applied to the SCPHA is determined by its measurement focus. The transactions of the SCPHA are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. 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 unrestricted resources available for use; it is the SCPHA's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The SCPHA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the SCPHA's principal ongoing operations. The principal operating revenues are rental income and federal grants. Operating expenses for the fund includes the cost of maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by U.S. Department of Housing and Urban Development (HUD) have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

C. Budgets

The SCPHA adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures for the Capital Fund Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net assets. The SCPHA does not budget for depreciation expense.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the SCPHA's Board of Commissioners for approval.
5. The Board of Commissioner's approves the budget.

This budget is a guideline to operations but is not a legally enforceable document.

D. Cash and Cash Equivalents

The SCPHA's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the SCPHA to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions and the State Treasurer's Investment Pool. New Mexico Statutes require that financial institutions with 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 SCPHA. The pledged securities remain in the name of the financial institution. There were no short-term investments held at June 30, 2012 and 2011, respectively

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and tenants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Changes in the valuation allowance have not been material to the financial statements. All accounts are considered collectible; therefore, an allowance was not provided.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the proprietary fund financial statements.

G. Capital Assets

Capital assets, which include buildings, improvements, and equipment, 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 recorded at estimated fair market value at the date of donation. The SCPHA defines capital assets including computer software as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements of \$5,000 or more are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No computer software is developed in-house.

H. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2012 and 2011, no interest was included as part of the cost of capital assets under construction.

Buildings, improvements, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Assets</u>	<u>Years</u>
Buildings		40
Improvements		12-25
Furniture, equipment and vehicles		5-10

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources, is reflected as a liability of the SCPHA. In accordance with the provisions of Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:

- After the first year anniversary date, an employee will acquire ten days, two weeks of annual leave per year. This schedule is for employees employed by the SCPHA for the first seven years of employment.
- After seven years of employment, an employee will acquire fifteen days, three weeks of annual leave per year.
- After fifteen years of employment, an employee will acquire twenty days, four weeks of annual leave per year.
- One personal day per year will be given, including those employees on a probationary period.

Upon termination, any unused annual vacation leave shall be paid.

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:

The invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets consist 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 net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

K Cash Flows

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

I. 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
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 2 CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts. 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.

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 SCPHA maintains cash in one financial institution. The SCPHA's deposits are carried at cost.

The amounts reported as cash for the SCPHA within the financial statement is displayed as:

	2012	2011
Cash	\$ 86,088	\$ 104,892
Tenant Deposits	2,760	2,703
Total	\$ 88,848	\$ 107,595

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the SCPHA. The Federal Deposit Insurance Corporation (FDIC) insures all deposits.

Wells Fargo Bank
New Mexico, N.A.

	2012	2011
Checking	\$ 88,848	\$ 107,595
Less FDIC checking	(88,848)	(107,595)
Uninsured public funds	\$ -	\$ -

NOTE 3 CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the SCPHA's deposit may not be returned to it. The SCPHA does not have a deposit policy for custodial risk. As of June 30, 2012 and 2011, respectively, all of the SCPHA's deposits were insured; therefore, the SCPHA'S was not exposed to custodial risk.

NOTE 4 RECEIVABLES

Receivables as of June 30, are as follows:

	Low Income Housing	
	2012	2011
Dwelling rent receivable	\$ 1,336	\$ 2,087
Totals-net of allowance for doubtful accounts	\$ 1,336	\$ 2,087

The above receivables are deemed 100% collectible within one year.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 5 CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the years-ended June 30, 2012 and June 30, 2011. Land is not subject to depreciation.

Business-Like Activities	Balance			Balance
	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets being depreciated				
Buildings	\$ 625,592	\$ -	\$ -	\$ 625,592
Improvements	777,715	35,643	-	813,358
Computer Software	6,100	-	-	6,100
Furniture, equipment, vehicles	61,381	-	-	61,381
Total	<u>1,470,788</u>	<u>35,643</u>	<u>-</u>	<u>1,506,431</u>
Accumulated depreciation				
Building	518,477	27,426	-	545,903
Computer Software	718.00	1,220	-	1,938
Improvements	171,763	16,891	-	188,654
Furniture, equipment, vehicles	53,649	7,582	-	61,231
Total	<u>744,607</u>	<u>53,119</u>	<u>-</u>	<u>797,726</u>
Net book value	<u>\$ 726,181</u>	<u>\$ (17,476)</u>	<u>\$ -</u>	<u>\$ 708,705</u>

Depreciation expense relating to business-like activities for the years-ended June 30, 2012 and June 30, 2011 totaled \$53,119 and \$52,454, respectively.

NOTE 6 COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities reported in the statement of net assets:

Balance		Due		
June 30,2011	Additions	Decreases	Balance June 30,2012	Within One Year
<u>\$ 1,110</u>	<u>\$ 5,102</u>	<u>\$ 1,110</u>	<u>\$ 5,102</u>	<u>\$ 2,850</u>

The low-rent fund has been used to liquidate the compensated absence liability.

NOTE 7 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the Combining Statements – overview of certain information concerning individual funds including:

There were no funds reflecting a deficit fund balance as of June 30, 2012 and 2011.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 8 PERA PENSION PLAN

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

Funding Policy. For covered employees, participants were required to contribute 7% of their gross salary to the plan. The SCPHA contributes a required matching contribution of 7% of each participant's gross salary. The SCPHA's contributions to PERA for the years ended June 30, 2012 and 2011 were \$4,890, and \$500 equal to the amount of the required contributions for the years, respectively.

NOTE 9 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 SCPHA has elected not to participate in the post-employment health insurance plan.

NOTE 10 RISK MANAGEMENT

The SCPHA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The SCPHA is a member and is insured through the State of New Mexico self-insurance program. The SCPHA pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers' Compensation, General and Automobile Liability, Automobile Physical Damage and Property and Crime coverage. The SCPHA is not liable for more than the premiums paid. Total premiums paid for the years ending June 30, 2012 and 2011 are \$9,993 and \$9,903, respectively.

NOTE 11 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 SCPHA expects such amounts, if any to be immaterial. Two units were destroyed by fire. The insurance company is in the process of determining the total loss. The amount of the loss was not available as of June 30, 2012.

NOTE 12 FEDERAL GRANTS

In the normal course of operations, the SCPHA receives grant funds from U.S. Department of Housing and Urban Development (HUD). Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material. During the years ending June 30, 2012 and 2011, HUD awarded \$150,680 and \$96,503 as operating subsidies.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2012

NOTE 13 SUBSEQUENT EVENTS

The SCPHA has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal agencies constitute future commitments.

NOTE 14 INTERGOVERNMENTAL TRANSACTIONS

During the years ended June 30, 2012 and 2011, the SCPHA paid approximately \$17,032 and \$18,132, respectively, for water expenses to the Village of Santa Clara.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Proprietary Fund
Low Rent Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variances With Final Budget over (under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Tenant rental income	\$ 58,500	\$ 58,500	\$ 59,578	\$ 1,078
Federal grant revenue	-	-	37,775	37,775
Federal subsidies	122,970	122,970	150,680	27,710
Other non rental income	1,712	1,712	10,503	8,791
Total revenues	<u>183,182</u>	<u>183,182</u>	258,536	<u>75,354</u>
Add: Beginning cash	104,892	104,892		
	<u>\$ 288,074</u>	<u>\$ 288,074</u>		
Expenses:				
Administrative salaries	49,100	49,100	49,890	(790)
Legal	2,000	2,000	-	2,000
Staff training	-	-	1,991	(1,991)
Travel	1,010	1,010	1,736	(726)
Accounting fees	6,200	6,200	6,089	111
Auditing fees	22,290	22,290	22,282	8
Other admin expenses	7,390	7,390	8,405	(1,015)
Water	18,050	18,050	17,032	1,018
Electricity	19,860	19,860	22,287	(2,427)
Gas	8,515	8,515	9,395	(880)
Sewer	3,575	3,575	4,832	(1,257)
Maintenance salaries	9,000	9,000	8,650	350
Materials	11,378	11,378	11,681	(303)
Contract costs	25,937	25,937	25,891	46
Insurance	9,010	9,010	10,153	(1,143)
Employee benefit contributions	28,735	28,735	29,623	(888)
Total expenses	<u>222,050</u>	<u>222,050</u>	<u>229,937</u>	<u>(7,887)</u>
Excess (deficiency) of revenues over expenditures			28,599	
Differences between GAAP and Non-GAAP				
Depreciation		<u>(53,119)</u>	<u>(53,119)</u>	
Net changes in fund balance			(24,520)	
Total net assets - beginning of year			820,406	
Prior period adjustment			<u>(1,784)</u>	
Total net assets – end of year			<u>\$ 794,102</u>	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Schedule of Depositories
June 30, 2012

	Type	Amount Per Bank	Plus DIT	Less O/S Cks	Balance Per Books
Wells Fargo					
Operating	CK	\$ 88,186	\$ 971	\$ 309	\$ 88,848

Type:
CK=checking

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30, 2012

Line Item No.	Account Description	2012	2011
111	Cash-Unrestricted	\$ 86,088	\$ 104,892
112	Cash-Restricted-Modernization		
114	Cash-Tenant Security Deposits	2,760	2,703
100	Total Cash	88,848	107,595
122	Accts Receivable – HUD Other	5,312	
125	Accts Receivable – Miscellaneous	3,772	
126	Accts Receivable – Tenants – Rents	1,336	2,087
126.1	Allowance for Doubtful Accts-Rents		
126.2	Allowance for Doubtful Accts -Other		
120	Total Receivables, net of allowances		2,087
	Prepaid Insurance	8,177	8,615
144	Interprogram Due From		
150	Total Current Assets	107,445	118,297
161	Land		
162	Buildings	625,592	625,592
164	Furniture, Equipment & Machinery	61,381	61,381
165	Leasehold Improvements	819,458	783,815
166	Accumulated Depreciation	797,726	746,538
160	Total Fixed Assets, Net of Acc. Dep.	708,705	724,250
180	Total Non-Current Assets	708,705	724,250
190	Total Assets	816,150	842,547
312	Accounts Payable <= 90 Days	6,997	5,288
321	Accrued Wage/Payroll Taxes Payable	5,515	7,540
322	Accrued Compensated Absences-Cur.	2,850	1,110
333	Accounts Payable-Other Govt.	1,674	5,500
341	Tenant Security Deposits	2,760	2,703
347	Interprogram Due To		
310	Total Current Liabilities	19,796	22,141
350	Total Non-Current Liabilities	2,252	
300	Total Liabilities	22,048	22,141
508	Total Contributed Capital		
508.1	Invested in Capital Assets, Net of Related Debt	708,705	724,250
511	Total Reserved Fund Balance		
511.1	Restricted Net Assets		
512.1	Unrestricted Net Assets	85,397	96,156
513	Total Equity/Net Assets	794,102	820,406
600	Total Liabilities and Equity/Net Assets	\$ 816,150	\$ 842,547

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30,

Line Item No.	Account Description	2012	2011
703	Net Tenant Rental Revenue	\$ 59,578	\$ 62,828
705	Total Tenant Revenue	59,578	62,828
706	HUD PHA Operating Grants		
706.1	Capital Grants	150,688	96,503
	Federal subsidies	96,503	18,342
711	Investment Income-Unrestricted		
713	Proceeds from Disposition of Assets Held for Sale		
713.1	Cost of Sale of Assets		
715	Other Revenue	10,503	16,569
720	Investment Income-Restricted		
700	Total Revenue	258,536	194,242
911	Administrative Salaries	49,890	36,939
912	Auditing Fees	22,282	
914	Compensated Absences		
915	Employee Benefit Contributions-Adm	29,623	18,115
916	Other Operating –Administrative	18,221	25,841
931	Water	17,032	13,002
932	Electricity	22,287	19,436
933	Gas	9,395	
938	Other Utilities Expense	4,832	8,721
941	Ordinary Maintenance and Ops-Labor	8,650	10,446
942	Ordinary Maintenance and Ops-Mat.	11,681	10,928
943	Ordinary Maintenance and Ops-Cont.	25,891	20,556
961	Insurance Premiums	10,153	12,317
964	Bad Debt-Tenant Rents		
969	Total Operating Expenses	229,937	176,301
970	Excess Operating Revenue over Operating Expenses	28,599	17,911
974	Depreciation Expense	53,119	52,454
1001	Operating Transfers In		
1002	Operating Transfers Out		
1010	Total Other Financing Sources (Uses)		
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(24,520)	(34,543)
1102	Debt Principal Payments – Enterprise		
1103	Beginning Equity	\$ 818,622	\$ 854,949
1120	Unit Months Available	384	384
1121	Number of Unit Months Leased	382	382

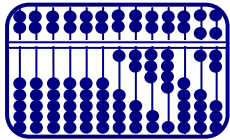
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
June 30, 2012

Federal Grantor/Pass Through Grantor Program	Federal CFDA Number	Grant Number	Award Amount	Current Federal Expenditure	Remaining Balance
US Department of Housing and Urban Development	14.850	NM02PO29501-09	\$ 50,507	\$ 32,532	\$ 17,975
US Department of Housing and Urban Development	14.850	NM02PO9901-10	\$ 2,000	\$ 2,000	\$ -
US Department of Housing and Urban Development	14.850	NM02PO9901-11	\$ 2,000	\$ 2,000	\$ -
US Department of Housing and Urban Development	14.850	NM02PO29901-09	<u>\$ 1,228</u>	<u>\$ 1,228</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 55,735</u>	<u>\$ 37,760</u>	<u>\$ 17,975</u>

The accompanying notes are an integral part of these financial statements

COMPLIANCE SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., P.L.L.C.

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 (Material Weaknesses and
Significant Deficiencies and Reportable Instances of Noncompliance and
Other matters Identified)*

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
Santa Clara Public Housing Authority
Santa Clara, New Mexico

We have audited the financial statements, business activities and the related budgetary comparison of Santa Clara Public Housing Authority (SCPHA) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 30, 2012. 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

Management of Santa Clara Public Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Santa Clara Public Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Clara Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Santa Clara Public Housing 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses *and other deficiencies that we consider to be significant deficiencies*.

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

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and responses* to be material weaknesses. (06-12)

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Santa Clara Public Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and responses*.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the New Mexico Legislature, the New Mexico Department of Finance and Administration, and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Marcus, Fairall, Bristol + Co. P.L.L.C." The signature is written in a cursive, slightly slanted style.

Marcus, Fairall, Bristol, + Co., P.L.L.C.

November 30, 2012

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Schedule of Findings and Responses
June 30, 2012

Prior Year Reportable Findings and Questioned Costs – Financial Statement Findings:

06-6 Audit report submission to the New Mexico State Auditor - Resolved

Current Year Reportable Findings and Questioned Costs – Financial Statement Findings:

Finding 06-12 Recording audit adjusting entries – Significant deficiencies

Condition

The fee accountant did not record the audit adjusting entries for the year ending June 30, 2011.

Cause

The fee accountant made the decision that it was not necessary to post those entries.

Effect

The beginning balances were misstated in the amount of the audit adjusting entries.

Recommendation

The SCPHA must implement procedures that will ensure that the audit adjusting entries are posted to the records on a timely basis to ensure that the beginning entries are accurately stated in the records.

Response

The SCHA will adhere to the Auditors recommendation.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
Exit Conference
June 30, 2012

EXIT CONFERENCE

As exit conference was held on November 30, 2012, with Jack Fairall, CPA of Marcus, Fairall, Bristol + Co., PLLC with the following SCPHA officials:

Sonya Dixon-Board Member

Gloria Duran-Executive Director

COMPILATION OF FINANCIAL STATEMENTS

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol + Co., PLLC. However, the contents remain the responsibility of Santa Clara Public Housing Authority. The individuals responsible for the accounting and reporting function possess the skills and knowledge to apply generally accepted accounting principles in recording the agency's financial transactions or preparing its financial statements is Sherry Karlin with Quality Accounts, LLC.

STATE OF NEW MEXICO
SANTA CLARA PUBLIC HOUSING AUTHORITY
PASSED JOURNAL ENTRIES
June 30, 2012

There were passed journal entries as of June 30, 2012 and 2011.