

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

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2010**

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

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**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY**  
Directory of Officials  
June 30, 2010

***Board of Commissioners***

Y. Irene Gonzales ..... Chairperson  
Carlota Ulibarri ..... Vice-Chairperson  
Carrell R. Blakely ..... Commissioner  
Rick Hood ..... Commissioner  
Amber Painter ..... Commissioner

***Administrative Staff***

Angela Lucero ..... Executive Director

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and each major fund, 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 previously present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of the Authority as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison statements present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, 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 financial statements that collectively comprise the Authority's basic financial statements, and the budgetary comparison statements. The accompanying schedule of cash accounts and financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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, are fairly stated in all material respects in relation to the basic financial statements, and other units listed above, taken as a whole.

*Fierro + Fierro, P.A.*

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

November 19, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

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, 2010. 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 fiscal year end June 30, 2010, the Clayton Housing Authority was in good financial condition with good cash reserves. Several units were rehabilitated along with many updates to all 50 units. Rental income has increased along with other income sources. Income from rent and other sources are now being collected in a timely manner. Vacancies did drop for a short period of time during the rehab of units but are now increasing. At the end of the year, expenses were beginning to decrease as most of the rehabilitations were completed.

The Authority will continue to increase the bottom line and continue to keep the units in a safe and attractive condition.

**Overview of the Financial Statements**

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

**Basic Financial Statements**

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

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

**Statement of Net Assets**

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



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**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:

	June 30, 2010	June 30, 2009
Assets:		
Current and other assets	\$ 126,810	\$ 130,740
Capital assets, net of accumulated depreciation	<u>1,294,414</u>	<u>1,182,964</u>
Total assets	<u>1,421,224</u>	<u>1,313,704</u>
Liabilities:		
Current liabilities	<u>21,840</u>	<u>12,761</u>
Net Assets:		
Invested in capital assets	1,294,414	1,182,964
Unrestricted	<u>104,970</u>	<u>117,979</u>
Total net assets	<u>\$ 1,399,384</u>	<u>\$ 1,300,943</u>

The remaining balance of unrestricted net assets of \$104,970 may be used to meet the Authority's ongoing obligations.

**STATE OF NEW MEXICO  
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PUBLIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

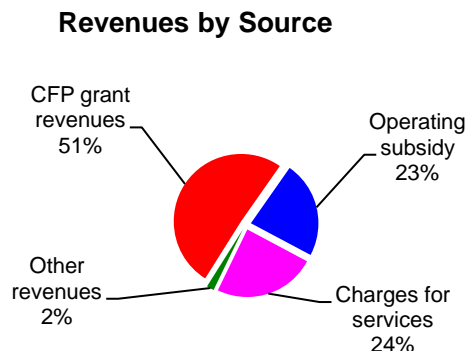
**Financial Statement Analysis (continued)**

The Authority's activities during the year increased the Authority's net assets by \$98,411. Total revenues increased by \$142,479, while expenses increased by \$19,191 when compared to the previous year.

<b>Clayton Housing Authority's Changes in Net Assets</b>	June 30, 2010	June 30, 2009
Revenues:		
Operating Revenues:		
Charges for services	\$ 112,078	\$ 105,980
Non-Operating Revenues:		
HUD operating subsidy	105,871	114,490
Interest income	750	1,409
Miscellaneous	750	1,409
Capital Contributions:		
CFP grant revenues	233,276	85,037
Total revenues	452,725	308,325
Expenses:		
Operating Expenses:		
Personnel services	82,895	67,307
Employee benefits	22,190	20,005
Professional services	20,274	20,645
Utilities	34,820	37,507
General operating	93,241	92,032
Depreciation	107,441	104,204
Total expenses	360,861	341,700
Change in net assets	\$ 91,864	\$ (33,375)

**Revenues**

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2010:



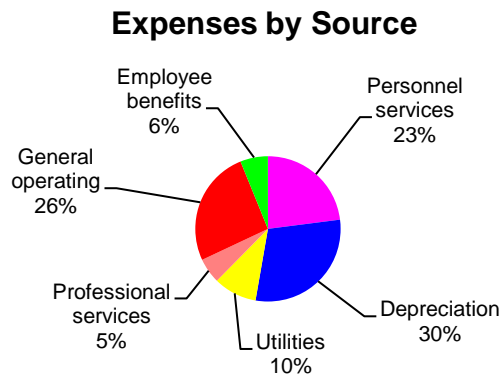
**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Revenues (continued)**

As in previous years, grant revenues account for 51% of the total revenues for the Authority, while tenant income accounts for 24% 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, 2010:



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 present 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 \$225,220. The actual revenues for the fiscal year were \$226,026, an increase of \$806. The majority of the increase was due to an increase in tenant rental income. The Authority had budgeted those revenues at \$111,120; actual tenant rental income was \$112,078. The increase amounted to \$958. During the year, the Authority budgeted operating (low rent) expenses at \$252,285. Actual operating expenses were \$253,420. The Authority expended \$1,135 more than what was budgeted.

For the year ended June 30, 2010, the Authority anticipated expenses would exceed operating revenues and non-operating revenues (expenses) by \$22,680. Actual operating expenses of \$249,035 exceeded operating revenues of \$226,026; producing a net loss of \$23,009. During the fiscal year the Authority increased anticipated operating revenues by \$1,970, when it amended its original budget. The Authority increased anticipated operating expenses by \$15,980 from \$236,305 to \$252,285.

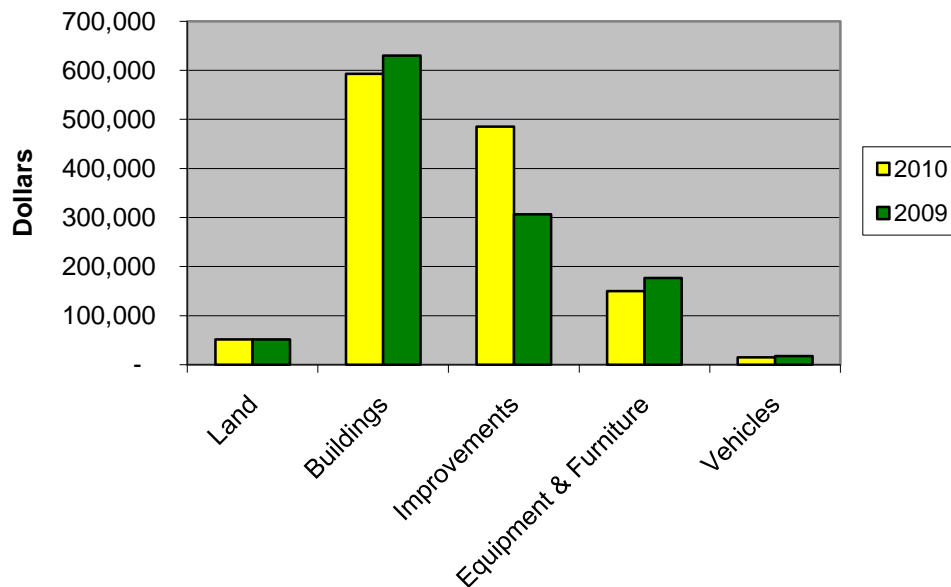
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**Capital Assets**

The Authority's investment in net assets as of June 30, 2010 amounted to \$1,294,414 (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:

<b>Clayton Housing Authority's Capital Assets (Net of Accumulated Depreciation)</b>	June 30, 2010	June 30, 2009
Land	\$ 51,294	\$ 51,294
Buildings	592,775	630,187
Building improvements	484,968	306,727
Equipment and furniture	150,246	177,076
Vehicles	15,131	17,680
	<u>\$ 1,294,414</u>	<u>\$ 1,182,964</u>

**Capital Assets (net of accumulated depreciation)**



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

**Long-Term Debt**

As of June 30, 2010, the Authority did not have any long-term debt.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Currently Known Facts, Decisions or Conditions**

Capital Fund Program (CFP) funds were used to update units with windows, doors and carpets in the elderly units, along with a much needed remodel and update of the main office building and community room. New equipment has also been purchased to help make repairs and maintenance easier. Several projects are planned for the upcoming fiscal year. The appearances of the properties are very attractive.

Keeping the units updated with safety in mind will continue to be a priority. Many polices have been updated and more updates will follow to ensure that all HUD regulations are being enforced.

With an Executive Director, staff and Board of Directors less than 18 months old many good changes have occurred. The goal of everyone will be to keep the Authority in a good financial position and meet the needs of low income families in the community.

**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, 2010**

	Low Rent Fund	Capital Fund Program Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 92,872	\$ 5,001	\$ 97,873
Receivables (net of allowance):			
Tenants	546	-	546
Interest	169	-	169
Inventory	17,284	-	17,284
Prepaid expenses	4,632	-	4,632
Restricted Assets:			
Cash	6,306	-	6,306
Capital Assets:			
Land	51,294	-	51,294
Improvements	634,807	218,891	853,698
Buildings	1,805,791	-	1,805,791
Equipment and furniture	505,272	-	505,272
Vehicles	32,324	-	32,324
Less accumulated depreciation	(1,953,062)	(903)	(1,953,965)
Total capital assets, net	1,076,426	217,988	1,294,414
Total assets	1,198,235	222,989	1,421,224
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	11,680	-	11,680
Accrued salaries	1,315	-	1,315
Compensated absences	1,009	-	1,009
Deferred revenues	1,530	-	1,530
Total current liabilities	15,534	-	15,534
Current Liabilities Payable From Restricted Assets:			
Tenant deposits	6,306	-	6,306
Total liabilities	21,840	-	21,840
<b>NET ASSETS</b>			
Invested in capital assets	1,076,426	217,988	1,294,414
Unrestricted	99,969	5,001	104,970
Total net assets	\$ 1,176,395	\$ 222,989	\$ 1,399,384

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, 2010

	Low Rent Fund	Capital Fund Program Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues:			
Charges for services	\$ 112,078	\$ -	\$ 112,078
Operating Expenses:			
Personnel services	82,895	-	82,895
Employee benefits	22,190	-	22,190
Professional services	20,274	-	20,274
Utilities	34,820	-	34,820
General operating	93,241	-	93,241
Depreciation	106,538	903	107,441
	<u>359,958</u>	<u>903</u>	<u>360,861</u>
Total operating expenses			
	(247,880)	(903)	(248,783)
Operating (loss)			
Non-Operating Revenues (Expenses):			
HUD operating subsidy	105,871	-	105,871
Interest income	750	-	750
Miscellaneous income	7,327	-	7,327
	<u>113,948</u>	<u>-</u>	<u>113,948</u>
Total non-operating revenues (expenses)			
	(133,932)	(903)	(134,835)
(Loss) before capital contributions and transfers			
Capital Contributions and Transfers:			
Capital contributions	-	233,276	233,276
Transfers in	140,236	-	140,236
Transfers (out)	-	(140,236)	(140,236)
	<u>140,236</u>	<u>93,040</u>	<u>233,276</u>
Total capital contributions and transfers			
Change in net assets	6,304	92,137	98,441
Net assets, beginning of year	<u>1,170,091</u>	<u>130,852</u>	<u>1,300,943</u>
Net assets, end of year	<u>\$ 1,176,395</u>	<u>\$ 222,989</u>	<u>\$ 1,399,384</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, 2010**

	Low Rent Fund	Capital Fund Program Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from tenants	\$ 115,294	\$ -	\$ 115,294
Cash payments to suppliers for goods and services	(147,503)	-	(147,503)
Cash payments to employees for services	(105,980)	-	(105,980)
Net cash (used) for operating activities	(138,189)	-	(138,189)
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>			
Cash received from intergovernmental sources	105,871	-	105,871
Miscellaneous income	7,327	-	7,327
Net change in customer deposits	2,231	-	2,231
Net transfers in/(out)	12,384	(12,384)	-
Net cash provided (used) by non-capital and related financing activities	127,813	(12,384)	115,429
<b>Cash Flows from Capital and Financing Activities:</b>			
Cash received from intergovernmental sources	-	236,276	236,276
Acquisition and construction of capital assets	-	(218,891)	(218,891)
Net cash provided by capital and related financing activities	-	17,385	17,385
<b>Cash Flows from Investing Activities:</b>			
Interest income	727	-	727
Net increase (decrease) in cash	(9,649)	5,001	(4,648)
Cash and cash equivalents, beginning of year	108,827	-	108,827
Cash and cash equivalents, end of year	<u>\$ 99,178</u>	<u>\$ 5,001</u>	<u>\$ 104,179</u>
<b>Displayed as:</b>			
Cash	\$ 92,872	\$ 5,001	\$ 97,873
Restricted cash	6,306	-	6,306
	<u>\$ 99,178</u>	<u>\$ 5,001</u>	<u>\$ 104,179</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating (loss)	\$ (247,880)	\$ (903)	\$ (248,783)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	106,538	903	107,441
<b>Change in Assets and Liabilities:</b>			
Decrease in tenants' receivable	1,686	-	1,686
(Increase) in prepaid expenses	(427)	-	(427)
(Increase) in inventories	(4,954)	-	(4,954)
Increase in accounts payable	4,423	-	4,423
Increase in accrued salaries	532	-	532
Increase in compensated absences	363	-	363
Increase in deferred revenues	1,530	-	1,530
Total adjustments	109,691	903	110,594
Net cash (used) for operating activities	<u>\$ (138,189)</u>	<u>\$ -</u>	<u>\$ (138,189)</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units.

B. Basis of Presentation and Accounting

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

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation and Accounting (continued)**

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.

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

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

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

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

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

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.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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, 2010, are recorded as prepaid items.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. Compensated Absences

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

Exempt Employees (Full-Time) Years of Service	Total Per Year
0-5	120 hours or 15 days
5+	160 hours or 20 days

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

I. Compensated Absences (continued)

Full-Time Regular Employees Years of Service	Total Per Year
0 - 3	80 hours or 10 days
3 - 9	120 hours or 15 days
9+	144 hours or 18 days

Exempt and regular employees cannot carry forward any annual leave hours into the next calendar year. Upon termination, any unused annual leave shall be paid.

J. 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. 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.

K. Net Assets

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

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

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

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

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

L. 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.

M. 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.

**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, 2010, 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:

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. CASH (continued)**

*Cash Deposited with Financial Institutions (continued)*

	<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand		\$ -	\$ 475	\$ 475
Farmer's & Stockmen's Bank	Checking	41,182	645	41,827
Farmer's & Stockmen's Bank	Certificate of deposit	19,411	-	19,411
First Nat'l Bank of NM	Certificate of deposit	42,466	-	42,466
		<u>\$ 103,059</u>	<u>\$ 1,120</u>	<u>\$ 104,179</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.

	<u>Farmer's &amp; Stockmen's Bank</u>	<u>First National Bank of NM</u>
Checking accounts	\$ 41,182	\$ -
Certificates of deposit	19,411	42,466
Total cash	60,593	42,466
Less FDIC	<u>(60,593)</u>	<u>(42,466)</u>
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, 2010, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2010, consisted of the following:

Charges for services	\$ 969
Less allowance for doubtful accounts	<u>(423)</u>
	<u>\$ 546</u>



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**4. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2010:

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
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	634,807	218,891	-	853,698
Equipment and furniture	505,272	-	-	505,272
Vehicles	32,324	-	-	32,324
	<u>2,978,194</u>	<u>218,891</u>	<u>-</u>	<u>3,197,085</u>
Total other capital assets, being depreciated				
Less accumulated depreciation				
Buildings	(1,175,604)	(37,412)	-	(1,213,016)
Building improvements	(328,080)	(40,650)	-	(368,730)
Equipment and furniture	(328,196)	(26,830)	-	(355,026)
Vehicles	(14,644)	(2,549)	-	(17,193)
	<u>(1,846,524)</u>	<u>(107,441)</u>	<u>-</u>	<u>(1,953,965)</u>
Total accumulated depreciation				
Other capital assets, net	<u>1,131,670</u>	<u>111,450</u>	<u>-</u>	<u>1,243,120</u>
Total capital assets, net	<u>\$ 1,182,964</u>	<u>\$ 111,450</u>	<u>\$ -</u>	<u>\$ 1,294,414</u>

**5. ACCRUED COMPENSATED ABSENCES**

Changes in accrued compensated absences during the year ended June 30, 2010, were as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Accrued compensated absences	<u>\$ 646</u>	<u>\$ 3,015</u>	<u>\$ (2,652)</u>	<u>\$ 1,009</u>	<u>\$ 1,009</u>

**6. 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.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**6. RETIREMENT PLAN (continued)**

*Plan Description (continued)*

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](http://www.pera.state.nm.us).

*Funding Policy*

Plan members are required to contribute 7% (ranges from 3.83% 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, 2010, 2009 and 2008 were \$7,538, \$6,677, and \$6,443, respectively, which equal the amount of the required contributions for each fiscal year.

**7. 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.

**8. 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.

**9. 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.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**10. 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:

	<u>Financial Statements</u>		<u>Financial Data Schedule</u>
Assets	\$ 1,421,224	\$ -	\$ 1,421,224
Liabilities	\$ 21,840	\$ -	\$ 21,840
Net assets	<u>1,399,384</u>	<u>-</u>	<u>1,399,384</u>
Total liabilities and net assets	<u>\$ 1,421,224</u>	<u>\$ -</u>	<u>\$ 1,421,224</u>
Revenues	\$ 459,302	\$ -	\$ 459,302
Expenses	<u>360,861</u>	<u>-</u>	<u>360,861</u>
Excess (deficiency) of revenues over expenses	<u>\$ 98,441</u>	<u>\$ -</u>	<u>\$ 98,441</u>

**INDIVIDUAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>				
Intergovernmental revenues	\$ 110,000	\$ 105,720	\$ 105,871	\$ 151
Tenant rental income	108,690	111,120	112,078	958
Interest income	760	760	750	(10)
Other receipts	3,800	7,620	7,327	(293)
<b>Total operating revenues</b>	<b>223,250</b>	<b>225,220</b>	<b>226,026</b>	<b>806</b>
<b>Operating Expenses:</b>				
Administrative salaries	62,100	58,000	57,043	957
Training	700	1,800	1,853	(53)
Travel	2,000	2,400	2,311	89
Accounting fees	5,800	5,800	5,057	743
Auditing fees	14,860	14,860	14,902	(42)
Legal	-	400	315	85
Other administrative expenses	12,900	9,100	7,742	1,358
Collection losses	1,200	2,000	1,746	254
Water and solid waste	13,000	14,540	16,836	(2,296)
Electricity	7,560	4,800	4,461	339
Gas	7,800	3,300	2,779	521
Other utilities	8,400	9,800	10,744	(944)
Maintenance labor	21,200	24,600	25,852	(1,252)
Maintenance materials	7,200	15,000	10,785	4,215
Maintenance - janitorial supplies	1,200	1,400	1,224	176
Maintenance - small tools	1,200	300	185	115
Maintenance - vehicle expenses	2,400	3,000	2,706	294
Maintenance - contracts	24,000	38,000	41,555	(3,555)
Insurance	15,900	15,900	18,749	(2,849)
Employee benefits administrative	20,500	17,500	16,893	607
Employee benefits maintenance	2,000	5,400	5,297	103
<b>Total operating expenses</b>	<b>231,920</b>	<b>247,900</b>	<b>249,035</b>	<b>(1,135)</b>
<b>Net (loss)</b>	<b>\$ (8,670)</b>	<b>\$ (22,680)</b>	<b>\$ (23,009)</b>	<b>\$ (329)</b>
Beginning of year cash available to absorb deficit budget	<u>\$ 8,670</u>	<u>\$ 22,680</u>		

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
LOW RENT FUND**

**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

Sources/Inflows of Resources:

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

Low Rent Fund budgetary statement	\$ 226,026
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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.	(105,871)
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The Authority budgets for interest income as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes.	(750)
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The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenues are reported as non-operating revenues for financial reporting purposes.	<u>(7,327)</u>
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Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 112,078</u></u>
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Uses/Outflows of Resources:

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

Low Rent Fund budgetary statement	\$ 249,035
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Differences - Budget to GAAP:

The Authority budgets for non-capital expenditures for each capital fund program award. Rather than reflecting those expenditures in the GAAP income statement for the capital fund program funds, they are reflected as a transfer to the low rent fund at which point they are reflected as expenses.	4,385
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Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>106,538</u>
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Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 359,958</u></u>
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Transfers:

Actual amounts (budgetary basis) "transfers" from  
the budgetary comparison schedules:

Low Rent Fund budgetary statement	\$ -
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Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program fund once grants have been closed to the low rent fund.	<u>140,236</u>
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Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 140,236</u></u>
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**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P055501-07  
REVENUES AND EXPENSES BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
SCHEDULE OF CAPITAL FUND PROGRAM GRANT PROJECT NUMBER NM02P055501-08  
REVENUES AND EXPENSES BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/10	Total Project	Variance With Final Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 78,709	\$ 78,709	\$ 10,000	\$ 37,167	\$ 47,167	\$ 31,542
Expenses:						
Operations	10,000	10,000	10,000	-	10,000	-
Dwelling structures	68,709	68,709	-	37,167	37,167	31,542
Total expenses	<u>78,709</u>	<u>78,709</u>	<u>10,000</u>	<u>37,167</u>	<u>47,167</u>	<u>31,542</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 NM02P055501-09  
REVENUES AND EXPENSES BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Incurred Fiscal Year 06/30/10</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
CFP grant revenues	\$ 78,598	\$ 78,598	\$ 32,385	\$ (46,213)
Expenses:				
Operations	10,000	10,000	10,000	-
Site improvements	-	5,000	-	5,000
Dwelling structures	45,598	35,598	-	35,598
Non-dwelling structures	18,000	18,000	18,000	-
Non-dwelling equipment	5,000	10,000	4,385	5,615
Total expenses	<u>78,598</u>	<u>78,598</u>	<u>32,385</u>	<u>46,213</u>
Net income	<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 NM02S055501-09  
 REVENUES AND EXPENSES BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Incurred Fiscal Year 06/30/10	Variance With Final Budget Over (Under)
Revenues:				
CFP grant revenues	\$ 99,630	\$ 99,630	\$ 99,630	\$ -
Expenses:				
Fees and costs	-	9,963	9,963	-
Dwelling structures	99,630	89,667	89,667	-
Total expenses	99,630	99,630	99,630	-
Net income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
**CAPITAL FUND PROGRAM FUND**  
**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Sources/Inflows of Resources:

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

Schedule of CFP NM02P055501-07 Revenues and Expenses	\$ 64,094
Schedule of CFP NM02P055501-08 Revenues and Expenses	37,167
Schedule of CFP NM02P055501-09 Revenues and Expenses	32,385
Schedule of CFP NM02S055501-09 Revenues and Expenses	<u>99,630</u>
Total budgetary basis revenues	233,276

Differences - Budget to GAAP:

None.

Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ 233,276</u>
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Uses/Outflows of Resources:

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

Schedule of CFP NM02P055501-07 Revenues and Expenses	\$ 64,094
Schedule of CFP NM02P055501-08 Revenues and Expenses	37,167
Schedule of CFP NM02P055501-09 Revenues and Expenses	32,385
Schedule of CFP NM02S055501-09 Revenues and Expenses	<u>99,630</u>
Total budgetary basis expenses	233,276

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. (218,891)

The Authority budgets for non-capital expenditures for each capital fund program award. Rather than reflecting those expenditures in the GAAP income statements for the capital fund program fund, they are reflected as a transfer to the low rent fund at which point they are reflected as expenses. (14,385)

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 903

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ 903</u>
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Transfers:

Actual amounts (budgetary basis) "transfers" from the budgetary comparison schedules:  
Capital Fund Program Funds \$ -

Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program fund once grants have been closed to the low rent fund. (140,236)

Total transfers as reported on the statement of revenues, expenses, and changes in fund net assets	<u>\$ (140,236)</u>
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**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2010**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, NM 88415-0488				
Clayton Housing Authority	Checking	\$ 30,075	\$ 445	\$ 30,520
Clayton Housing Authority	Checking	6,106	200	6,306
Clayton Housing Authority	Checking	5,001	-	5,001
Clayton Housing Authority	CD	19,411	-	19,411
		<u>\$ 60,593</u>	<u>\$ 645</u>	<u>\$ 61,238</u>
First National Bank of NM 201 Main Street Clayton, NM 88415				
Clayton Housing Authority	CD	<u>\$ 42,466</u>	<u>\$ -</u>	<u>\$ 42,466</u>

**SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 35,996
114	Cash - tenant security deposits	<u>6,306</u>
100	Total cash	42,302
126	Accounts receivable - tenants	969
126.1	Allowance for doubtful accounts - dwelling rent	(423)
129	Accrued interest receivable	<u>169</u>
120	Total receivables, net of allowance for doubtful accounts	715
131	Investments - unrestricted	61,877
142	Prepaid expenses and other assets	4,632
143	Inventories	19,204
143.1	Allowance for obsolete inventories	<u>(1,920)</u>
150	Total current assets	126,810
161	Land	51,294
162	Buildings	1,805,791
163	Furniture, equipment and machinery - dwellings	388,854
164	Furniture, equipment and machinery - administration	148,742
165	Leasehold improvements	853,698
166	Accumulated depreciation	<u>(1,953,965)</u>
160	Total capital assets, net of a/d	<u>1,294,414</u>
190	Total assets	<u>\$ 1,421,224</u>
312	Accounts payable <= 90 days	\$ 11,680
321	Accrued wage/payroll taxes payable	1,315
322	Accrued compensated absences - current portion	1,009
341	Tenant security deposits	6,306
342	Deferred revenues	<u>1,530</u>
310	Total current liabilities	<u>21,840</u>
300	Total liabilities	<u>21,840</u>
508.1	Invested in capital assets net of related debt	1,294,414
512.1	Unrestricted net assets	<u>104,970</u>
513	Total equity	<u>1,399,384</u>
600	Total liabilities and equity	<u>\$ 1,421,224</u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 112,078	\$ -	\$ 112,078
70400	Tenant revenue - other	5,989	-	5,989
70500	Total tenant revenue	118,067	-	118,067
70600	HUD PHA operating grants	105,871	-	105,871
70610	Capital grants	-	233,276	233,276
71100	Investment income - unrestricted	750	-	750
71500	Other revenue	1,338	-	1,338
70000	Total revenues	226,026	233,276	459,302
91100	Administrative salaries	57,043	-	57,043
91200	Auditing fees	14,902	-	14,902
91310	Bookkeeping fees	5,057	-	5,057
91500	Employee benefit contributions - administrative	16,893	-	16,893
91600	Office expenses	7,742	-	7,742
91800	Travel	2,311	-	2,311
91900	Other	2,168	-	2,168
91000	Total operating - administrative	106,116	-	106,116
93100	Water	16,836	-	16,836
93200	Electricity	4,461	-	4,461
93300	Gas	2,779	-	2,779
93600	Sewer	10,744	-	10,744
93000	Total utilities	34,820	-	34,820
94100	Ordinary maintenance and operations - labor	25,852	-	25,852
94200	Ordinary maintenance and operations - materials and other	14,900	-	14,900
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	12,039	-	12,039
94300-030	Ordinary maintenance and operations contracts - snow removal contracts	85	-	85
94300-060	Ordinary maintenance and operations contracts - until turnaround contracts	3,411	-	3,411
94300-070	Ordinary maintenance and operations contracts - electrical contracts	1,973	-	1,973
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	2,859	-	2,859
94300-090	Ordinary maintenance and operations contracts - extermination contracts	2,117	-	2,117
94300-100	Ordinary maintenance and operations contracts - janitorial contracts	9,494	-	9,494
94300-110	Ordinary maintenance and operations contracts - routine maintenance contracts	7,827	-	7,827

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	1,750	-	1,750
94300	Ordinary maintenance and operations contracts	41,555	-	41,555
94500	Employee benefit contribution - ordinary maintenance	5,297	-	5,297
94000	Total maintenance	87,604	-	87,604
96110	Property insurance	10,140	-	10,140
96120	Liability insurance	6,141	-	6,141
96130	Workmen's compensation	2,298	-	2,298
96140	All other insurance	170	-	170
96100	Total insurance premiums	18,749	-	18,749
96400	Bad debt - tenant rents	1,746	-	1,746
96000	Total other general expenses	1,746	-	1,746
96900	Total operating expenses	249,035	-	249,035
97000	Excess (deficiency) of revenues over operating expenses	(23,009)	233,276	210,267
97100	Extraordinary maintenance	4,385	-	4,385
97400	Depreciation expense	106,538	903	107,441
90000	Total expenses	359,958	903	360,861
10010	Operating transfer in	14,385	-	14,385
10020	Operating transfer out	-	(14,385)	(14,385)
10100	Total other financing sources (uses)	14,385	(14,385)	-
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (119,547)</u>	<u>\$ 217,988</u>	<u>\$ 98,441</u>
11030	Beginning equity	\$ 1,170,091	\$ 130,852	\$ 1,300,943
11040-070	Equity transfers	125,851	(125,851)	-
11190	Unit months available	600	-	-
11210	Unit months leased	544	-	-



**ADDITIONAL INDEPENDENT AUDITORS' 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 each major fund of the Public Housing Authority (Authority) of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We have also audited the enterprise funds budgetary comparisons as of and for the year ended June 30, 2010, and have issued our opinion thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as item 2007-03. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2010-01, 2010-02, and 2010-03.

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

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

*Fierro + Fierro, P.A.*

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

November 19, 2010

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

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:

- One occasion where, the applicant did not fill out Form 9886, *Authorization for the Release of Information/Privacy Act Notice*.
- Seven occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Two occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Two occasions where a representative of the Authority failed to sign the annual home inspection form.

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

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

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

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

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

**Cause** – The Authority failed to review all tenant files for completeness and accuracy upon the tenant’s initial entrance into the Authority or the annual review of each of the tenant’s files. The Authority failed to ensure that all necessary forms which needed to be signed by a representative of the Authority, were reviewed, completed, and signed.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

*Item 2007-03 – Tenant Eligibility (continued)*

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

**Views of Responsible Officials and Planned Corrective Actions** – It appears due to the high turnover of tenants, rehabilitations, policy changes, and new employees, some details were overlooked. This finding has improved each year and will continue to improve with more staff training.

*Item 2010-01 – FY 2008 – 2009 Audit Report Discussion*

**Statement of Condition** – The draft audit report for the year ended June 30, 2009 was discussed on November 19, 2009 in a public meeting, prior to the approval of the audit report by the State Auditor's office. The Board of Commissioners discussed the internal control deficiencies and compliance issues which arose during the audit process.

**Criteria** – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 10 J (3) states, 'Neither the IPA nor agency personnel shall release any information to the public relating to the audit at the time of the exit conference or at any other time until the audit report becomes public record.' The report becomes public record upon release by the State Auditor's office and there can be no public discussion concerning the audit report until that time. The Housing Authority failed to comply with the administrative code regarding the discussion of the audit report in a Board of Commissioners public meeting.

**Effect** – Preliminary discussions of internal control deficiencies and compliance issues that have not been properly reviewed could lead to erroneous conclusions that become public record as a matter of discussion. Authority officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

**Cause** – The Board of Commissioners and the executive director were unaware of the requirements of the Administrative Code and the State Auditor's office concerning the public discussion of the audit report, prior to the report being reviewed, approved, and released by the State Auditor's office and becoming public record.

**Recommendation** – We recommend Housing Authority officials and staff reviews the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

**View of Responsible Officials and Planned Corrective Actions** – Housing Authority staff and the Board of Directors were not aware that the audit could not be discussed until the audit had been approved by the State Auditor. It was misunderstood that the audit could be discussed after the audit presentation (exit conference). Housing Authority staff and the Board of Directors are now aware of this rule and will be in compliance.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

Item 2010-02 – Travel and Per Diem

**Statement of Condition** – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was three transactions, as there were only four transactions for the fiscal year, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- There were two instances which required mileage (actual or per diem) reimbursement. Of those two instances, both instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For both instances, the employee was overpaid. The variance totaled \$135.
- We noted one instance of the three transactions tested, where an elected official did not certify their travel reimbursement form.
- We noted one instance of the three transactions tested, where the Authority failed to approve an elected official's trip on behalf of the Housing Authority.

**Criteria** – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, "*HB 336 amended Section 10-8-4 D NMSA 1078 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service ("IRS") standard mileage rate "set January 1<sup>st</sup> of the previous year."* The IRS rate on January 1, 2008 ("the previous year") was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies' public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile."

**Effect** – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

**Cause** – Upon increasing the mileage reimbursement rate, staff failed to calculate the mileage rate up to the eighty percent of the IRS rates.

**Recommendation** – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the Authority review the Travel and Per Diem Act. We recommend Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the Authority amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

*Item 2010-02 – Travel and Per Diem (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – Housing Authority staff and the Board of Directors were not aware that only 80% of the mileage rate could be paid. In the two instances, that were found, 100% of reimbursement mileage rate was paid.

Housing Authority staff and the Board of Directors were not aware that formal approval was needed to approve a travel reimbursement form. In the three instances, the Board of Directors was aware and in agreement of the travel; however, no formal approval was made. Since the audit was completed, this item has been taken care of. Furthermore, all future travel will be approved by either a formal vote of the Board of Directors or written approval with signatures from two board members, which duplicates the same policy for check signing.

*Item 2010-03 – Budget Authority*

**Statement of Condition** - During our review of the U.S. Department of Housing and Urban Development (HUD) Low Rent Budget for the fiscal year ended June 30, 2010, we noted that the final budget limited operating expenses to \$247,900. During the fiscal year operating expenses amounted to \$249,035 an excess of \$1,135 from the final budget.

**Criteria** – As discussed in footnote 1C, the Authority submits its budget to the U.S. Department of Housing and Urban Development for final approval. The budget is a guideline to operations and the budget is not a legally enforceable document. However, the Authority should have made the necessary amendments to insure that its expenses did not exceed the established limits.

**Effect** – Although the budget is not a legally enforceable document, the Authority should attempt to limit expenses to the authorized budgetary authority. The expenses are only a part of the budget. Revenues and projected cash balance becomes an integral part of the budget. If actual revenues fall short of budgeted revenues, as they did in the current year, then overspending authorized expenses adds to the short fall of anticipated cash balances.

**Cause** – The Authority's staff did review their budget during the fiscal year and made budget adjustments. However, at the end of the fiscal year, the Authority failed to approve a final budget adjustment for the line items that needed to be adjusted.

**Recommendation** – We suggest that the Authority limit expenses to the authorized budget. If budget adjustments are necessary during the fiscal year the budget should be amended as required. However, the budget should not be merely amended to avoid excess in authorized budget amounts.

**Views of Responsible Officials and Planned Corrective Actions** – In future years, we will continue to monitor our budget to ensure compliance. We will implement policies and procedures to ensure a final review of the budget will be completed at the end of the fiscal year.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**PRIOR YEAR'S AUDITOR FINDINGS**

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

*Item 2009-01 – Internal Controls over Disbursements* – In the previous year's audit report, it was noted that the clerk was preparing checks for payment as well as signing checks. During the fiscal year, the Clerk was removed from the bank signature card and replaced with a member from the Board of Directors. This finding is considered resolved.

*Item 2009-02 – Board Minutes* – In the previous year's audit report, it was noted that the Housing Authority failed to follow the New Mexico Open Meetings Act in respect to their Board minutes. During the fiscal year, the Housing Authority has reviewed the Open Meetings Act and has made the necessary changes to their policies and procedures concerning their Board minutes. This finding is considered resolved.



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2010**

**Exit Conference**

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on November 22, 2010. Present for the Public Housing Authority was: Carlota Ulibarri, chairperson; and Angela Lucero, executive director. Present from the auditing firm was Dominic Fierro, Manager.

**Financial Statement Preparation**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Town of Clayton Public Housing Authority as of and for the year ended June 30, 2010. 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.