



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

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STATE OF NEW MEXICO

**HOUSING AUTHORITY OF THE
TOWN OF CLAYTON**

(A COMPONENT UNIT OF THE TOWN OF CLAYTON)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2014

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

TABLE OF CONTENTS JUNE 30, 2014

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Fund Net Position	12
Statement of Cash Flows	13
NOTES TO FINANCIAL STATEMENTS	15
SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenditures	
Budget and Actual (Non-GAAP Budgetary Basis)	
Low Rent	24
CFP – 2010	25
CFP – 2011	26
CFP – 2012	27
CFP – 2013	28
OTHER SUPPLEMENTARY INFORMATION	
Financial Data Schedule	29
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	31
Schedule of Findings and Responses	33
Exit Conference	34

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

**OFFICIAL ROSTER
JUNE 30, 2014**

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, 2014, 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, 2014 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
Page Two

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 of Housing Authority of the Town of Clayton, as of June 30, 2014, 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, 2014, 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
Page Three

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 23, 2014 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 23, 2014

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, 2014

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, 2014. 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 \$1,211,410 at the close of the fiscal year ended 2014.
 - Of this amount \$1,087,918 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$123,492 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 34.3% of the total operating expenses of \$359,912 for the fiscal year 2014, which means the Authority might be able to operate about four months using the unrestricted assets alone, which is comparable to the four months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$56,219, a decrease of 4.4% from the prior fiscal year. This decrease is attributable to significant decreases in federal grants, described in more detail below.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash \$11,661 from fiscal year 2013, primarily due to a decrease in federal operating grant subsidy.
- The Authority spent \$68,937 on capital asset additions during the fiscal year.
- These changes led to a decrease in total assets of \$62,255 and a decrease in total liabilities of \$6,036. As related measure of financial health, there are still over \$8.22 of current assets covering each dollar of total current liabilities, which compares favorably with \$7.13 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, 2014

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 2014?" 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, 2014

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 \$1,211,410 as of June 30, 2014. Of this amount, \$1,087,918 was net investment in capital assets, and the remaining \$123,492 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, 2014

	2014	2013
ASSETS		
Current assets	\$132,472	\$148,198
Assets restricted for tenant deposits	8,125	8,175
Capital assets, net of depreciation	1,087,918	1,134,397
Total assets	\$1,228,515	\$1,290,770
LIABILITIES		
Current liabilities	\$17,105	\$23,141
Long-term portion of accrued leave	0	0
Total liabilities	17,105	23,141
NET POSITION		
Net investment in capital assets, net of depreciation	1,087,918	1,134,397
Unrestricted net position	123,492	133,232
Total net position	1,211,410	1,267,629
Total liabilities and net position	\$1,228,515	\$1,290,770

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
(Excluding Interfund Transfers)
Fiscal Year Ended June 30, 2014

	2014	2013
OPERATING REVENUES		
Tenant rental revenue	\$147,968	\$146,293
Other tenant revenue	2,561	5,312
Federal grants for operations	75,414	89,697
<i>Total operating revenues</i>	225,943	241,302
OPERATING EXPENSES		
Personnel services	83,668	95,028
Employee benefits	31,444	29,303
Professional services	12,898	19,451
Repairs and maintenance	51,679	55,134
Utilities	32,842	32,498
General operating	31,966	31,255
Depreciation	115,415	115,209
<i>Total operating expenses</i>	359,912	377,878
<i>(Losses) from operations</i>	(133,969)	(136,576)
NON-OPERATING REVENUES		
Other income	967	0
Interest income	147	137
	1,114	137
<i>(Losses) after non-operating revenues</i>	(132,855)	(136,439)
OTHER CHANGES IN NET POSITION		
Federal grants for capital expenditures	76,636	33,836
NET INCREASE (DECREASE) IN NET POSITION	(56,219)	(102,603)
NET POSITION, beginning of fiscal year	1,267,629	1,370,232
NET POSITION, end of fiscal year	\$1,211,410	\$1,267,629

The net position of these funds decreased by \$56,219, or by 4.4%, from those of fiscal year 2013, 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, 2014

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$28,418, or by 10.3%, 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 increased by \$42,800, or by 126.5% 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 2014.
- Federal revenues from HUD for operations decreased by \$14,283, or by 15.9% 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 increased by \$967 from that of the prior year, or by 100%.
- Total tenant revenue decreased by \$1,076 or by 7.1% 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 increased by \$10 or by 7.3% from that of the prior fiscal year primarily due to increased cash in interest bearing accounts.

Compared with the prior fiscal year, total operating and non-operating expenses decreased by \$17,966, or by 4.8%, 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 \$206 or by .2% from that of the prior fiscal year because there was an increase in capital assets of \$68,937 (before accumulated depreciation).
- Maintenance and repairs decreased by \$3,455 or by 6.3% from that of the prior fiscal year.
- Personnel services and employee benefits decreased by \$9,219, or by 7.4% from that of the prior fiscal year, due to a decrease in employee salaries and the related cost of benefits.
- General expenses increased by \$711, or by 2.3% from that of the prior fiscal year.
- Utilities expense increased by \$344, or by 1.1% from that of the prior fiscal year, because water cost decreased by \$1,247, electricity cost increased by \$1,777, gas cost decreased by \$390 and other utilities expense (such as garbage, sewage and waste removal) increased by \$204.
- Professional services, totaling \$12,898, decreased by \$6,553 or 33.7% from that of the prior fiscal year. This decrease is primarily due to decreased audit costs.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON
(A Component Unit of the Town of Clayton)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Housing Authority had a total cost of \$3,497,360 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$68,937 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, 2014

	2014	2013
Land	\$51,294	\$51,294
Construction in progress	1,000	863
Vehicles	32,324	32,324
Buildings	2,257,306	2,189,067
Leasehold improvements	643,409	642,848
Furniture and equipment	512,027	512,027
Accumulated depreciation	(2,409,442)	(2,294,026)
Total	\$1,087,918	\$1,134,397

As of the end of the 2014 fiscal year, the Authority is still in the process of completing HUD grants of \$37,026 obtained during the 2014 fiscal year and prior.

Debt

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

Budget

The Housing Authority budgets in accordance with HUD requirements which are utilized only as a guideline. No budget amendments were made during the year.

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 2014 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, 2014

	Low Rent Fund	Capital Fund Program Fund	Total
ASSETS			
Current Assets			
Cash	\$56,314	\$1	\$56,315
Investments - CD's	62,951	0	62,951
Receivables (net of allowance):			
Tenants	507	0	507
Intergovernmental	0	0	0
Interest	10	0	10
Prepaid expenses	0	0	0
Inventory	12,689	0	12,689
<i>Total current assets</i>	132,471	1	132,472
Noncurrent Assets:			
Restricted Cash	8,125	0	8,125
Capital Assets:			
Land	51,294	0	51,294
Construction in progress	0	1,000	1,000
Buildings	2,148,073	109,233	2,257,306
Improvements	637,860	5,549	643,409
Equipment and furniture	505,273	6,754	512,027
Vehicles	32,324	0	32,324
Less accumulated depreciation	(2,400,178)	(9,264)	(2,409,442)
<i>Capital assets, net</i>	974,646	113,272	1,087,918
<i>Total assets</i>	1,115,242	113,273	1,228,515
LIABILITIES			
Current Liabilities:			
Accounts payable	1,607	0	1,607
Accrued salaries	2,625	0	2,625
Prepaid rent	1,826	0	1,826
Tenant deposits	8,125	0	8,125
Compensated absences	2,922	0	2,922
<i>Total current liabilities</i>	17,105	0	17,105
NET POSITION			
Net investment in capital assets	974,646	113,272	1,087,918
Unrestricted	123,491	1	123,492
<i>Total net position</i>	\$1,098,137	\$113,273	\$1,211,410

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, 2014

	Low Rent Fund	Capital Fund Program Fund	Total
Operating Revenues			
Tenant rental revenue	\$147,968	\$0	\$147,968
Other tenant revenue	2,561	0	2,561
HUD operating subsidy	75,414	0	75,414
<i>Total operating revenues</i>	225,943	0	225,943
Operating Expenses			
Personnel services	83,668	0	83,668
Employee benefits	31,444	0	31,444
Professional services	12,898	0	12,898
Repairs and maintenance	43,979	7,700	51,679
Utilities	32,842	0	32,842
General operating	31,966	0	31,966
Depreciation	108,577	6,838	115,415
<i>Total operating expenses</i>	345,374	14,538	359,912
<i>Operating loss</i>	(119,431)	(14,538)	(133,969)
Non-Operating Revenues (Expenses)			
Other income	967	0	967
HUD capital grants	0	76,636	76,636
Interest income	147	0	147
<i>Total non-operating revenues (expenses)</i>	1,114	76,636	77,750
<i>(Loss) before capital contributions and transfers</i>	(118,317)	62,098	(56,219)
Capital Contributions and Transfers:			
Capital contributions	0	0	0
Capital transfers in	44,959	0	44,959
Capital transfers (out)	0	(44,959)	(44,959)
<i>Total non-operating revenue (expenses)</i>	44,959	(44,959)	0
<i>Changes in net position</i>	(73,358)	17,139	(56,219)
Net position, beginning of year	1,171,495	96,134	1,267,629
<i>Net position, end of year</i>	\$1,098,137	\$113,273	\$1,211,410

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, 2014

	Low Rent Fund	Capital Fund Program Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tenants	\$149,287	\$0	\$149,287
Grants - subsidies	75,414	0	75,414
Cash payments to suppliers for goods and services	(124,544)	(8,024)	(132,568)
Cash payments to employees for services	(113,409)	0	(113,409)
<i>Net cash (used) for operating activities</i>	<i>(13,252)</i>	<i>(8,024)</i>	<i>(21,276)</i>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from other sources	967	0	967
Net change in customer deposits	(50)	0	(50)
Net transfers in (out)	0	0	0
<i>Net cash provided (used) by noncapital and related financing activities</i>	<i>917</i>	<i>0</i>	<i>917</i>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from intergovernmental sources	0	76,960	76,960
Acquisition and construction of capital assets	(1)	(68,936)	(68,937)
<i>Net cash provided by capital and related financing activities</i>	<i>(1)</i>	<i>8,024</i>	<i>8,023</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases/maturities of certificates of deposit	(95)	0	(95)
Interest income	146	0	146
<i>Net cash used by investing activities</i>	<i>51</i>	<i>0</i>	<i>51</i>
<i>Net (decrease) in cash</i>	<i>(12,285)</i>	<i>0</i>	<i>(12,285)</i>
Cash and cash equivalents, beginning of year	76,724	1	76,725
<i>Cash and cash equivalents, end of year</i>	<i>\$64,439</i>	<i>\$1</i>	<i>\$64,440</i>
Cash and Cash Equivalents			
Cash	\$56,314	\$1	\$56,315
Restricted	8,125	0	8,125
	\$64,439	\$1	\$64,440

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, 2014

	Low Rent Fund	Capital Fund Program Fund	Total
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities			
Operating (loss)	(\$119,431)	(\$14,538)	(\$133,969)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities			
Depreciation	108,577	6,838	115,415
Change in assets and liabilities:			
(Increase) in tenants' receivable	(156)	0	(156)
Decrease in prepaid expenses	424	0	424
Decrease in inventories	2,995	0	2,995
(Decrease) in accounts payable	(6,842)	(324)	(7,166)
Increase in accrued salaries and compensated absences	1,703	0	1,703
(Decrease) in deferred revenues	(522)	0	(522)
<i>Total adjustments</i>	106,179	6,514	112,693
<i>Net cash provided by operating activities</i>	(\$13,252)	(\$8,024)	(\$21,276)

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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the Town of Clayton (the Authority) 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2014

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, 2014

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, 2014, 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.

The Authority defines capital assets as assets with lives of greater than one year and a cost or donated value of \$1,000 or greater.

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 Inflows of Resources – Unearned Revenue

The Authority reports unearned revenue on its statement of net position, when applicable. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 unearned 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, 2014

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 does not meet 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, 2014

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, 2014, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$0	\$2,100	\$2,100
Farmer's & Stockmen's Bank Checking	67,305	(4,965)	62,340
Farmer's & Stockmen's Bank Certificate of deposit	31,556	0	31,556
First National Bank of NM Certificate of deposit	31,395	0	31,395
Totals	\$130,256	(\$2,865)	\$127,391

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	\$67,305	\$0
Certificates of deposit	31,556	31,395
Total cash	98,861	31,395
Less FDIC Insurance	98,861	31,395
Total uninsured public funds	\$0	\$0

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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, 2014, consisted of the following:

Charges for services	\$507
Less allowance for doubtful accounts	0
	\$507

NOTE 4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2014:

	Balance 06/30/2013	Reclassifi- cations	Increases	Decreases	Balance 06/30/2014
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	863	0	137	0	1,000
<i>Total capital assets, not being depreciated</i>	52,157	0	137	0	52,294
Depreciable capital assets:					
Buildings	2,189,067	0	68,239	0	2,257,306
Building improvements	642,848	0	561	0	643,409
Equipment and furniture	512,027	0	0	0	512,027
Vehicles	32,324	0	0	0	32,324
<i>Total depreciable capital assets</i>	3,376,266	0	68,800	0	3,445,066
Less accumulated depreciation:					
Buildings	(1,373,948)	0	(59,778)	0	(1,433,726)
Building improvements	(475,402)	0	(34,055)	0	(509,457)
Equipment and furniture	(419,918)	0	(20,272)	0	(440,190)
Vehicles	(24,758)	0	(1,311)	0	(26,069)
<i>Total accumulated depreciation</i>	(2,294,026)	0	(115,416)	0	(2,409,442)
<i>Depreciable capital assets, net</i>	1,082,240	0	(46,616)	0	1,035,624
<i>Business-type capital assets, net</i>	\$1,134,397	\$0	(\$46,479)	\$0	\$1,087,918

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2014, were as follows:

	Balance 06/30/2013	Additions	Deletions	Balance 06/30/2014	Amounts Due Within One Year
Accrued compensated absences	\$1,400	\$3,899	\$2,377	\$2,922	\$2,922

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, 2014, 2013 and 2012 were \$8,814, \$9,087, and \$8,952, 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, 2014

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. TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds were as follows:

Operating Transfers In:	<u>Operating Transfers Out</u>		Totals
	Low Rent	CFP	
Low Rent	\$0	\$0	\$0
CFP	0	0	0
<i>Total</i>	\$0	\$0	\$0

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

Capital Transfers In:	<u>Capital Transfers Out</u>		Totals
	Low Rent	CFP	
Low Rent	\$0	\$44,959	\$44,959
CFP	0	0	0
<i>Total</i>	\$0	\$44,959	\$44,959

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, 2014

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Tenant income	\$146,500	\$146,500	\$149,287	\$2,787
Intergovernmental	0	0	0	0
HUD grants and subsidy	100,000	75,400	75,414	14
Other income	5,900	7,140	967	(6,173)
<i>Total operating revenues</i>	<u>252,400</u>	<u>229,040</u>	<u>225,668</u>	<u>(3,372)</u>
OPERATING EXPENSES:				
Administrative	79,900	69,450	69,296	154
Tenant services	0	0	0	0
Utilities	34,000	32,850	35,816	(2,966)
Maintenance and repairs	75,280	82,585	82,020	565
General	44,600	51,980	50,821	1,159
Non routine expenditures	0	0	0	0
<i>Total operating expenses</i>	<u>233,780</u>	<u>236,865</u>	<u>237,953</u>	<u>(1,088) *</u>
<i>Operating income (loss)</i>	<u>18,620</u>	<u>(7,825)</u>	<u>(12,285)</u>	<u>(4,460)</u>
NON-OPERATING REVENUE (EXPENSES):				
Interest	760	760	146	(614)
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	<u>760</u>	<u>760</u>	<u>146</u>	<u>(614)</u>
<i>Net income (deficit)</i>	<u>\$19,380</u>	<u>(\$7,065)</u>	<u>(\$12,139)</u>	<u>(\$5,074)</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, 2014, is presented below:

Net income (deficit) (budgetary basis)	(\$12,139)
Adjustments for revenue accruals, transfers, earnings on investments	1,243
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(62,462)
Change in net position (GAAP basis)	(\$73,358)

*The Housing Authority adopts budgets in accordance with the Housing and Urban Development agreements. The budget serves only as a guideline.

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, 2014

	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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OPERATING EXPENSES:				
Operations	0	0	0	0
Fees and costs	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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<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>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net income</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 2014, 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	(44,959)
Change in net position (GAAP basis)	(44,959)

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, 2014

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$1,981	\$1,981	\$1,980	(\$1)
<i>Total operating revenues</i>	1,981	1,981	1,980	(1)
OPERATING EXPENSES:				
Operations	0	0	1,355	(1,355)
Fees and costs	626	626	625	1
Site improvements	340	340	0	340
Dwelling structures	0	0	0	0
Non-dwelling equipment	1,015	1,015	0	1,015
<i>Total operating expenses</i>	1,981	1,981	1,980	1
 <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, 2014, 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	(1,083)
Change in net position (GAAP basis)	(\$1,083)

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, 2014

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$52,841	\$52,841	\$52,841	\$0
<i>Total operating revenues</i>	52,841	52,841	52,841	0
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	52,841	0
Non-dwelling equipment	0	0	0	0
<i>Total operating expenses</i>	52,841	52,841	52,841	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, 2014, 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	48,601
Change in net position (GAAP basis)	\$48,601

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 - 2013

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
CFP grant revenues	\$59,983	\$59,983	\$21,815	(\$38,168)
<i>Total operating revenues</i>	59,983	59,983	21,815	(38,168)
OPERATING EXPENSES:				
Operations	0	0	6,345	(6,345)
Fees and costs	500	500	0	500
Site improvements	17,500	17,500	0	17,500
Dwelling structures	32,983	32,983	15,470	17,513
Dwelling equipment	4,000	4,000	0	4,000
Non-dwelling equipment	5,000	5,000	0	5,000
<i>Total operating expenses</i>	59,983	59,983	21,815	38,168
<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, 2014, 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	14,580
Change in net position (GAAP basis)	\$14,580

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
6/30/2014

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	56,314	1	56,315
114	Cash - Tenant Security Deposits	8,125	-	8,125
100	Total Cash	64,439	1	64,440
122	Accounts Receivable - HUD Other Projects	-	-	-
126	Accounts Receivable - Tenants	507	-	507
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
129	Accrued Interest Receivable	10	-	10
120	Total Receivables, Net of Allowance for Doubtful Accts	517	-	517
131	Investments - Unrestricted	62,951	-	62,951
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	-	-	-
143	Inventories	14,099	-	14,099
143.1	Allowance for Obsolete Inventories	(1,410)	-	(1,410)
150	Total Current Assets	140,596	1	140,597
161	Land	51,294	-	51,294
162	Buildings	2,148,073	109,233	2,257,306
163	Furniture, Equipment & Machinery - Dwellings	421,178	-	421,178
164	Furniture, Equipment & Machinery - Administration	116,419	6,754	123,173
165	Leasehold Improvements	637,860	5,549	643,409
166	Accumulated Depreciation	(2,400,178)	(9,264)	(2,409,442)
167	Construction in Progress	-	1,000	1,000
160	Total Capital Assets, Net of Accumulated Depreciation	974,646	113,272	1,087,918
180	Total Non-Current Assets	974,646	113,272	1,087,918
190	Total Assets	1,115,242	113,273	1,228,515
312	Accounts Payable <= 90 Days	1,607	-	1,607
321	Accrued Wage/Payroll Taxes Payable	2,625	-	2,625
322	Accrued Compensated Absences - Current Portion	2,922	-	2,922
341	Tenant Security Deposits	8,125	-	8,125
342	Deferred Revenue	1,826	-	1,826
310	Total Current Liabilities	17,105	-	17,105
300	Total Liabilities	17,105	-	17,105
508.1	Invested in Capital Assets, Net of Related Debt	974,646	113,272	1,087,918
511.1	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	123,491	1	123,492
513	Total Equity/Net Assets	1,098,137	113,273	1,211,410
600	Total Liabilities and Equity/Net Assets	1,115,242	113,273	1,228,515
70300	Net Tenant Rental Revenue	147,968	-	147,968
70400	Tenant Revenue - Other	2,561	-	2,561
70500	Total Tenant Revenue	150,529	-	150,529
70600	HUD PHA Operating Grants	75,414	7,700	83,114
70610	Capital Grants	-	68,936	68,936
70700	Total Fee Revenue	75,414	76,636	152,050
71100	Investment Income - Unrestricted	147	-	147
71500	Other Revenue	967	-	967
70000	Total Revenue	227,057	76,636	303,693
91100	Administrative Salaries	43,550	-	43,550
91200	Auditing Fees	8,605	-	8,605
91310	Bookkeeping Fee	4,293	-	4,293
91400	Advertising & Marketing	647	-	647
91500	Employee Benefit Contributions - Administrative	16,878	-	16,878
91600	Office Expenses	9,308	-	9,308
91700	Legal Expenses	-	-	-
91800	Travel	991	-	991
91900	Other	500	-	500
91000	Total Operating - Administrative	84,772	-	84,772

Housing Authority of the Town of Clayton
Clayton, NM
Financial Data Schedule
6/30/2014

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Total
93100	Water	15,948	-	15,948
93200	Electricity	5,158	-	5,158
93300	Gas	1,584	-	1,584
93600	Sewer	10,152	-	10,152
93800	Other Utilities	-	-	-
93000	Total Utilities	<u>32,842</u>	<u>-</u>	<u>32,842</u>
94100	Ordinary Maintenance and Operations - Labor	38,595	-	38,595
94200	Ordinary Maintenance and Operations - Materials & Other	14,016	7,700	21,716
94300	Ordinary Maintenance and Operations Contracts	29,963	-	29,963
94500	Employee Benefit Contributions - Ordinary Maintenance	14,565	-	14,565
94000	Total Maintenance	<u>97,139</u>	<u>7,700</u>	<u>104,839</u>
96110	Property Insurance	9,717	-	9,717
96120	Liability Insurance	7,050	-	7,050
96130	Workmen's Compensation	3,189	-	3,189
96100	Total Insurance Premiums	<u>19,956</u>	<u>-</u>	<u>12,906</u>
96200	Other General Expenses	565	-	565
96210	Compensated Absences	1,523	-	1,523
96000	Total Other General Expenses	<u>2,088</u>	<u>-</u>	<u>2,088</u>
96900	Total Operating Expenses	<u>236,797</u>	<u>7,700</u>	<u>235,359</u>
97000	Excess Operating Revenue over Operating Expenses	(9,740)	68,936	68,334
97400	Depreciation Expense	108,577	6,838	115,415
90000	Total Expenses	<u>345,374</u>	<u>14,538</u>	<u>350,774</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	<u>(118,317)</u>	<u>62,098</u>	<u>(47,081)</u>
11030	Beginning Equity	\$ 1,171,495	\$ 96,134	\$ 1,267,629
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ 44,959	\$ (44,959)	\$ -
11050	Changes in Compensated Absence Balance	\$ 1,523	\$ -	\$ 1,523
11190	Unit Months Available	600	-	600
11210	Number of Unit Months Leased	-	-	-

**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, 2014, 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 23, 2014.

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.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-001

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*.

Housing Authority of the Town of Clayton's Response to Findings

Housing Authority of the Town of Clayton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Authority of the Town of Clayton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 23, 2014

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, 2014

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001 Lack of Internal Controls over Receipts – Significant Deficiency

Statement of Condition – During our review of the internal controls related to the cash receipts accounting system and our testing of the cash receipt/deposit transactions, we discovered the following deviation:

- Of the 40 payments received tested, 13 were not deposited within five business days. The average deposit lag of these 13 receipts was 10 days.

Criteria – Internal controls are established to safeguard the assets of the Housing Authority from unauthorized use and loss. Deposits should be made within five (5) business days of receipt, more often when the amount is large.

Cause – Executive Director of the Housing Authority is the only administrative employee.

Effect – Increased risk of loss due to misplacement of cash/equivalent or lack of funds on delayed cashing of tenant checks.

Recommendation – Implement deposit procedures to ensure that deposits are made timely.

Management's Response – The Housing Authority will take the necessary steps to ensure that all receipts are deposited within five (5) business days.

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, 2014

EXIT CONFERENCE:

The exit conference was held September 24, 2014 and was attended by the following:

From Housing Authority of the Town of Clayton:

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.