STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019

FIERRO & FIERRO, P.A.
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TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
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STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
Directory of Officials
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Board of Commissioners

Carlota Ulibarri	Chairperson
Lonnie Wiseman	Vice-Chairperson
Lynette Keith	Commissioner
Ilene Taylor	Commissioner
Adam Wolfe	Commissioner

Administrative Staff

Angela Lucero	Executive Director

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

Ed Fierro, CPA • Rose Fierro, CPA

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Independent Auditors' Report

Brian S. Colón, State Auditor
and
Board of Commissioners
Town of Clayton Public Housing Authority
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 Public Housing Authority (Authority) of the Town of Clayton, New Mexico, a component unit of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2019, 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 comparison for the low rent major enterprise fund presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2019, 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 misstatement, whether due to fraud or error.

Auditors' 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.

Auditors' Responsibility (continued)

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 and each major fund, of the Authority, as of June 30, 2019, and the respective changes in financial position and cash flows thereof, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the Authority's proportionate share of the net pension liability and the schedules of the Authority's contributions on pages thirty-three through thirty-five 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparison. The financial data schedule and schedule of cash accounts required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule and schedule of cash accounts required by 2.2.2 NMAC are the responsibility of management and were 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 and the schedule of cash accounts required by 2.2.2 NMAC are 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 26, 2019 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.

Other Reporting Required by Government Auditing Standards (continued)

The purpose of that report is solely 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 effectiveness of the Authority's 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.

Fierro + Fierro, P.A.

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

November 26, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is an overview of the financial condition for the Public Housing Authority of the Town of Clayton, New Mexico (the Authority), for the fiscal year ended June 30, 2019. This narrative highlights the major aspects of the Authority's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

The Authority is a component unit of the Town of Clayton and is governed by its own set of commissioners. The Authority is funded and monitored by the U.S. Housing and Urban Department and the Real Estate Assessment Center.

Financial Highlights

The primary source of funding for these activities continues to be tenant rentals, whereas subsidies and grants from the U.S. Department of Housing and Urban Development (HUD) provide a secondary but also significant source of funding.

The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $780,448, as the close of the fiscal year ended June 30, 2019. Of this amount, $742,503 represents a restriction equal to the net amount invested in land, construction in progress, buildings, leasehold improvements, furnishings, and equipment. The remainder of $37,945, of unrestricted assets could be used to meet the Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 12.07% of the total operating expenses of $314,428 for the fiscal year ended June 30, 2019. This means the Authority might be able to operate about one month suing the unrestricted assets alone, which is comparable to the 1.3 months in the prior fiscal year.

The Authority's total net position decreased by $74,012, a decrease of 8.66% from the prior fiscal year. This decrease is attributable to a decrease in tenant revenues. Tenant revenues decreased by $28,005.

During the fiscal year, the Authority spent $27,159 on capital asset additions during the fiscal year.

These changes lead to a decrease in total assets of $80,900 and a decrease in total liabilities $8,546. As a related measure of financial health, there are still over $7.62 of current assets covering each dollar of the Authority's total current liabilities, which compares with $6.71 covering the prior fiscal year's liabilities. As such, the Authority continues to operate without the need for debt borrowing.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The 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 Authority as a whole and present a long term view of the Authority's finances. This report also contains other supplemental information in addition to the basic financial statements, themselves, demonstrating how projects are funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off, or worse off, as a result of the achievements of the fiscal year ended June 30, 2019?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about the 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 Authority are reported as proprietary funds. A fund is a grouping of related accounts that is sued to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Authority's financial statements report its net position and changes in them. One can think of the 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 the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Authority.

Using this Annual Report

The Authority's annual report consists of financial statements that show combined information about the Authority's most significant programs: 1.) Low Rent Public Housing, and 2.) Public Housing Capital Fund Program.

The 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.

Reporting the Authority's Most Significant Funds

The Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by HUD. However, the 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 Authority's enterprise funds use the following accounting approach for proprietary funds: all of the 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 Authority's net position was $780,448 as of June 30, 2019. Of this amount, $742,503 was net investment in capital assets, and the remaining $37,945 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on the general net position.

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

	June 30, 2019	June 30, 2018
Assets:		
Current assets	$ 170,393	$ 173,982
Assets restricted for tenant deposits	8,625	11,950
Capital assets, net of accumulated depreciation	742,503	816,489
Total assets	921,521	1,002,421
Deferred outflows of resources	42,913	33,391
Total assets and deferred outflows of resources	$ 964,434	$ 1,035,812
Liabilities:		
Current liabilities	$ 13,000	$ 27,701
Compensated absences, noncurrent	83	-
Net pension liability	162,881	139,717
Total liabilities	175,964	167,418
Deferred inflows of resources	8,022	13,934
Net Position:		
Net investment in capital assets	742,503	816,489
Unrestricted	37,945	37,971
Total net position	780,448	854,460
Total liabilities, deferred inflows of resources and net position	$ 964,434	$ 1,035,812

Financial Analysis (continued)

A summary of the Authority's statement of revenues, expenses, and changes in fund net position is presented below:

	June 30, 2019	June 30, 2018
Operating Revenues:		
Charges for services	$ 123,892	$ 151,897
Operating Expenses:		
Personnel services	89,883	90,474
Employee benefits	40,073	41,104
Repairs and maintenance	23,890	31,802
Professional services	11,408	14,373
Utilities	24,201	43,654
Insurance	22,418	-
General operating	8,126	25,752
Depreciation	94,429	106,438
Total operating expenses	314,428	353,597
Operating (loss)	(190,536)	(201,700)
Non-Operating Revenues (Expenses):		
Intergovernmental	92,773	73,571
Interest income	1,414	635
Miscellaneous income	1,894	505
Total non-operating revenues (expenses)	96,081	74,711
(Income) before capital contributions and transfers	(94,455)	(126,989)
Capital Contributions and Transfers:		
Capital contributions	20,443	24,717
Capital transfers in	45,500	82,589
Operating transfers in	15,000	15,000
Capital transfers (out)	(45,500)	(82,589)
Operating transfers (out)	(15,000)	(15,000)
Total capital contributions and transfers	20,443	24,717
Change in net position	(74,012)	(102,272)
Net position, beginning of year	854,460	956,732
Net position, end of year	$ 780,448	$ 854,460

The net position of these funds decreased by $74,012, or by 8.66%, from those of the prior fiscal year, as explained below. In the narrative that follows, the detail factors causing this change are discussed.

Financial Analysis (continued)

Compared with the prior fiscal year, total operating and non-operating revenues decreased by $6,635, or by 2.93%, from a combination of offsetting factors. Reasons for the most of this change are listed below in order of impact from greatest to least:

- Total tenant revenue decreased by $28,005 from that of the prior year, or by 18.44% because the amount of rent each tenant pays is based on a sliding scale of their personal income.
- Federal revenues from HUD for operations increased by $19,202, or by 26.10% from that of the prior year. The determination of operating grants is based in part upon operations performance of prior years. This amounts fluctuates from year-to-year because of the complexities of the HUD's funding formula. 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.
- Interest income increased by $779 or by 122.68% from that of the prior fiscal year, primarily due to an increase in the rate of interest paid on the Authority's certificates of deposit.

Compared with the prior fiscal year, total operating and non-operating expenses decreased by $39,169, or by 11.08%, from a combination of offsetting factors. Reasons for most of this change are listed below, in order of impact from greatest to least:

- General operating expenses increased by $4,792, or by 18.61%, from that of the prior fiscal year.
- Utilities expense decreased by $19,453, or by 44.56%, from that of the prior fiscal year.
- Depreciation expense decreased by $12,009, or by 11.28%, from that of the prior fiscal year.
- Repairs and maintenance decreased by $7,912, or by 2.49%, from that of the prior fiscal year.
- Professional services decreased by $2,965, or by 20.63%, from that of the prior fiscal year.
- Personnel services and employee benefits decreased by $1,622 or by 1.23%, from that of the prior fiscal year.

Capital Assets

At June 30, 2019, the Authority had a total cost of $3,708,391 invested in a broad range of assets, as listed below. This amount, not including accumulated depreciation, represents an increase of $20,443 from the prior year. More detailed information about the capital assets appears in the notes to the financial statements, on page seventeen.

Capital Assets (continued)

The following chart shows the breakdown of assets by classification:

	June 30, 2019	June 30, 2018
Land	$ 51,294	$ 51,294
Construction in progress	20,443	45,500
Buildings	2,413,695	2,374,911
Building improvements	649,564	642,848
Furniture and equipment - dwellings	421,179	421,179
Furniture and equipment - administration	152,216	152,216
Accumulated depreciation	(2,965,888)	(2,871,459)
	$ 742,503	$ 816,489

As of the fiscal year ended June 30, 2019, the Authority is still in the process of completing HUD grants obtained during the prior fiscal years.

Long-Term Debt

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

Budget

The Authority budgets in accordance with HUD requirements, which are utilized only as a guideline. One budget adjustment resolution was approved during the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by federal budget than by local economic conditions. The capital budgets for the 2019 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

Contacting the Authority's Financial Management

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to Angela Lucero, Executive Director, 200 Aspen Street, Clayton, New Mexico 88415.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Low Rent Fund	Capital Fund Program Fund	Total
Assets:			
Current assets:			
Cash	$ 160,254	$ 1	$ 160,255
Receivables, net	1,166	-	1,166
Inventory	8,972	-	8,972
Total current assets	170,392	1	170,393
Noncurrent assets:			
Restricted cash	8,625	-	8,625
Capital assets, not being depreciated	51,294	20,443	71,737
Capital assets, being depreciated	670,766	-	670,766
Total noncurrent assets	730,685	20,443	751,128
Deferred Outflows of Resources:			
Pension related	42,913	-	42,913
Total assets and deferred outflows of resources	$ 943,990	$ 20,444	$ 964,434
Liabilities:			
Current liabilities:			
Accounts payable	$ 1,461	$ -	$ 1,461
Unearned revenues	154	-	154
Tenant deposits	8,625	-	8,625
Current maturities of liabilities:			
Compensated absences	2,760	-	2,760
Total current liabilities	13,000	-	13,000
Noncurrent liabilities:			
Compensated absences	83	-	83
Net pension liability	162,881	-	162,881
Total noncurrent liabilities	162,964	-	162,964
Total liabilities	175,964	-	175,964
Deferred Inflows of Resources:			
Pension related	8,022	-	8,022
Net Position:			
Net investment in capital assets	722,060	20,443	742,503
Unrestricted	37,944	1	37,945
Total net position	760,004	20,444	780,448
Total liabilities, deferred inflows of resources and net position	$ 943,990	$ 20,444	$ 964,434

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Low Rent Fund	Capital Fund Program Fund	Total
Operating Revenues:			
Charges for services	$ 123,892	$ -	$ 123,892
Operating Expenses:			
Personnel services	89,883	-	89,883
Employee benefits	40,073	-	40,073
Repairs and maintenance	23,890	-	23,890
Professional services	11,408	-	11,408
Utilities	24,201	-	24,201
Insurance	22,418	-	22,418
General operating	8,126	-	8,126
Depreciation	94,429	-	94,429
Total operating expenses	314,428	-	314,428
Operating (loss)	(190,536)	-	(190,536)
Non-Operating Revenues (Expenses):			
Intergovernmental	77,773	15,000	92,773
Interest income	1,414	-	1,414
Miscellaneous income	1,894	-	1,894
Total non-operating revenues (expenses)	81,081	15,000	96,081
Income (loss) before capital contributions and transfers	(109,455)	15,000	(94,455)
Capital Contributions and Transfers:			
Capital contributions	-	20,443	20,443
Capital transfers in	45,500	-	45,500
Operating transfers in	15,000	-	15,000
Capital transfers (out)	-	(45,500)	(45,500)
Operating transfers (out)	-	(15,000)	(15,000)
Total capital contributions and transfers	60,500	(40,057)	20,443
Change in net position	(48,955)	(25,057)	(74,012)
Net position, beginning of year	808,959	45,501	854,460
Net position, end of year	$ 760,004	$ 20,444	$ 780,448

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Low Rent Fund	Capital Fund Program Fund	Total
Cash Flows from Operating Activities:			
Cash received from tenants	$ 125,844	$ -	$ 125,844
Cash payments to suppliers for goods and services	(152,010)	-	(152,010)
Cash payments to employees for services	(78,280)	-	(78,280)
Net cash (used) by operating activities	(104,446)	-	(104,446)
Cash Flows from Non-Capital and Related Financing Activities:			
Cash received from intergovernmental sources	77,773	15,000	92,773
Cash received from miscellaneous sources	1,894	-	1,894
Net change in tenant deposits	3,325	-	3,325
Net transfers in (out)	15,000	(15,000)	-
Net cash provided by non-capital and related financing activities	97,992	-	97,992
Cash Flows from Capital and Related Financing Activities:			
Cash received from intergovernmental sources	-	20,443	20,443
Acquisition and construction of capital assets	-	(20,443)	(20,443)
Net cash (used) by capital and related financing activities	-	-	-
Cash Flows from Investing Activities:			
Proceeds from maturities of investments	63,445	-	63,445
Purchase of investments	(62,188)	-	(62,188)
Interest income	1,290	-	1,290
Net cash provided by investing activities	2,547	-	2,547
Net increase in cash	(3,907)	-	(3,907)
Cash and cash equivalents, beginning of year	172,786	1	172,787
Cash and cash equivalents, end of year	$ 168,879	$ 1	$ 168,880
Displayed as:			
Cash	$ 160,254	$ 1	$ 160,255
Restricted cash	8,625	-	8,625
	$ 168,879	$ 1	$ 168,880

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019

	Low Rent Fund	Capital Fund Program Fund	Total
Reconciliation of Operating (Loss) to Net Cash			
Used by Operating Activities:			
Operating (loss)	$ (190,536)	$ -	$ (190,536)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:			
Depreciation	94,429	-	94,429
Change in Assets and Liabilities:			
Decrease in tenants' receivable	2,385	-	2,385
Decrease in prepaid expenses	569	-	569
(Decrease) in accounts payable	(5,407)	-	(5,407)
(Decrease) in accrued salaries	(4,646)	-	(4,646)
(Decrease) in compensated absences	(807)	-	(807)
(Decrease) in unearned revenues	(433)	-	(433)
Total adjustments	86,090	-	86,090
Net cash (used) by operating activities	$ (104,446)	$ -	$ (104,446)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies the pronouncements issued by the Government Auditing Standards Board (GASB).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (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 and all liabilities 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 invested in capital assets; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

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 required by the U.S. Department of Housing and Urban Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets

The Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. The executive director submits the budget to the Authority's board of commissioners for approval.
4. The board of 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.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, certificates of deposit, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Receivables

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

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation.

Major outlay for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes the Authority changed its capitalization threshold to include only assets with a cost of $5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	50 years
Equipment, computer hardware and software, furniture, and fixtures	5 years
Building improvements	20 years
Vehicles	5 years

I. Compensated Absences

Vested or accumulated vacation leave is reflected as a liability of the 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences (continued)

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

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

J. Unearned Revenues

The Authority reports unearned revenue on its statement of financial 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 incurrent 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 financial position and revenue is recognized.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position (continued)

Net Investment in Capital Assets (continued) – 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.*

M. 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.

N. 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.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 banks 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.

2. CASH (continued)

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

As of June 30, 2019, 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:

Cash Deposited with Financial Institutions

	Per Financial Institution	Reconciling Items	Per Financial Statements
Cash on hand	$ -	$ 772	$ 772
Farmer's & Stockmen's Bank	111,428	(7,767)	103,661
First National Bank NM	64,447	-	64,447
	$ 175,875	$ (6,995)	$ 168,880

The amounts reported as cash for the Authority within the financial statements is displayed as:

Statement of Net Position:	
Cash	$ 160,255
Restricted cash	8,625
Total cash reported on the financial statements	$ 168,880

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 collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

	Farmer's & Stockmen's Bank	First National Bank New Mexico
Total deposits in bank	$ 111,428	$ 64,447
Less FDIC insurance	(111,428)	(64,447)
Uninsured public funds	-	-
Pledged collaterial held by pledging bank's agent, but not in the Authority's name	-	-
Uninsured and uncollateralized public funds	$ -	$ -
Total pledged collateral	$ -	$ -
50% pledged collateral requirement per state statute	-	-
Pledged collateral (under) over the requirement	$ -	$ -

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the Authority's bank balance was exposed to custodial credit risk.

3. RECEIVABLES, NET

Receivables at June 30, 2019, consisted of the following:

Accounts:	
Tenants' rent	$ 1,042
Less allowance for doubtful accounts	-
	1,042
Interest	124
	$ 1,166

The Authority's policy is to provide for uncollectible accounts based upon expected defaults.

4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2019:

4. CAPITAL ASSETS (continued)

	Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 51,294	$ -	$ -	$ 51,294
Construction in progress	45,500	20,443	(45,500)	20,443
Total capital assets, not being depreciated	96,794	20,443	(45,500)	71,737
Other capital assets, being depreciated:				
Buildings	2,374,911	38,784	-	2,413,695
Building improvements	642,848	6,716	-	649,564
Furniture and equipment - dwellings	421,179	-	-	421,179
Furniture and equipment - administration	152,216	-	-	152,216
Total other capital assets, being depreciated	3,591,154	45,500	-	3,636,654
Less accumulated depreciation for:				
Buildings	(1,740,860)	(70,244)	-	(1,811,104)
Building improvements	(592,737)	(14,755)	-	(607,492)
Furniture and equipment - dwellings	(408,480)	(2,608)	-	(411,088)
Furniture and equipment - administration	(129,382)	(6,822)	-	(136,204)
Total accumulated depreciation	(2,871,459)	(94,429)	-	(2,965,888)
Other capital assets, net	719,695	(48,929)	-	670,766
Total capital assets, net	$ 816,489	$ (28,486)	$ (45,500)	$ 742,503

5. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2019, were as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Amount Due Within One Year
Accrued compensated absences	$ 3,650	$ 1,690	$ (2,497)	$ 2,843	$ 2,760

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information About the Pension Plan

Plan description - *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan.

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information About the Pension Plan (continued)

This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement (PERA) fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA fund, unless specifically excluded.

Benefits provided – Benefits are generally available at age 65 with five or benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member’s final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors’ annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member’s age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised by .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

General Information About the Pension Plan (continued)

TIER II (continued)

Contributions - See PERA's comprehensive annual financial report for contribution provided description.

PERA Contribtuion Rates and Pension Factors as of July 1, 2018						
	Employee Contribution Percentage			Pension Factor per Year of Service		
Coverage Plan	Annual Salary less than $20,000	Annual Salary greater than $20,000	Employer Contribution Percentage	TIER I	TIER II	Pension Maxiumum as a Percentage of the Final Average Salary
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers on 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers on 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the Authority reported a liability of $162,881 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

PERA Fund Municipal General Division

At June 30, 2018, the Authority's proportion was 0.0131%, which was an increase of 0.0030%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of $18,274. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,708	$ 4,276
Changes of assumptions	14,767	937
Net difference between projected and actual investment earnings on pension plan investments	12,080	-
Changes in proportion and differences between contributions and proportionate share of contributions	764	2,809
Employer contributions subsequent to the measurement date	10,594	-
	$ 42,913	$ 8,022

$10,594 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) -

Year Ending		
2020	$	15,250
2021		6,703
2022		1,736
2023		608
2024		-
Thereafter		-

Actuarial assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA Fund	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
• Investment rate of return	7.25% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.00%
• Projected salary increases	3.25% to 13.50% annual rate
• Includes inflation at	2.50% 2.75% all other years
• Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with femal ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in=-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
• Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

6. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued) -

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to Include Real Estate Equity	20.00%	6.48%
Total	100.00%	

Discount rate – A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
PERA Fund Municipal General Division			
The Authority's proportionate share of the net pension liability	$ 250,988	$ 162,881	$ 90,046

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA's financial reports.

7. OTHER POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Authority has elected not to participate in the post-employment health insurance plan.

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

10. INTERFUND TRANSFERS

The capital fund program fund has transferred $15,000 to the low rent fund. The capital fund program fund is responsible for collecting revenues that are used for the operations and thus those funds were transferred for use in the low rent fund.

The capital fund program fund has transferred $45,500 to the low rent fund. The capital fund program fund is responsible for collecting grant revenues for property and equipment upgrades throughout the Authority. Once a project has been completed, the capital fund program fund transfers the assets to the low rent fund.

11. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

The financial data schedule presented as supplemental federal financial information is additional financial information required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds.

11. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION (continued)

These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

	Financial Statements	Differences	Financial Data Schedule
Assets	$ 921,521	$ -	$ 921,521
Deferred outflows of resources	42,913	-	42,913
Total assets and deferred outflows of resources	$ 964,434	$ -	$ 964,434
Liabilities	$ 175,964	$ -	$ 175,964
Deferred inflows of resources	8,022	-	8,022
Net position	780,448	-	780,448
Total liabilities, deferred inflows of resources, and net position	$ 964,434	$ -	$ 964,434
Revenues	$ 219,973	$ -	$ 219,973
Expenses	(314,428)	-	(314,428)
Excess (deficiency) of revenues over expenditures	$ (94,455)	$ -	$ (94,455)

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 26, 2019, which is the date of the independent auditors’ report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Tenant income	$ 142,300	$ 142,300	$ 123,892	$ (18,408)
Intergovernmental	73,000	73,000	77,773	4,773
Interest income	150	150	1,414	1,264
Miscellaneous income	24,330	24,330	1,894	(22,436)
Total operating revenues	239,780	239,780	204,973	(34,807)
Operating Expenses:				
Administrative salaries	43,260	43,660	43,660	-
Training	1,100	1,100	740	360
Travel	1,600	1,190	312	878
Accounting fees	4,500	4,500	4,487	13
Auditing fees	6,920	6,930	6,921	9
Other administrative expenses	8,605	7,805	6,477	1,328
Collection losses	500	500	261	239
Water and solid waste	7,760	10,750	10,738	12
Electricity	6,500	5,700	5,693	7
Gas	2,000	2,200	2,170	30
Other utilities	7,200	5,610	5,600	10
Maintenance labor	46,570	46,570	46,223	347
Maintenance materials	10,000	10,710	10,704	6
Maintenance contracts	24,000	22,040	13,186	8,854
Insurance	21,700	22,500	22,418	82
Other general expenses	2,250	2,700	336	2,364
Employee benefits	34,400	34,400	40,073	(5,673)
Total operating expenses	228,865	228,865	219,999	8,866
Transfers:				
Transfers in	-	-	15,000	(15,000)
Net income (loss)	$ 10,915	$ 10,915	$ (26)	$ (10,941)

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
LOW RENT FUND
RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedules:	$	204,973
Differences - Budget to GAAP:		
The Authority budgets for Low Rent grant revenues as operating revenues for budgetary purposes. Low Rent revenues are reported as non-operating revenues for financial reporting purposes.		(77,773)
The Authority budgets for interest income as operating revenues for budgetary purposes. Interest income is reported as non-operating revenues for financial reporting purposes.		(1,414)
The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenue is reported as non-operating revenues for financial reporting purposes.		(1,894)
Total operating revenues as reported on the statement of revenues, expenses and changes in fund net position.	$	123,892
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedules.	$	219,999
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.		94,429
Total operating expenses as reported on the statement of revenues, expenses and changes in fund net position.	$	314,428
Transfers:		
Actual amounts (budgetary basis) "transfers" from the budgetary comparison schedules:	$	15,000
Differences - Budget to GAAP:		
The Authority does not budget transfers from the capital fund program fund once grants have been closed to the low rent fund.		45,500
Total transfers as reported on the statement of revenues, expenses, and changes in fund net position.	$	60,500

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY

SCHEDULE OF TOWN OF CLAYTON PUBLIC HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND
PUBLIC EMPLOYEES RETIREMENT ASSOCIATON (PERA) PLAN
MUNICIPAL GENERAL DIVISION
LAST TEN FISCAL YEARS *

	June 30,				
Fiscal Year	2019	2018	2017	2016	2015
Measurement Date	2018	2017	2016	2015	2014
Authority's proportionate of the net pension liability (asset)	0.0131%	0.0101%	0.0102%	0.0098%	0.0097%
Authority's proportionate share of the net pension liability (asset)	$ 162,881	$ 139,717	$ 162,834	$ 99,491	$ 75,468
Authority's covered-employee payroll	$ 86,670	$ 85,742	$ 81,948	$ 79,852	$ 75,657
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.93%	162.95%	198.70%	124.59%	99.75%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	81.31%	81.29%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF TOWN OF CLAYTON PUBLIC HOUSING AUTHORITY'S
CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATON (PERA) PLAN
MUNICIPAL GENERAL DIVISION
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015
Statutory required	$ 10,594	$ 8,277	$ 8,188	$ 7,826	$ 7,626
Contributions in relation to the statutorily required contributions	10,594	8,277	8,188	7,826	7,626
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

PERA PLAN

Changes of benefit terms - The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CAFR. This report is available at https://www.saonm.org.

Changes of assumption - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2018, is available at https://www.nmpera.org.

OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2019

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, NM 88415				
Clayton Housing Authority	Checking	$ 102,602	$ (7,567)	$ 95,035
Clayton Housing Authority	Checking	8,825	(200)	8,625
Clayton Housing Authority	Checking	1	-	1
		$ 111,428	$ (7,767)	$ 103,661
First National Bank New Mexico 201 Main Street Clayton, NM 88415				
Clayton Housing Authority	CD	$ 32,161	$ -	$ 32,161
Clayton Housing Authority	CD	32,286	-	32,286
		$ 64,447	$ -	$ 64,447

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019

Line Item	Description	Total Projects
111	Cash - unrestricted	$ 95,808
114	Cash - tenant security deposits	8,625
100	Total cash	104,433
126	Accounts receivable - tenants	1,042
126.1	Allowance for doubtful accounts - dwelling rent	-
129	Accrued interest receivable	124
120	Total receivables, net of allowance for doubtful accounts	1,166
131	Investments - unrestricted	64,447
143	Inventories	9,969
143.1	Allowance for obsolete inventories	(997)
150	Total current assets	179,018
161	Land	51,294
162	Buildings	2,413,695
163	Furniture, equipment and machinery - dwellings	421,179
164	Furniture, equipment and machinery - administration	152,216
165	Leasehold improvements	649,564
166	Accumulated depreciation	(2,965,888)
167	Construction in progress	20,443
160	Total capital assets, net of a/d	742,503
200	Deferred outflows of resources	42,913
290	Total assets	$ 964,434
312	Accounts payable <= 90 days	$ 1,461
322	Accrued compensated absences - current portion	2,760
341	Tenant security deposits	8,625
342	Unearned revenues	154
310	Total current liabilities	13,000
354	Accrued compensated absences - non-current	83
357	Accrued pension and OPEB liabilities	162,881
	Total noncurrent liabilities	162,964
300	Total liabilities	175,964
400	Deferred inflows of resources	8,022
508.1	Net investment in capital assets	742,503
512.1	Unrestricted net assets	37,945
513	Total equity	780,448
600	Total liabilities and equity	$ 964,434

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	$ 115,954	$ -	$ 115,954
70400	Tenant revenue - other	7,938		7,938
70500	Total tenant revenues	123,892	-	123,892
70600	HUD PHA operating grants	77,773	15,000	92,773
70610	Capital grants	-	20,443	20,443
71100	Investment income - unrestricted	1,414	-	1,414
71500	Other revenue	1,894	-	1,894
70000	Total revenues	204,973	35,443	240,416
91100	Administrative salaries	43,660	-	43,660
91200	Auditing fees	6,921	-	6,921
91310	Bookkeeping fees	4,487	-	4,487
91500	Employee benefit contributions - administrative	23,602	-	23,602
91600	Office expenses	7,217	-	7,217
91800	Travel	312	-	312
91900	Other	261	-	261
91000	Total operating - administrative	86,460	-	86,460
93100	Water	10,738	-	10,738
93200	Electricity	5,693	-	5,693
93300	Gas	2,170	-	2,170
93600	Sewer	5,600	-	5,600
93000	Total utilities	24,201	-	24,201
94100	Ordinary maintenance and operations - labor	46,223	-	46,223
94200	Ordinary maintenance and operations - materials and other	10,704	-	10,704
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	4,015	-	4,015
94300-070	Ordinary maintenance and operations contracts - electrical contracts	522	-	522
94300-080	Ordinary maintenance and operations contracts - plumbing contracts	2,455	-	2,455
94300-090	Ordinary maintenance and operations contracts - extermination contracts	2,618	-	2,618
94300-100	Ordinary maintenance and operations contracts - janitorial contracts	852	-	852
94300-110	Ordinary maintenance and operations contracts - routine maintenance contracts	74	-	74
94300-120	Ordinary maintenance and operations contracts - miscellaneous contracts	2,650	-	2,650
94300	Ordinary maintenance and operations contracts	13,186	-	13,186
94500	Employee benefit contribution - ordinary maintenance	16,471	-	16,471
94000	Total maintenance	86,584	-	86,584

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	1,190	-	1,190
96120	Liability insurance	8,608	-	8,608
96130	Workmen's compensation	3,056	-	3,056
96140	All other insurance	9,564	-	9,564
96100	Total insurance premiums	22,418	-	22,418
96200	Other general expenses	336	-	336
96000	Total other general expenses	336	-	336
96000	Total operating expenses	219,999	-	219,999
97000	Excess (deficiency) revenues over operating expenses	(15,026)	35,443	-
97400	Depreciation expense	94,429	-	94,429
90000	Total expenses	314,428	-	314,428
10010	Operating transfers in	15,000	-	15,000
10020	Operating transfers out	-	(15,000)	(15,000)
10100	Total other financing sources (uses)	15,000	(15,000)	-
	Excess (deficiency) of revenues over (under) expenses	$ (94,455)	$ 20,443	$ (74,012)
11030	Beginning equity	$ 808,959	$ 45,501	$ 854,460
11040-070	Equity transfers	45,500	(45,500)	-
11190	Unit months available	600	-	600
11210	Unit months leased	566	-	566

ADDITIONAL INDEPENDENT AUDITORS' REPORT

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

Brian S. Colón, State Auditor
and
Board of Commissioners
Town of Clayton Public Housing Authority
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 and each major fund, of the Public Housing Authority (Authority) of Town of Clayton, New Mexico, a component unit of the Town of Clayton, New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the budgetary comparison of low rent major enterprise fund of the Authority, presented as supplemental information, and have issued our report thereon dated November 26, 2019.

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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001, which we consider to be a significant deficiency.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2019-001.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority'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 Authority'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.

Fierro + Fierro, P.A.

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

November 26, 2019

STATE OF NEW MEXICO
TOWN OF CLAYTON
PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness (es) identified?	____	Yes	X	No
• Significant deficiency (ies) identified?	X	Yes	____	None reported
• Noncompliance material to financial statements noted	____	Yes	X	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Item 2018-001 – Significant Deficiency – Lack of Internal Control over Receipts

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

- Of the fifty-five payments received that were tested, fourteen were not deposited within five business days. The total amount of these fourteen receipts was $2,292.00. Six of the fourteen receipts that were not deposited timely, were receipted greater than two weeks prior to deposit. Five of the fourteen receipts that were not deposited timely, were receipted greater than one week prior to deposit.

This finding is a repeat of a prior year audit finding. During the current year, the Housing Authority failed to correct the deviations in respect to cash receipts.

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

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

Cause – The Executive Director is only paid full-time administrative employee of the Housing Authority.

Recommendation – We recommend the Housing Authority review and update their policies and procedures concerning cash deposits. This will help ensure that deposits are made timely.

SECTON II - FINANCIAL STATEMENT FINDINGS (continued)

Item 2018-001 – Significant Deficiency – Lack of Internal Control over Receipts (continued)

View of Responsible Officials and Planned Corrective Actions – CHA agrees with the recommendation; however, CHA would like to note that the fourteen receipts were actually only one deposit. As noted in the finding, CHA only has one fulltime person in the office. The timeliness of the deposit was a deviation of policy; however, there was no mismanagement of funds.
Responsible Party: Executive Director *Completion Date*: June 30, 2020.

Item 2019-001 – Other Non-Compliance – Per Diem and Mileage Act

Statement of Condition – During our testing of the Housing Authority's compliance with the Per Diem and Mileage Act, we noted deviations. Our sample size was five transactions, which were randomly selected throughout the fiscal year, and contained the following deviations:

- There were four instances where a Housing Authority employee was reimbursed for meals without submitting receipts for the actual expenses occurred during the business trip. The employee was paid $330 for these meals. We were unable to determine if the Housing Authority or the employee were over/under paid on these trips due to a lack of receipts.

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

Section 2.42.2.8(A) of the Travel and Per Diem regulations states, "*Where lodging and or/meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC."*

Section 2.42.2.9(2) of the Travel and Per Diem regulations states, "*Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 to a maximum of $30.00 for in-state travel and $45.00 for out-of-state travel for a 24-hour period."*

Section 2.42.2.9(3) of the Travel and Per Diem regulations states, "*The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board."*

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

Cause – The Housing Authority staff believed they were following the Per Diem and Mileage Act correctly. The Housing Authority staff failed to follow the requirements concerning providing receipts for actual reimbursement for meals.

SECTON II - FINANCIAL STATEMENT FINDINGS (continued)

Item 2019-001 – Other Non-Compliance – Per Diem and Mileage Act (continued)

Recommendation – We recommend the Housing Authority staff continue to review the Per Diem and Mileage Act. Further, we recommend the Housing Authority make any necessary changes to their policies and procedures concerning the Per Diem and Mileage Act to ensure compliance with the Act.

Views of Responsible Officials and Planned Corrective Actions – Management disagrees with this finding. As mentioned, CHA believed per diem was calculated correctly. No receipts were provided, because it was understood by CHA that when employees chose per diem, receipts are not required. In all these cases, if the employee would have been reimbursed for full overnight per diem, it would have cost CHA more money than the employee was only asking for reimbursement of meals. *Responsible Party:* Executive Director *Completion Date*: June 30, 2020.

SECTION III - STATUS OF PRIOR YEAR FINDINGS

Item 2018-001 – Significant Deficiency – Lack of Internal Control over Receipts – Repeated/Modified.

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2019, was discussed during the exit conference held on December 2, 2019. Present for the Public Housing Authority was: Carlota Ulibarri, chairperson; and Angela Lucero, executive director. Present from the auditing firm was Dominic Fierro, manager.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Town of Clayton Public Housing Authority as of and for the year ended June 30, 2019. The Authority prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The Authority also performed all depreciation calculations for the Authority. The Authority’s upper management has reviewed and approved the financial statements and related notes, and they believe the Authority’s books and records adequately support them.