

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

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

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

Table of Contents  
June 30, 2011

	<u>PAGE</u>
Directory of Officials .....	1
Independent Auditors' Report.....	2-3
Management's Discussion and Analysis .....	4-9
 <b>Basic Financial Statements:</b>	
Statement of Net Assets .....	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	11
Statement of Cash Flows .....	12
Notes to Financial Statements .....	13-22
 <b>Supplementary Information:</b>	
Statement of Low Rent Fund Revenues and Expenses Budget and Actual .....	23
Low Rent Fund - Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses and Changes in Net Assets – .....	24-25
Schedule of Capital Fund Program Grant Project No. NM02P055501-08 Revenues and Expenses Budget and Actual .....	26
Schedule of Capital Fund Program Grant Project No. NM02P055501-09 Revenues and Expenses Budget and Actual .....	27
Schedule of Capital Fund Program Grant Program No. NM02P055501-10 Revenues and Expenses Budget and Actual .....	28
Capital Fund Program Fund - Reconciliation of the Budgetary Comparison Schedules to the Statement of Revenues, Expenses and Changes in Fund Net Assets .....	29-30
 <b>Supplemental Financial Information:</b>	
Schedule of Cash Accounts .....	31
Financial Data Schedule .....	32-34

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

Table of Contents  
June 30, 2011

	<u>PAGE</u>
<b>Additional Independent Auditors' Report:</b>	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	35-36
Schedule of Findings and Responses .....	37-38
Exit Conference and Financial Statement Preparation .....	39

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY**  
Directory of Officials  
June 30, 2011

***Board of Commissioners***

Carlota Ulibarri ..... Chairperson  
Jeff Harris ..... Vice-Chairperson  
Rick Hood ..... Commissioner  
Ilene Taylor ..... Commissioner  
Lonnie Wiseman ..... 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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison of the major enterprise funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2011, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of the Authority as of June 30, 2011, 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 referred to above present fairly, in all material respects, the respective budgetary comparisons of the major enterprise funds 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 7, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through nine is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Fierro + Fierro, P.A.*

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

November 7, 2011

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

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, 2011. 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, 2011, the Housing Authority continued to be in a good financial condition with sufficient cash reserves invested in a certificate of deposit with each of the two local banks. During the year, numerous updates were made to all fifty units, including new windows and security doors.

During the fiscal year, while capital fund program grant income has decreased, tenant revenues and other operating income have increased while operating expenses have remained constant in comparison to the previous fiscal year. In a recent review of the Authority's financial activity over the past several years, it was found that the financial health and condition of the units are the best they have ever been. The Authority will strive to continue to keep the finances in a good financial condition while keeping the units in a good and safe 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 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 supplementary information pertaining to the schedule of cash accounts and financial data schedule for the Authority.

### **Statement of Net Assets**

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



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**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-two of this report.

**Financial Statement Analysis**

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

	June 30, 2011	June 30, 2010
Assets:		
Current and other assets	\$ 158,427	\$ 126,810
Capital assets, net of accumulated depreciation	<u>1,229,509</u>	<u>1,294,414</u>
Total assets	<u>1,387,936</u>	<u>1,421,224</u>
Liabilities:		
Current liabilities	<u>20,524</u>	<u>21,840</u>
Net Assets:		
Invested in capital assets	1,229,509	1,294,414
Unrestricted	<u>137,903</u>	<u>104,970</u>
Total net assets	<u>\$ 1,367,412</u>	<u>\$ 1,399,384</u>

The remaining balance of unrestricted net assets of \$137,903 may be used to meet the Authority's ongoing obligations.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

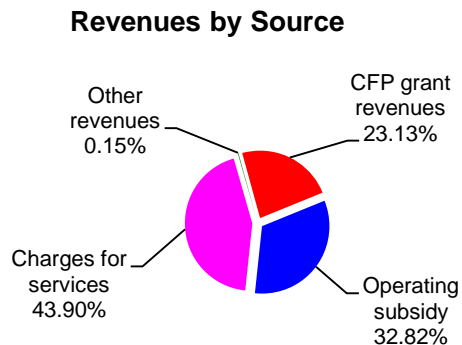
**Financial Statement Analysis (continued)**

The Authority's operating activities during the year decreased the Authority's net assets by \$31,972. Total revenues decreased by \$124,616, while expenses increased by \$5,797 when compared to the previous year. During the current year, the Authority received \$156,143 less of capital fund program (CFP) revenues when compared to the prior year. In the prior fiscal year, more CFP revenues were utilized by the Authority.

<b>Clayton Housing Authority's Changes in Net Assets</b>	June 30, 2011	June 30, 2010
Revenues:		
Operating Revenues:		
Charges for services	\$ 146,421	\$ 112,078
Non-Operating Revenues:		
HUD operating subsidy	109,468	105,871
Interest income	508	750
Miscellaneous	-	7,327
Capital Contributions:		
CFP grant revenues	77,133	233,276
Total revenues	333,530	459,302
Expenses:		
Operating Expenses:		
Personnel services	81,520	82,895
Employee benefits	25,967	22,190
Professional services	21,765	20,274
Utilities	34,382	34,820
General operating	88,863	93,241
Depreciation	113,005	107,441
Total expenses	365,502	360,861
Change in net assets	\$ (31,972)	\$ 98,441

**Revenues**

The following chart shows the major sources of operating revenues for the fiscal year ended June 30, 2011:



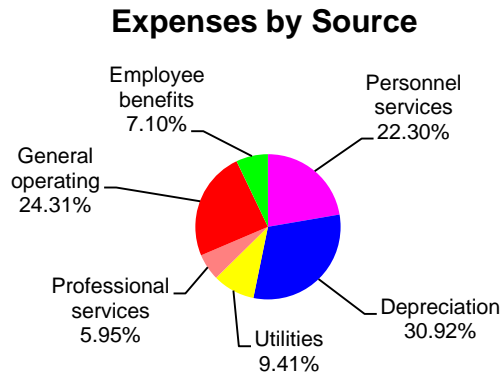
**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Revenues (continued)**

For the current year, grant revenues account for 56% of the total revenues for the Authority, while tenant income accounts for 44% 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, 2011:



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

**Budgetary Highlights**

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

During the current fiscal year, the Authority budgeted operating (low rent) revenues at \$253,730. The actual revenues for the fiscal year were \$256,397, an increase of \$2,667. The majority of the increase was due to an increase in operating subsidy income. The Authority had budgeted those revenues at \$104,950; actual intergovernmental income was \$109,468. The increase amounted to \$4,518. During the year, the Authority budgeted operating (low rent) expenses at \$246,380. Actual operating expenses were \$233,463. The Authority expended \$12,917 less than what was budgeted.

For the year ended June 30, 2011, the Authority anticipated revenues would exceed operating expenses and non-operating revenues (expenses) by \$7,350. Actual operating revenues of \$256,397 exceeded operating expenses of \$233,463; producing net income of \$22,934. During the fiscal year the Authority increased anticipated operating revenues by \$33,080, when it amended its original budget. The Authority increased anticipated operating expenses by \$10,120 from \$236,260 to \$246,380.

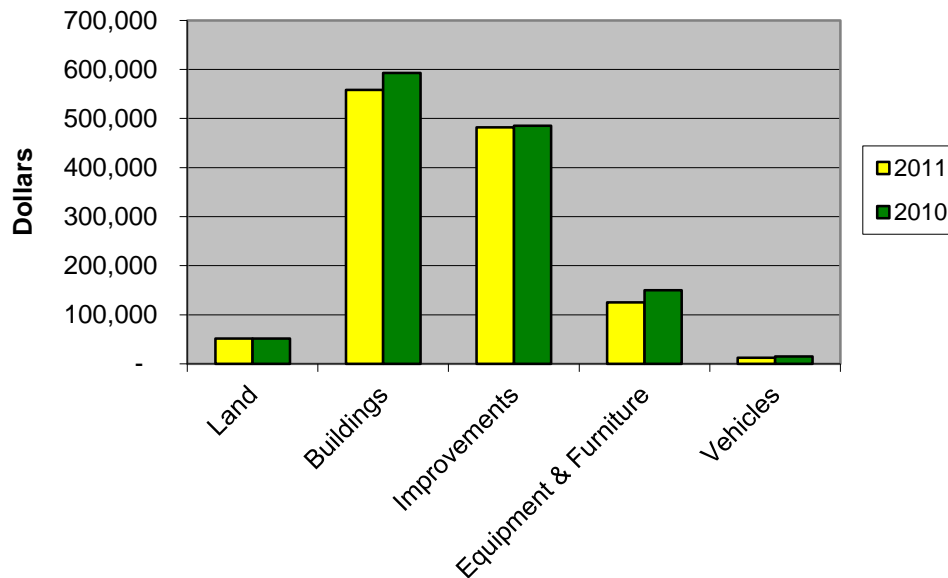
**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Capital Assets**

The Authority's investment in net assets as of June 30, 2011 amounted to \$1,229,509 (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>	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Land	\$ 51,294	\$ 51,294
Buildings	558,265	592,775
Building improvements	481,941	484,968
Equipment and furniture	125,427	150,246
Vehicles	12,582	15,131
	<b>\$ 1,229,509</b>	<b>\$ 1,294,414</b>

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



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

**Long-Term Debt**

As of June 30, 2011, the Authority did not have any long-term debt.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

**Currently Known Facts, Decisions or Conditions**

Capital Fund Program (CFP) funds were used to update units with windows and entry doors. The office and community room were also updated with new windows. Three family units had sewer replacement done. Handicap ramps were installed. Trip hazards were corrected and many units had foundation repair done. Many more upgrades are planned for the upcoming fiscal year. Properties are in good working condition and continue to have an attractive appearance.

Keeping the units updated with safety in mind will continue to be a priority, along with ensuring that all HUD regulations are being enforced.

The board of Commissioners and the staff's goal is to keep the units updated with safety being a priority. The Board and staff will strive to ensure that all HUD regulations are enforced along with keeping the Authority in a good financial position. Meeting the needs of low income families in the community is always of the utmost importance.

**Supplementary Information**

The Authority contracts a fee accountant for accounting services. The fee accountant provides consulting to the executive director for the preparation of budgets, budget reviews, and the annual operating subsidy calculation. The fee accountant prepares monthly financial statements. The fee accountant submits the unaudited financial REAC submission on an annual basis.

**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, 2011**

	Low Rent Fund	Capital Fund Program Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 128,891	\$ 1	\$ 128,892
Receivables (net of allowance):			
Tenants	120	-	120
Interest	46	-	46
Prepaid expenses	4,665	-	4,665
Inventory	17,004	-	17,004
Total current assets, net	150,726	1	150,727
Noncurrent Assets:			
Restricted cash	7,700	-	7,700
Capital Assets:			
Land	51,294	-	51,294
Buildings	1,805,791	-	1,805,791
Improvements	634,807	266,991	901,798
Equipment and furniture	505,272	-	505,272
Vehicles	32,324	-	32,324
Less accumulated depreciation	(2,049,692)	(17,278)	(2,066,970)
Total capital assets, net	979,796	249,713	1,229,509
Total assets	1,138,222	249,714	1,387,936
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	7,200	-	7,200
Accrued salaries	1,680	-	1,680
Tenant deposits	7,700	-	7,700
Deferred revenues	2,030	-	2,030
Compensated absences	1,914	-	1,914
Total current liabilities	20,524	-	20,524
<b>NET ASSETS</b>			
Invested in capital assets	979,796	249,713	1,229,509
Unrestricted	137,902	1	137,903
Total net assets	\$ 1,117,698	\$ 249,714	\$ 1,367,412

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, 2011

	Low Rent Fund	Capital Fund Program Fund	Total
Operating Revenues:			
Charges for services	\$ 146,421	\$ -	\$ 146,421
Operating Expenses:			
Personnel services	81,520	-	81,520
Employee benefits	25,967	-	25,967
Professional services	21,765	-	21,765
Utilities	34,382	-	34,382
General operating	88,863	-	88,863
Depreciation	96,630	16,375	113,005
Total operating expenses	349,127	16,375	365,502
Operating (loss)	(202,706)	(16,375)	(219,081)
Non-Operating Revenues (Expenses):			
HUD operating subsidy	109,468	-	109,468
Interest income	508	-	508
Total non-operating revenues (expenses)	109,976	-	109,976
(Loss) before capital contributions and transfers	(92,730)	(16,375)	(109,105)
Capital Contributions and Transfers:			
Capital contributions	-	77,133	77,133
Transfers in	35,189	1,156	36,345
Transfers (out)	(1,156)	(35,189)	(36,345)
Total capital contributions and transfers	34,033	43,100	77,133
Changes in net assets	(58,697)	26,725	(31,972)
Net assets, beginning of year	1,176,395	222,989	1,399,384
Net assets, end of year	\$ 1,117,698	\$ 249,714	\$ 1,367,412

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, 2011**

	Low Rent Fund	Capital Fund Program Fund	Total
Cash Flows from Operating Activities:			
Cash received from tenants	\$ 147,347	\$ -	\$ 147,347
Cash payments to suppliers for goods and services	(149,243)	-	(149,243)
Cash payments to employees for services	(106,217)	-	(106,217)
Net cash (used) for operating activities	(108,113)	-	(108,113)
Cash Flows from Non-Capital and Related Financing Activities:			
Cash received from intergovernmental sources	109,468	-	109,468
Net change in customer deposits	1,394	-	1,394
Net transfers in (out)	34,033	(34,033)	-
Net cash provided (used) by non-capital and related financing activities	144,895	(34,033)	110,862
Cash Flows from Capital and Financing Activities:			
Cash received from intergovernmental sources	-	77,133	77,133
Acquisition and construction of capital assets	-	(48,100)	(48,100)
Net cash provided by capital and related financing activities	-	29,033	29,033
Cash Flows from Investing Activities:			
Interest income	631	-	631
Net increase (decrease) in cash	37,413	(5,000)	32,413
Cash and cash equivalents, beginning of year	99,178	5,001	104,179
Cash and cash equivalents, end of year	<u>\$ 136,591</u>	<u>\$ 1</u>	<u>\$ 136,592</u>
Displayed as:			
Cash	\$ 128,891	\$ 1	\$ 128,892
Restricted cash	7,700	-	7,700
	<u>\$ 136,591</u>	<u>\$ 1</u>	<u>\$ 136,592</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:			
Operating (loss)	\$ (202,706)	\$ (16,375)	\$ (219,081)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	96,630	16,375	113,005
Change in Assets and Liabilities:			
Decrease in tenants' receivable	426	-	426
(Increase) in prepaid expenses	(33)	-	(33)
Decrease in inventories	280	-	280
(Decrease) in accounts payable	(4,480)	-	(4,480)
Increase in accrued salaries	365	-	365
Increase in compensated absences	905	-	905
Increase in deferred revenues	500	-	500
Total adjustments	(2,037)	-	(2,037)
Net cash (used) for operating activities	<u>\$ (108,113)</u>	<u>\$ -</u>	<u>\$ (108,113)</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**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

Material and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO). 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, 2011, are recorded as prepaid items.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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, 2011**

**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 spent 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, 2011**

**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. Deposit of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations. 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, 2011, 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, 2011**

**2. CASH (continued)**

*Cash Deposited with Financial Institutions (continued)*

	Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
Cash on hand		\$ -	\$ 1,358	\$ 1,358
Farmer's & Stockmen's Bank	Checking	73,776	(943)	72,833
Farmer's & Stockmen's Bank	Certificate of deposit	31,271	-	31,271
First Nat'l Bank of NM	Certificate of deposit	31,130	-	31,130
		<u>\$ 136,177</u>	<u>\$ 415</u>	<u>\$ 136,592</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.

	Farmer's & Stockmen's Bank	First National Bank of NM
Checking accounts	\$ 73,776	\$ -
Certificates of deposit	31,271	31,130
Total cash	105,047	31,130
Less FDIC	<u>(105,047)</u>	<u>(31,130)</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, 2011, 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, 2011, consisted of the following:

Charges for services	\$ 120
Less allowance for doubtful accounts	<u>-</u>
	<u>\$ 120</u>



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**4. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2011:

	Balance 06/30/10	Increases	Decreases	Balance 06/30/11
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	853,698	48,100	-	901,798
Equipment and furniture	505,272	-	-	505,272
Vehicles	32,324	-	-	32,324
Total other capital assets, being depreciated	3,197,085	48,100	-	3,245,185
Less accumulated depreciation:				
Buildings	(1,213,016)	(34,510)	-	(1,247,526)
Building improvements	(368,730)	(51,127)	-	(419,857)
Equipment and furniture	(355,026)	(24,819)	-	(379,845)
Vehicles	(17,193)	(2,549)	-	(19,742)
Total accumulated depreciation	(1,953,965)	(113,005)	-	(2,066,970)
Other capital assets, net	1,243,120	(64,905)	-	1,178,215
Total capital assets, net	<u>\$ 1,294,414</u>	<u>\$ (64,905)</u>	<u>\$ -</u>	<u>\$ 1,229,509</u>

**5. ACCRUED COMPENSATED ABSENCES**

Changes in accrued compensated absences during the year ended June 30, 2011, were as follows:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11	Amounts Due Within One Year
Accrued compensated absences	<u>\$ 1,009</u>	<u>\$ 3,015</u>	<u>\$ (2,110)</u>	<u>\$ 1,914</u>	<u>\$ 1,914</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, 2011**

**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 4.0% 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, 2011, 2010 and 2009 were \$8,260, \$7,538, and \$6,677, 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, 2011**

**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	\$ 1,387,936	\$ -	\$ 1,387,936
Liabilities	\$ 20,524	\$ -	\$ 20,524
Net assets	<u>1,367,412</u>	<u>-</u>	<u>1,367,412</u>
Total liabilities and net assets	<u>\$ 1,387,936</u>	<u>\$ -</u>	<u>\$ 1,387,936</u>
Revenues	\$ 333,530	\$ -	\$ 333,530
Expenses	<u>365,502</u>	<u>-</u>	<u>365,502</u>
Excess (deficiency) of revenues over expenses	<u>\$ (31,972)</u>	<u>\$ -</u>	<u>\$ (31,972)</u>

## **SUPPLEMENTARY INFORMATION**

**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, 2011**

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>				
Tenant income	\$ 114,940	\$ 148,020	\$ 146,421	\$ (1,599)
Intergovernmental	104,950	104,950	109,468	4,518
Interest income	760	760	508	(252)
<b>Total operating revenues</b>	<b>220,650</b>	<b>253,730</b>	<b>256,397</b>	<b>2,667</b>
<b>Operating Expenses:</b>				
Administrative salaries	48,440	52,000	52,360	(360)
Training	2,400	1,400	630	770
Travel	2,400	1,400	165	1,235
Accounting fees	5,800	5,900	5,125	775
Auditing fees	16,800	16,800	16,640	160
Legal	400	400	-	400
Other administrative expenses	9,100	9,320	7,785	1,535
Collection losses	1,200	-	423	(423)
Water and solid waste	13,000	17,000	18,298	(1,298)
Electricity	4,200	5,500	4,486	1,014
Gas	3,300	3,300	1,821	1,479
Other utilities	9,800	9,800	9,777	23
Maintenance labor	32,710	32,710	29,160	3,550
Maintenance materials	15,000	16,700	8,592	8,108
Maintenance - janitorial supplies	1,400	-	286	(286)
Maintenance - small tools	300	-	84	(84)
Maintenance - vehicle expenses	3,000	-	2,386	(2,386)
Maintenance - contracts	24,000	27,000	30,567	(3,567)
Insurance	15,900	19,400	18,911	489
Employee benefits administrative	16,200	16,840	16,141	699
Employee benefits maintenance	10,910	10,910	9,826	1,084
<b>Total operating expenses</b>	<b>236,260</b>	<b>246,380</b>	<b>233,463</b>	<b>12,917</b>
<b>Net income (loss)</b>	<b>\$ (15,610)</b>	<b>\$ 7,350</b>	<b>\$ 22,934</b>	<b>\$ 15,584</b>
Beginning of year cash available to absorb deficit budget	<u>\$ 15,610</u>			

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

**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENT TO THE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from  
the budgetary comparison statement:  
Low Rent Fund budgetary statement \$ 256,397

Differences - Budget to GAAP:

The Authority budgets for the HUD operating subsidy as operating revenues  
for budgetary purposes. The intergovernmental revenues are reported as  
non-operating revenues for financial reporting purposes. (109,468)

The Authority budgets for interest income as operating revenues for budgetary  
purposes. Miscellaneous revenues are reported as non-operating revenues for  
financial reporting purposes. (508)

Total operating revenues as reported on the statement  
of revenues, expenses, and changes in fund net assets \$ 146,421

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from  
the budgetary comparison statement:  
Low Rent Fund budgetary statement \$ 233,463

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. 19,034

Depreciation expense is not considered an outflow of operating resources  
for budgetary basis but is considered an expense for financial reporting  
purposes. 96,630

Total operating expenses as reported on the statement of  
revenues, expenses, and changes in fund net assets \$ 349,127

Non-Operating Revenues (Expenses):

Actual amounts (budgetary basis) "net non-operating revenues (expenses)"  
from the budgetary comparison statement. \$ -

The Authority reports the HUD operating subsidy as operating revenues for  
budgetary purposes. The revenue is reported as non-operating revenue for  
financial reporting purposes. 109,468

The Authority reports interest income as operating revenues for budgetary  
purposes. The income is reported as non-operating revenues for financial  
reporting purposes. 508

Total non-operating revenues (expenses) on the statement  
of revenues, expenses, and changes in fund net assets. \$ 109,976

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**PUBLIC HOUSING AUTHORITY**  
 LOW RENT FUND  
 RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENT TO THE  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011

Transfers:

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

Low Rent fund budgetary statement	\$ -
-----------------------------------	------

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>34,033</u>
---------------

Total transfers as reported on the state of revenues, expenses, and changes in fund net assets.

<u><u>\$ 34,033</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, 2011

	Original Budget	Final Budget	Incurred Prior Fiscal Years	Incurred Fiscal Year 06/30/11	Total Project	Variance With Final Budget Over (Under)
Revenues:						
CFP grant revenues	\$ 78,709	\$ 78,709	\$ 47,167	\$ 31,542	\$ 78,709	\$ -
Expenses:						
Operations	10,000	10,000	10,000	-	10,000	-
Dwelling structures	68,709	68,709	37,167	31,542	68,709	-
Total expenses	78,709	78,709	47,167	31,542	78,709	-
Net income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Incurred Prior Fiscal Years</u>	<u>Incurred Fiscal Year 06/30/11</u>	<u>Total Project</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:						
CFP grant revenues	\$ 78,598	\$ 78,598	\$ 32,385	\$ 26,528	\$ 58,913	\$ (19,685)
Expenses:						
Operations	10,000	10,000	10,000	-	10,000	-
Site improvements	-	5,000	-	8,171	8,171	(3,171)
Dwelling structures	45,598	35,598	-	12,875	12,875	22,723
Non-dwelling structures	18,000	18,000	18,000	-	18,000	-
Non-dwelling equipment	5,000	10,000	4,385	5,482	9,867	133
Total expenses	<u>78,598</u>	<u>78,598</u>	<u>32,385</u>	<u>26,528</u>	<u>58,913</u>	<u>19,685</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 NM02S055501-10  
REVENUES AND EXPENSES BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Incurred Fiscal Year 06/30/11</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
CFP grant revenues	\$ 77,838	\$ 77,838	\$ 19,063	\$ (58,775)
Expenses:				
Operations	10,000	10,000	10,000	-
Fees and costs	2,000	2,000	971	1,029
Site improvements	15,000	15,000	7,793	7,207
Dwelling structures	43,000	43,000	-	43,000
Non-dwelling equipment	7,838	7,838	299	7,539
Total expenses	<u>77,838</u>	<u>77,838</u>	<u>19,063</u>	<u>58,775</u>
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, 2011**

Sources/Inflows of Resources:

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

Schedule of CFP NM02P055501-08 Revenues and Expenses	\$ 31,542
Schedule of CFP NM02P055501-09 Revenues and Expenses	26,528
Schedule of CFP NM02P055501-10 Revenues and Expenses	<u>19,063</u>
Total budgetary basis revenues	77,133

Differences - Budget to GAAP:

For budgetary purposes, the Authority reports capital fund program revenues as such while those revenues are reported as capital contributions for financial reporting purposes.

Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets	<u>(77,133)</u>
	<u><u>\$ -</u></u>

Uses/Outflows of Resources:

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

Schedule of CFP NM02P055501-08 Revenues and Expenses	\$ 31,542
Schedule of CFP NM02P055501-09 Revenues and Expenses	26,528
Schedule of CFP NM02P055501-10 Revenues and Expenses	<u>19,063</u>
Total budgetary basis expenses	77,133

Differences - Budget to GAAP:

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

(48,100)

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.

(29,033)

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

16,375

Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets	<u><u>\$ 16,375</u></u>
---	-------------------------

Capital Contributions and Transfers:

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

Capital Fund Program Funds	\$ -
----------------------------	------

Differences - Budget to GAAP:

For budgetary purposes, the Authority reports capital fund program revenues as such while those revenues are reported as capital contributions for financial reporting purposes.

77,133

**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, 2011

Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program fund  
one grants have been closed to the low rent fund.

(34,033)

Total capital contributions and transfers as reported on the  
statement of revenues, expenses, and changes in fund net assets.

\$ 43,100

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2011**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, NM 88415-0488				
Clayton Housing Authority	Checking	\$ 64,457	\$ (943)	\$ 63,514
Clayton Housing Authority	Checking	9,319	-	9,319
Clayton Housing Authority	CD	31,271	-	31,271
		<u>\$ 105,047</u>	<u>\$ (943)</u>	<u>\$ 104,104</u>
First National Bank of NM 201 Main Street Clayton, NM 88415				
Clayton Housing Authority	CD	<u>\$ 31,130</u>	<u>\$ -</u>	<u>\$ 31,130</u>

## **SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2011**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 66,491
114	Cash - tenant security deposits	7,700
100	Total cash	74,191
126	Accounts receivable - tenants	120
126.1	Allowance for doubtful accounts - dwelling rent	-
129	Accrued interest receivable	46
120	Total receivables, net of allowance for doubtful accounts	166
131	Investments - unrestricted	62,401
142	Prepaid expenses and other assets	4,665
143	Inventories	18,893
143.1	Allowance for obsolete inventories	(1,889)
150	Total current assets	158,427
161	Land	51,294
162	Buildings	1,805,791
163	Furniture, equipment and machinery - dwellings	421,178
164	Furniture, equipment and machinery - administration	116,418
165	Leasehold improvements	901,798
166	Accumulated depreciation	(2,066,970)
160	Total capital assets, net of a/d	1,229,509
190	Total assets	<u>\$ 1,387,936</u>
312	Accounts payable <= 90 days	\$ 7,200
321	Accrued wage/payroll taxes payable	1,680
322	Accrued compensated absences - current portion	1,914
341	Tenant security deposits	7,700
342	Deferred revenues	2,030
310	Total current liabilities	20,524
300	Total liabilities	20,524
508.1	Invested in capital assets net of related debt	1,229,509
512.1	Unrestricted net assets	137,903
513	Total equity	1,367,412
600	Total liabilities and equity	<u>\$ 1,387,936</u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2011**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 136,342	\$ -	\$ 136,342
70400	Tenant revenue - other	10,079	-	10,079
70500	Total tenant revenue	146,421	-	146,421
70600	HUD PHA operating grants	109,468	-	109,468
70610	Capital grants	-	77,133	77,133
71100	Investment income - unrestricted	508	-	508
70000	Total revenues	256,397	77,133	333,530
91100	Administrative salaries	52,360	-	52,360
91200	Auditing fees	16,640	-	16,640
91310	Bookkeeping fees	5,125	-	5,125
91500	Employee benefit contributions - administrative	16,141	-	16,141
91600	Office expenses	7,785	-	7,785
91800	Travel	165	-	165
91900	Other	631	-	631
91000	Total operating - administrative	98,847	-	98,847
93100	Water	18,298	-	18,298
93200	Electricity	4,486	-	4,486
93300	Gas	1,821	-	1,821
93600	Sewer	9,777	-	9,777
93000	Total utilities	34,382	-	34,382
94100	Ordinary maintenance and operations - labor	29,160	-	29,160
94200	Ordinary maintenance and operations - materials and other	10,192	-	10,192
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	12,825	-	12,825
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	219	-	219
94300-030	Ordinary maintenance and operations contracts - snow removal contracts	100	-	100
94300-050	Ordinary maintenance and operations contracts - landscape and grounds contracts	163	-	163
94300-060	Ordinary maintenance and operations contracts - unit turnaround contracts	1,711	-	1,711
94300-070	Ordinary maintenance and operations contracts - electrical contracts	241	-	241
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	2,965	-	2,965
94300-090	Ordinary maintenance and operations contracts - extermination contracts	2,923	-	2,923



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2011**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
94300-100	Ordinary maintenance and operations contracts - janitorial contracts	1,916	-	1,916
94300-110	Ordinary maintenance and operations contracts - routine maintenance contract	6,633	-	6,633
94300-120	Ordinary maintenance and operations contracts - miscellaneous contract	2,027	-	2,027
94300	Ordinary maintenance and operations contracts	<u>31,723</u>	-	<u>31,723</u>
94500	Employee benefit contribution - ordinary maintenance	<u>9,826</u>	-	<u>9,826</u>
94000	Total maintenance	80,901	-	80,901
96110	Property insurance	16,587	-	16,587
96130	Workmen's compensation	<u>2,324</u>	-	<u>2,324</u>
96100	Total insurance premiums	18,911	-	18,911
96400	Bad debt - tenant rents	<u>423</u>	-	<u>423</u>
96000	Total other general expenses	<u>423</u>	-	<u>423</u>
96900	Total operating expenses	<u>233,464</u>	-	<u>233,464</u>
97000	Excess (deficiency) of revenues over operating expenses	22,933	77,133	100,066
97100	Extraordinary maintenance	19,033	-	19,033
97400	Depreciation expense	<u>96,630</u>	<u>16,375</u>	<u>113,005</u>
90000	Total expenses	<u>349,127</u>	<u>16,375</u>	<u>365,502</u>
10010	Operating transfers in	15,000	-	15,000
10020	Operating transfers out	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
10100	Total other financing sources (uses)	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (77,730)</u>	<u>\$ 45,758</u>	<u>\$ (31,972)</u>
11030	Beginning equity	\$ 1,176,395	\$ 222,989	\$ 1,399,384
11040-070	Equity transfers	19,033	(19,033)	-
11190	Unit months available	600	-	600
11210	Unit months leased	564	-	564

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

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

Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities and each major fund and the budgetary comparison of the enterprise funds presented as supplemental information of the Public Housing Authority (Authority) of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. 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 the Authority is responsible for establishing and maintaining effective 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 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.

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.

**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 matters that are required to be reported under *Government Auditing Standards*.

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

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 7, 2011

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011**

Item 2010-02 – Other - 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 one transaction, as it was the only transaction for the fiscal year, and contained the following discrepancy:

- We noted an instance of where the executive director was paid an advance of 100% for actual expenses for meals totaling \$60. There was no reconciliation of actual expenses upon return from travel.

**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. Section 2.42.2.10A states, “*Upon written request accompanied by a travel voucher, governing board of local public bodies may approve an employee’s request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals...*”

**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** – The Board of Commissioners were not aware of a maximum allowed by the New Mexico Mileage and Per Diem Act for travel advanced.

**Recommendation** – We recommend the Authority review the Travel and Per Diem Act concerning travel advances and all aspects of the Act. We recommend Authority staff reevaluate their internal control procedures over the calculation of advanced and reimbursement amounts for employee travel and per diem.

**Views of Responsible Officials and Planned Corrective Actions** – Housing Authority staff and Commissioners have already implemented a “Travel Request and Reimbursement Form” to help prevent future errors. This form was presented to the auditor for review at the time of the one finding. In the future, the Travel and Per Diem Act will be referred to before reimbursements occur. This, along with the “Travel Request and Reimbursement Form”, should correct future errors.

**PRIOR YEAR’S AUDIT 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. During the current year, our audit tests did not reveal any errors in regard to record retention. This finding is considered resolved.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2011**

**PRIOR YEAR'S AUDIT FINDINGS (continued)**

*Item 2010-01 – FY 2008 – 2009 Audit Report Discussion* – In the previous year's audit report, it was noted that the Authority discussed the audit report, prior to the approval and release by the New Mexico State Auditor's office, in a public meeting. During the fiscal year, the Authority did not discuss the audit report prior to approval and release by the New Mexico State Auditor's office. This finding is considered resolved.

*Item 2010-02 – Travel and Per Diem* – In the previous year's audit report, it was noted that the Authority failed to follow the requirements of the Mileage and Per Diem Act for reimbursement of employee travel expenses. During the fiscal year, the Authority failed to make the necessary adjustments concerning the Mileage and Per Diem Act. This finding has not been resolved and is repeated as Item 2010-02.

*Item 2010-03 – Budget Authority* – In the previous year's audit report, it was noted that the Authority expended funds in excess of their authorized budget within the Low Rent Fund. During the fiscal year, the Authority monitored their budget closely and made the necessary budgetary adjustment resolutions to ensure the Authority did not expend more than their authorized budget. This finding is considered resolved.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
PUBLIC HOUSING AUTHORITY**  
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2011

**Exit Conference**

The audit report for the fiscal year ended June 30, 2011, was discussed during the exit conference held on November 23, 2011. Present for the Public Housing Authority was: Carlota Ulibarri, chairperson; and Angela Lucero, executive director. Present from the auditing firm was Ed Fierro, CPA.

**Financial Statement Preparation**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Town of Clayton Public Housing Authority as of and for the year ended June 30, 2011. 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.