



KRIEGEL/GRAY/SHAW & CO., P.C.

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**HOUSING AUTHORITY OF THE
TOWN OF CLAYTON**

(A COMPONENT UNIT OF THE TOWN OF CLAYTON)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

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HOUSING AUTHORITY OF THE TOWN OF CLAYTON

OFFICIAL ROSTER
JUNE 30, 2013

BOARD OF COMMISSIONERS

<u>Name</u>	<u>Title</u>
<i>Carlota Ulibarri</i>	<i>Chairperson</i>
<i>Lonnie Wiseman</i>	<i>Vice Chairperson</i>
<i>Jeff Harris</i>	<i>Commissioner</i>
<i>Ilene Taylor</i>	<i>Commissioner</i>
<i>Renee Valdez</i>	<i>Commissioner</i>

ADMINISTRATIVE STAFF

<i>Angela Lucero</i>	<i>Executive Director</i>
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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Board of Commissioners
Housing Authority of the Town of Clayton
(A Component Unit of the Town of Clayton)
Clayton, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing Authority of the Town of Clayton (Authority), a component unit of the Town of Clayton (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Mr. Hector H. Balderas, State Auditor and
Board of Commissioners
Housing Authority of the Town of Clayton
(A Component Unit of the Town of Clayton)
Clayton, New Mexico
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of June 30, 2013, and the respective changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with budgetary basis required by the U.S. Department of Housing and Urban Development that is more fully described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in its financial position and cash flows of only that portion of the Town that is attributable to the Authority. They do not purport to, and do not present fairly the financial position of the Town as of June 30, 2013, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Hector H. Balderas, State Auditor and
Board of Commissioners
Housing Authority of the Town of Clayton
(A Component Unit of the Town of Clayton)
Clayton, New Mexico
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Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 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* in considering the Authority's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The management of the Housing Authority of Clayton, New Mexico presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be tenant rentals, whereas subsidies and grants from the Department of Housing and Urban Development (HUD) provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$1,267,629 at the close of the fiscal year ended 2013.
 - Of this amount \$1,134,397 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$133,232 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 35.3% of the total operating expenses of \$377,878 for the fiscal year 2013, which means the Authority might be able to operate about four months using the unrestricted assets alone, which is comparable to the five months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$102,603, a decrease of 7.2% from the prior fiscal year. This decrease is attributable to significant decreases in federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash and investments of \$20,620 from fiscal year 2012, primarily due to a decrease in federal operating grant subsidy.
- The Authority spent \$36,509 on capital asset additions during the fiscal year.
- These changes led to a decrease in total assets of \$127,184 and a decrease in total liabilities of \$24,581. As related measure of financial health, there are still over \$6 of current assets covering each dollar of total current liabilities, which compares favorably with \$4 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing
Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net position, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$1,267,629 as of June 30, 2013. Of this amount, \$1,134,397 was net investment in capital assets, and the remaining \$133,232 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet (Excluding Interfund Transfers) As of June 30, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$148,198	\$197,107
Assets restricted for tenant deposits	8,175	7,750
Capital assets, net of depreciation	1,134,397	1,213,097
<i>Total assets</i>	<u>\$1,290,770</u>	<u>\$1,417,954</u>
LIABILITIES		
Current liabilities	\$23,141	\$47,722
Long-term portion of accrued leave	0	0
<i>Total liabilities</i>	<u>23,141</u>	<u>47,722</u>
NET POSITION		
Net investment in capital assets, net of depreciation	1,134,397	1,213,097
Unrestricted net position	133,232	157,135
<i>Total net position</i>	<u>1,267,629</u>	<u>1,370,232</u>
<i>Total liabilities and net position</i>	<u>\$1,290,770</u>	<u>\$1,417,954</u>

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
(Excluding Interfund Transfers)
Fiscal Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tenant rental revenue	\$146,293	\$145,632
Other tenant revenue	5,312	8,206
Federal grants for operations	89,697	120,227
<i>Total operating revenues</i>	<u>241,302</u>	<u>274,065</u>
OPERATING EXPENSES		
Personnel services	95,028	88,318
Employee benefits	29,303	28,024
Professional services	19,451	19,278
Repairs and maintenance	55,134	50,358
Utilities	32,498	33,439
General operating	31,255	35,820
Depreciation	115,209	111,846
<i>Total operating expenses</i>	<u>377,878</u>	<u>367,083</u>
<i>(Losses) from operations</i>	(136,576)	(93,018)
NON-OPERATING REVENUES		
Interest income	137	403
<i>(Losses) after non-operating revenues</i>	(136,439)	(92,615)
OTHER CHANGES IN NET POSITION		
Federal grants for capital expenditures	33,836	95,435
NET INCREASE (DECREASE) IN NET POSITION	(102,603)	2,820
NET POSITION, beginning of fiscal year	<u>1,370,232</u>	<u>1,367,412</u>
NET POSITION, end of fiscal year	<u>\$1,267,629</u>	<u>\$1,370,232</u>

The net position of these funds decreased by \$102,603, or by 7.2%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$94,628, or by 25.6%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$61,599, or by 64.6% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2009 through 2013.
- Federal revenues from HUD for operations decreased by \$30,530, or by 25.4% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Total other revenue decreased by \$2,894 from that of the prior year, or by 35.3%.
- Total tenant revenue increased by \$661 or by .5% from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income.
- Interest income decreased by \$266 or by 66.0% from that of the prior fiscal year primarily due to decreasing interest rates.

Compared with the prior fiscal year, total operating and non-operating expenses increased by \$10,795, or by 2.9%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$3,363 or by 3.0% from that of the prior fiscal year because there was an increase in capital assets of \$36,509.
- Maintenance and repairs increased by \$4,776 or by 9.5% from that of the prior fiscal year.
- Personnel services and employee benefits increased by \$7,989, or by 6.9% from that of the prior fiscal year, due to an increase in employee salaries and the related cost of benefits.
- General expenses decreased by \$4,565, or by 12.7% from that of the prior fiscal year.
- Utilities expense decreased by \$941, or by 2.8% from that of the prior fiscal year, because water cost decreased by \$304, electricity cost decreased by \$1,005, gas cost increased by \$50 and other utilities expense (such as garbage, sewage and waste removal) decreased by \$82.
- Professional services, totaling \$19,451, did not change significantly from the prior to the current year.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Housing Authority had a total cost of \$3,428,423 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$36,509 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2013

	2013	2012 (including reclassification)
Land	\$51,294	\$51,294
Construction in progress	863	63,427
Vehicles	32,324	32,324
Buildings	2,189,067	2,096,749
Leasehold improvements	642,848	642,848
Furniture and equipment	512,027	505,272
Accumulated depreciation	(2,294,026)	(2,178,817)
Total	\$1,134,397	\$1,213,097

As of the end of the 2013 fiscal year, the Authority is still in the process of completing HUD grants of \$54,822 obtained during the 2013 fiscal year and prior.

Debt

The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by federal budget than by local economic conditions. The capital budgets for the 2013 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Angela Lucero, at the Housing Authority of the Town of Clayton, 200 Aspen Street, Clayton, New Mexico 88415.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

STATEMENT OF NET POSITION

JUNE 30, 2013

	Low Rent Fund	Capital Fund Program Fund	Total
ASSETS			
Current Assets			
Cash	\$68,549	\$1	\$68,550
Certificates of deposit	62,856	0	62,856
Receivables (net of allowance):			
Tenants	351	0	351
Intergovernmental	0	324	324
Interest	8	0	8
Prepaid expenses	424	0	424
Inventory	15,685	0	15,685
<i>Total current assets</i>	<u>147,873</u>	<u>325</u>	<u>148,198</u>
Noncurrent Assets:			
Restricted Cash	8,175	0	8,175
Capital Assets:			
Land	51,294	0	51,294
Construction in progress	0	863	863
Buildings	2,099,257	89,810	2,189,067
Improvements	636,506	6,342	642,848
Equipment and furniture	505,273	6,754	512,027
Vehicles	32,324	0	32,324
Less accumulated depreciation	(2,286,390)	(7,636)	(2,294,026)
<i>Capital assets, net</i>	<u>1,038,264</u>	<u>96,133</u>	<u>1,134,397</u>
<i>Total assets</i>	<u>1,194,312</u>	<u>96,458</u>	<u>1,290,770</u>
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	8,449	324	8,773
Accrued salaries	2,445	0	2,445
Tenant deposits	8,175	0	8,175
Deferred revenues	2,348	0	2,348
Compensated absences	1,400	0	1,400
<i>Total current liabilities</i>	<u>22,817</u>	<u>324</u>	<u>23,141</u>
NET POSITION			
Net investment in capital assets	1,038,264	96,133	1,134,397
Unrestricted	133,231	1	133,232
<i>Total net position</i>	<u>\$1,171,495</u>	<u>\$96,134</u>	<u>\$1,267,629</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

JUNE 30, 2013

	Low Rent Fund	Capital Fund Program Fund	Total
Operating Revenues			
Tenant rental revenue	\$146,293	\$0	\$146,293
Other tenant revenue	5,312	0	5,312
HUD operating subsidy	89,697	0	89,697
<i>Total operating revenues</i>	<u>241,302</u>	<u>0</u>	<u>241,302</u>
Operating Expenses			
Personnel services	95,028	0	95,028
Employee benefits	29,303	0	29,303
Professional services	19,451	0	19,451
Repairs and maintenance	46,929	8,205	55,134
Utilities	32,498	0	32,498
General operating	31,255	0	31,255
Depreciation	109,465	5,744	115,209
<i>Total operating expenses</i>	<u>363,929</u>	<u>13,949</u>	<u>377,878</u>
<i>Operating loss</i>	(122,627)	(13,949)	(136,576)
Non-Operating Revenues (Expenses)			
Interest income	137	0	137
<i>(Loss) before capital contributions and transfers</i>	(122,490)	(13,949)	(136,439)
Capital Contributions and Transfers:			
Capital contributions	0	33,836	33,836
Transfers in	46,119	0	46,119
Transfers (out)	0	(46,119)	(46,119)
<i>Total non-operating revenue (expenses)</i>	<u>46,119</u>	<u>(12,283)</u>	<u>33,836</u>
<i>Changes in net position</i>	(76,371)	(26,232)	(102,603)
Net position, beginning of year, as previously stated	1,248,434	121,798	1,370,232
Restatements	(568)	568	0
Net position, beginning of year, as restated	<u>1,247,866</u>	<u>122,366</u>	<u>1,370,232</u>
<i>Net position, end of year</i>	<u>\$1,171,495</u>	<u>\$96,134</u>	<u>\$1,267,629</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

STATEMENT OF CASH FLOWS

JUNE 30, 2013

	Low Rent Fund	Capital Fund Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tenants	\$151,821	\$0	\$151,821
Grants - subsidies	89,697	0	89,697
Cash payments to suppliers for goods and services	(126,879)	(32,010)	(158,889)
Cash payments to employees for services	(124,527)	0	(124,527)
<i>Net cash (used) for operating activities</i>	<i>(9,888)</i>	<i>(32,010)</i>	<i>(41,898)</i>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from intergovernmental sources	0	0	0
Net change in customer deposits	425	0	425
Net transfers in (out)	0	0	0
<i>Net cash provided (used) by noncapital and related financing activities</i>	<i>425</i>	<i>0</i>	<i>425</i>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from intergovernmental sources	0	57,641	57,641
Acquisition and construction of capital assets	(10,877)	(25,631)	(36,508)
<i>Net cash provided by capital and related financing activities</i>	<i>(10,877)</i>	<i>32,010</i>	<i>21,133</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases/maturities of certificates of deposit	(73)	0	(73)
Interest income	145	0	145
<i>Net cash used by investing activities</i>	<i>72</i>	<i>0</i>	<i>72</i>
<i>Net (decrease) in cash</i>	<i>(20,268)</i>	<i>0</i>	<i>(20,268)</i>
Cash and cash equivalents, beginning of year (restated)	96,992	1	96,993
<i>Cash and cash equivalents, end of year</i>	<i>\$76,724</i>	<i>\$1</i>	<i>\$76,725</i>
Cash and Cash Equivalents			
Cash	\$68,549	\$1	\$68,550
Restricted	8,175	0	8,175
	\$76,724	\$1	\$76,725
Cash and cash equivalents, beginning of year	\$159,775	\$1	\$159,776
Less: Certificates of deposit - maturities greater than 90 days	(62,783)	0	(62,783)
Cash and cash equivalents, beginning of year (restated)	\$96,992	\$1	\$96,993

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

STATEMENT OF CASH FLOWS

JUNE 30, 2013

	Low Rent Fund	Capital Fund Program Fund	Total
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities			
Operating (loss)	(\$122,627)	(\$13,949)	(\$136,576)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities			
Depreciation	109,465	5,744	115,209
Change in assets and liabilities:			
Decrease in tenants' receivable	603	0	603
Decrease in prepaid expenses	4,290	0	4,290
(Increase) in inventories	(417)	0	(417)
(Decrease) in accounts payable	(619)	(23,805)	(24,424)
(Decrease) in accrued salaries and compensated absences	(195)	0	(195)
(Decrease) in deferred revenues	(388)	0	(388)
Total adjustments	112,739	(18,061)	94,678
Net cash provided by operating activities	(\$9,888)	(\$32,010)	(\$41,898)

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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:

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.

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.

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 position, revenues, and expenses.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, all liabilities and deferred outflows and inflows of resources associated with the operations are included on the statement of net position. Net position such as total assets net of total liabilities, are segregated into net investment in capital assets; 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 residents 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.

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 commissioners 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.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposit with original maturities of 90 days or less.

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.

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.

Receivables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items.

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.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	5-10 years
Building improvements	15-40 years
Vehicles	10 years

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

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.

Deferred Revenues

The Authority reports deferred revenue on its statement of net position, 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 position and revenue is recognized.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position 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 position component as the spent proceeds.

Restricted – This component of net position 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 position consists of net position that do not meets the definition of *restricted* or *net investment in capital assets*.

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.

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.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

As of June 30, 2013, 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:

	<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand		\$0	\$2,673	\$2,673
Farmer's & Stockmen's Bank	Checking	75,751	(1,700)	74,051
Farmer's & Stockmen's Bank	Certificate of deposit	31,507	0	31,507
First National Bank of NM	Certificate of deposit	31,349	0	31,349
<i>Totals</i>		\$138,607	\$973	\$139,580

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 & Stockmen's Bank</u>	<u>First National Bank of NM</u>
Checking accounts	\$75,753	\$0
Certificates of deposit	31,507	31,349
<i>Total cash</i>	107,260	31,349
Less FDIC Insurance	107,260	31,349
<i>Total uninsured public funds</i>	\$0	\$0

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2. CASH (CONTINUED)

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, 2013, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

NOTE 3. TENANTS RECEIVABLE

Tenant's receivable at June 30, 2013, consisted of the following:

Charges for services	\$351
Less allowance for doubtful accounts	0
	\$351

NOTE 4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2013:

	Balance 06/30/2012	Reclassifi- cations	Increases	Decreases	Balance 06/30/2013
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	63,427	(63,427)	863	0	863
<i>Total capital assets, not being depreciated</i>	114,721	(63,427)	863	0	52,157
Other Capital Assets:					
Buildings	1,805,791	354,385	28,891	0	2,189,067
Building improvements	933,806	(290,958)	0	0	642,848
Equipment and furniture	505,272	0	6,755	0	512,027
Vehicles	32,324	0	0	0	32,324
<i>Total other capital assets, being depreciated</i>	3,277,193	63,427	35,646	0	3,376,266
Less accumulated depreciation:					
Buildings	(1,282,036)	(35,230)	(56,682)	0	(1,373,948)
Building improvements	(473,934)	33,415	(34,883)	0	(475,402)
Equipment and furniture	(400,555)	1,835	(21,198)	0	(419,918)
Vehicles	(22,292)	(20)	(2,446)	0	(24,758)
<i>Total accumulated depreciation</i>	(2,178,817)	0	(115,209)	0	(2,294,026)
<i>Other capital assets, net</i>	1,098,376	0	(79,563)	0	1,082,240
<i>Business-type capital assets, net</i>	\$1,213,097	\$0	(\$78,700)	\$0	\$1,134,397

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2012, were as follows:

	Balance 06/30/2012	Additions	Deletions	Balance 06/30/2013	Amounts Due Within One Year
Accrued compensated absences	\$1,475	\$2,993	\$3,068	\$1,400	\$1,400

NOTE 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. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7% (ranges from 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, 2013, 2012 and 2011 were \$9,087, \$8,952, and \$8,260, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 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.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 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.

NOTE 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.

NOTE 10. RESTATEMENTS

Beginning net position was related for the following:

	Low Rent Fund	Capital Fund Program Fund
Correction of prior year accumulated depreciation	(\$568)	\$568

NOTE 11. TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds were as follows:

	Operating Transfers Out		Totals
	Low Rent	CFP	
Operating Transfers In:			
Low Rent	\$0	\$46,119	\$46,119
CFP	0	0	0
Total	\$0	\$46,119	\$46,119

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

	Capital Transfers Out		Totals
	Low Rent	CFP	
Capital Transfers In:			
Low Rent	\$0	\$0	\$0
CFP	0	0	0
Total	\$0	\$0	\$0

Capital transfers arose from the purchase or construction of capital assets in one fund, which were then transferred to another fund where they are being utilized.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

LOW RENT FUND

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Tenant income	\$144,200	\$146,250	\$148,642	\$2,392
Intergovernmental	0	0	0	0
HUD grants and subsidy	100,000	89,700	89,697	(3)
Other income	12,950	5,120	3,178	(1,942)
<i>Total operating revenues</i>	<u>257,150</u>	<u>241,070</u>	<u>241,517</u>	<u>447</u>
OPERATING EXPENSES:				
Administrative	90,020	87,330	84,218	3,112
Tenant services	0	0	0	0
Utilities	32,600	34,000	34,402	(402)
Maintenance and repairs	79,990	86,170	86,656	(486)
General	48,480	50,720	50,002	718
Non routine expenditures	0	0	0	0
<i>Total operating expenses</i>	<u>251,090</u>	<u>258,220</u>	<u>255,278</u>	<u>2,942</u>
<i>Operating income (loss)</i>	6,060	(17,150)	(13,761)	3,389
NON-OPERATING REVENUE (EXPENSES):				
Interest	760	120	145	25
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>760</u>	<u>120</u>	<u>145</u>	<u>25</u>
<i>Net income (deficit)</i>	<u>\$6,820</u>	<u>(\$17,030)</u>	<u>(\$13,616)</u>	<u>\$3,414</u>

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (deficit) (budgetary basis)	(\$13,616)
Adjustments for revenue accruals, transfers, earnings on investments	(223)
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(62,532)
Change in net position (GAAP basis)	(\$76,371)

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

CAPITAL FUND PROGRAM - 2009

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$0	\$0	\$0	\$0
<i>Total operating revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Operations	0	0	0	0
Site improvements	0	0	0	0
Dwelling structures	0	0	0	0
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	0	0	0	0
<i>Total operating expenses</i>	0	0	0	0
<i>Operating income (loss)</i>	0	0	0	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	0	0	0	0
Interest	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	0	0	0	0
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(46,119)
Change in net position (GAAP basis)	(\$46,119)

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

CAPITAL FUND PROGRAM - 2010

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$6,572	\$6,572	\$6,572	\$0
<i>Total operating revenues</i>	6,572	6,572	6,572	0
OPERATING EXPENSES:				
Operations	0	0	0	0
Fees and costs	489	489	489	0
Site improvements	0	0	0	0
Dwelling structures	4,787	4,787	4,787	0
Non-dwelling equipment	1,296	1,296	1,296	0
<i>Total operating expenses</i>	6,572	6,572	6,572	0
<i>Operating income (loss)</i>	0	0	0	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	0	0	0	0
Interest	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	0	0	0	0
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	5,276
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(3,420)
Change in net position (GAAP basis)	\$1,856

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

CAPITAL FUND PROGRAM - 2011

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$23,245	\$23,245	\$21,264	(\$1,981)
<i>Total operating revenues</i>	23,245	23,245	21,264	(1,981)
OPERATING EXPENSES:				
Operations	0	0	0	0
Fees and costs	1,000	1,000	374	626
Site improvements	3,501	3,501	3,161	340
Dwelling structures	13,344	13,344	13,344	0
Non-dwelling equipment	5,400	5,400	4,385	1,015
<i>Total operating expenses</i>	23,245	23,245	21,264	1,981
<i>Operating income (loss)</i>	0	0	0	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	0	0	0	0
Interest	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	0	0	0	0
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	21,264
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(8,533)
Change in net position (GAAP basis)	\$12,731

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

CAPITAL FUND PROGRAM - 2012

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

BUDGET (NON-GAAP) AND ACTUAL BASIS - NOTE 8

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$58,841	\$58,841	\$6,000	(\$52,841)
<i>Total operating revenues</i>	58,841	58,841	6,000	(52,841)
OPERATING EXPENSES:				
Operations	0	0	0	0
Fees and costs	0	0	0	0
Site improvements	0	0	0	0
Dwelling structures	52,841	52,841	0	52,841
Non-dwelling structures	0	0	0	0
Non-dwelling equipment	6,000	6,000	6,000	0
<i>Total operating expenses</i>	58,841	58,841	6,000	52,841
<i>Operating income (loss)</i>	0	0	0	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	0	0	0	0
Interest	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	0	0	0	0
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2013, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	6,000
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(700)
Change in net position (GAAP basis)	\$5,300

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

Housing Authority of the Town of Clayton
Clayton, NM
Financial Data Schedule
6/30/2013

Line Item #	Account Description	Public Housing Low Rent 14,850	Public Housing Capital Fund Program 14,872	Total
111	Cash - Unrestricted	68,549	1	68,550
114	Cash - Tenant Security Deposits	8,175	-	8,175
100	Total Cash	76,724	1	76,725
122	Accounts Receivable - HUD Other Projects	-	324	324
126	Accounts Receivable - Tenants	351	-	351
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
129	Accured Interest Receivable	8	-	8
120	Total Receivables, Net of Allowance for Doubtfull Accls	359	324	683
131	Investments - Unrestricted	62,856	-	62,856
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	424	-	424
143	Inventories	17,427	-	17,427
143.1	Allowance for Obsolete Inventories	(1,742)	-	(1,742)
150	Total Current Assets	156,048	325	156,373
161	Land	51,294	-	51,294
162	Buildings	2,099,257	89,810	2,189,067
163	Furniture, Equipment & Machinery - Dwellings	421,178	-	421,178
164	Furniture, Equipment & Machinery - Administration	116,419	6,754	123,173
165	Leasehold Improvements	636,506	7,205	643,711
166	Accumulated Depreciation	(2,286,390)	(7,636)	(2,294,026)
160	Total Capital Assets, Net of Accumulated Depreciation	1,038,264	96,133	1,134,397
180	Total Non-Current Assets	1,038,264	96,133	1,134,397
190	Total Assets	1,194,312	96,458	1,290,770
312	Accounts Payable <= 90 Days	8,449	324	8,773
321	Accrued Wage/Payroll Taxes Payable	2,445	-	2,445
322	Accrued Compensated Absences - Current Portion	1,400	-	1,400
341	Tenant Security Deposits	8,175	-	8,175
342	Deferred Revenue	2,348	-	2,348
310	Total Current Liabilities	22,817	324	23,141
300	Total Liabilities	22,817	324	23,141
508.1	Invested In Capital Assets, Net of Related Debt	1,038,264	96,133	1,134,397
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	133,231	1	133,232
513	Total Equity/Net Assets	1,171,495	96,134	1,267,629
600	Total Liabilities and Equity/Not Assets	1,194,312	96,458	1,290,770
70300	Net Tenant Rental Revenue	146,293	-	146,293
70400	Tenant Revenue - Other	4,310	-	4,310
70500	Total Tenant Revenue	150,603	-	150,603
70800	HUD PHA Operating Grants	89,697	-	89,697
70810	Capital Grants	-	33,836	33,836
70700	Total Fee Revenue	89,697	33,836	123,533
71100	Investment Income - Unrestricted	137	-	137
71500	Other Revenue	1,002	-	1,002
70000	Total Revenue	241,439	33,836	275,275
91100	Administrative Salaries	56,452	-	56,452
91200	Auditing Fees	14,994	-	14,994
91310	Bookkeeping Fee	4,184	-	4,184
91400	Advertising & Marketing	894	-	894
91500	Employee Benefit Contributions - Administrative	18,153	-	18,153
91600	Office Expenses	7,428	-	7,428
91700	Legal Expenses	273	-	273
91800	Travel	1,298	-	1,298
91900	Other	854	-	854
91000	Total Operating - Administrative	104,530	-	104,530

Housing Authority of the Town of Clayton
Clayton, NM
Financial Data Schedule
6/30/2013

Line Item #	Account Description	Public Housing Low Rent 14,850	Public Housing Capital Fund Program 14,872	Total
93100	Water	17,196	-	17,196
93200	Electricity	3,381	-	3,381
93300	Gas	1,974	-	1,974
93600	Sewer	9,947	-	9,947
93800	Other Utilities	-	-	-
93000	Total Utilities	<u>32,498</u>	-	<u>32,498</u>
94100	Ordinary Maintenance and Operations - Labor	38,577	-	38,577
94200	Ordinary Maintenance and Operations - Materials & Other	15,418	8,205	23,623
94300	Ordinary Maintenance and Operations Contracts	31,511	-	31,511
94500	Employee Benefit Contributions - Ordinary Maintenance	11,150	-	11,150
94000	Total Maintenance	<u>96,656</u>	<u>8,205</u>	<u>104,861</u>
96110	Property Insurance	18,240	-	18,240
96130	Workmen's Compensation	2,540	-	2,540
96100	Total Insurance Premiums	<u>20,780</u>	-	<u>20,780</u>
96900	Total Operating Expenses	<u>254,464</u>	<u>8,205</u>	<u>262,669</u>
97000	Excess Operating Revenue over Operating Expenses	(13,025)	25,831	12,606
97400	Depreciation Expense	<u>109,465</u>	<u>5,744</u>	<u>115,209</u>
90000	Total Expenses	<u>363,929</u>	<u>13,949</u>	<u>377,878</u>
10010	Operating Transfers In	-	-	-
10020	Operating Transfers Out	-	-	-
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	(122,490)	19,887	(102,603)
11030	Beginning Equity	\$ 1,248,434	\$ 121,798	\$ 1,370,232
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ 45,551	\$ (45,551)	\$ -
11050	Changes in Compensated Absence Balance	\$ (75)	\$ -	\$ (75)
11190	Unit Months Available	600	-	600
11210	Number of Unit Months Leased	576	-	576

**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***

Independent Auditor's Report

Mr. Hector H. Balderas, State Auditor and
Board of Commissioners
Housing Authority of the Town of Clayton
(A Component Unit of the Town of Clayton)
Clayton, New Mexico

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Housing Authority of the Town of Clayton, a component unit of the Town of Clayton as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Mr. Hector H. Balderas, State Auditor and
Board of Commissioners
Housing Authority of the Town of Clayton
(A Component Unit of the Town of Clayton)
Clayton, New Mexico
Page Two

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 18, 2013

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

EXIT CONFERENCE

JUNE 30, 2013

EXIT CONFERENCE:

The exit conference was held October 26, 2013 and was attended by the following:

From Town of Clayton Public Housing Authority:

Carlota Ulibarri, Chairperson

Angela Lucero, Executive Director

From Kriegel/Gray/Shaw & Co., P.C.:

Ken Shaw, CPA/Shareholder

Kristi Granados, CPA, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of the financial statements is the responsibility of management. Although, the Housing Authority of the Town of Clayton's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.