

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY**

**A COMPONENT UNIT OF
SOCORRO COUNTY, NEW MEXICO**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

For the Year Ended June 30, 2010

With Independent Auditors' Reports Thereon

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SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
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SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
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SOCORRO COUNTY HOUSING AUTHORITY
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**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
OFFICIAL ROSTER
June 30, 2010**

Board of Commissioners

Lonnie Marquez
Bob Tacker
Marcel Abeyta
Anthony Chavez
Jose L. Vega

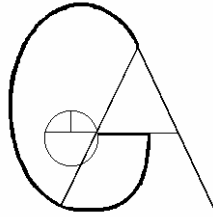
Chairperson
Vice-Chairperson
Commissioner
Commissioner
Commissioner

Administrative Staff

Mary Ann Chavez

Executive Director

FINANCIAL SECTION



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor
Mayor Ravi Bhasker
And Board of Commissioners
Socorro County Housing Authority
Socorro, New Mexico

Regional Inspector General for Audit
Department of Housing and Urban
Development
Ft. Worth, Texas

I have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Socorro County Housing Authority, a component unit of Socorro County, Socorro, New Mexico (Housing Authority) as of and for the year ended June 30, 2010, which collectively comprise the Housing Authority's basic financial statements as listed in the Table of Contents. I have also audited the financial statements for each of the Authority's nonmajor enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

INDEPENDENT AUDITOR'S REPORT, continued

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Socorro County Housing Authority, a component unit of Socorro County, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor enterprise fund of the Housing Authority as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2010 on my consideration of the Housing Authority's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Socorro County Housing Authority has not presented the *Management's Discussion and Analysis (M. D. & A.)* that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements, and the combining and individual fund financial statements, that collectively comprise the Socorro County Housing Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as "Supporting Schedules" in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 30, 2010

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Unit</u>	<u>Component Unit</u>
	<u>Socorro County</u>	<u>SOCORRO</u>
	<u>HOUSING</u>	<u>VILLAGE</u>
	<u>Business Type</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities</u>
ASSETS		
Cash and cash equivalents	\$ 17,947	119,879
Investments	16,537	
Due from HUD	29,855	
Due from other governments	144,693	
Due from Socorro Village	51,851	
Accounts receivable, net	25,526	5,098
Fraud recovery receivable	2,981	
Prepaid expenses	42,514	1,748
Interest Receivable	1	
Restricted assets:		
Cash and cash equivalents	184,524	227,659
Capital assets not being depreciated:		
Land	31,518	53,210
Capital assets, net of accumulated depreciation:		
Land and other capital improvements		282,944
Buildings and building improvements	54,519	1,719,073
Furniture, machinery and equipment	32,519	57,117
Total assets	<u>634,985</u>	<u>2,466,728</u>
LIABILITIES		
Accounts payable	155,975	121,009
Accrued Interest payable	237	850
Due to Socorro County Housing Authority		51,851
Deferred revenue		357
Accrued salary and benefits	8,300	
Accrued compensated absences	2,800	
Tenant security deposits		4,799
Noncurrent liabilities:		
Due within one year	5,755	9,489
Due in more than one year	30,345	1,380,511
Total liabilities	<u>203,412</u>	<u>1,568,866</u>
NET ASSETS		
Invested in capital assets, net of related debt	82,456	722,344
Restricted	184,524	
Unrestricted	164,593	175,518
Total net assets	<u>\$ 431,573</u>	<u>897,862</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Function/Programs	Expenses	Program Revenues			Total	Component Unit Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Unit:						
Housing Authority:						
Business-type activities:						
Housing Services	\$ 2,004,685	81,223	1,777,903		(145,559)	
Interest on long-term debt	3,697				(3,697)	
	<u>2,008,382</u>	<u>81,223</u>	<u>1,777,903</u>		<u>(149,256)</u>	
Component Unit:						
Socorro Village:						
Business-type activities:						
Housing Services	\$ 180,089	116,845	56,100	525,000		517,856
Interest on long-term debt	6,197					(6,197)
	<u>186,286</u>	<u>116,845</u>	<u>56,100</u>	<u>525,000</u>		<u>511,659</u>
General Revenues:						
Interest on Investments					60	79
Total General Revenues					<u>60</u>	<u>79</u>
Change in net assets					(149,196)	511,738
Net assets, beginning of year					<u>580,769</u>	<u>386,124</u>
Net assets, at end of year					<u>\$ 431,573</u>	<u>897,862</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Housing Choice Vouchers</u>	<u>Nonmajor Proprietary Funds</u>	<u>Totals</u>
ASSETS			
Current assets, unrestricted:			
Cash and cash equivalents	\$ 17,434	513	17,947
Due from HUD	29,855		29,855
Due from other governments		144,693	144,693
Accounts receivable, net	25,526		25,526
Prepaid expenses	42,514		42,514
Fraud recovery receivable	2,981		2,981
Interest receivable	1		1
Investments	16,537		16,537
Due from Socorro Village	51,851		51,851
Total current unrestricted assets	<u>186,699</u>	<u>145,206</u>	<u>331,905</u>
Current assets, restricted:			
Cash and cash equivalents:			
Housing Assistance Payments	184,524		184,524
Tenant Deposits			
Total current restricted assets	<u>184,524</u>		<u>184,524</u>
Total current assets	<u>371,223</u>	<u>145,206</u>	<u>516,429</u>
Capital Assets:			
Capital assets not being depreciated:			
Land	31,518		31,518
Capital assets net of accumulated depreciation:			
Land and site improvements			
Buildings and building improvements	54,519		54,519
Furnitures, machinery and equipment	32,519		32,519
Accumulated depreciation			
Capital assets, net of acc. depr.	<u>118,556</u>		<u>118,556</u>
Total assets	<u>\$ 489,779</u>	<u>145,206</u>	<u>634,985</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT C, continued

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Housing Choice Vouchers</u>	<u>Nonmajor Proprietary Funds</u>	<u>Totals</u>
LIABILITIES			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 11,501	144,474	155,975
Accrued interest payable	237		237
Accrued salaries and benefits	7,568	732	8,300
Accrued compensated absences	2,800		2,800
Current portion of note payable	5,755		5,755
Total Current Liabilities	<u>27,861</u>	<u>145,206</u>	<u>173,067</u>
Noncurrent liabilities:			
Long-term portion of note payable	<u>30,345</u>		<u>30,345</u>
Total Noncurrent Liabilities	<u>30,345</u>		<u>30,345</u>
Total liabilities	<u>58,206</u>	<u>145,206</u>	<u>203,412</u>
NET ASSETS			
Invested in capital assets, net of related debt	82,456		82,456
Restricted	184,524		184,524
Unrestricted	<u>164,593</u>		<u>164,593</u>
Total net assets	<u>431,573</u>		<u>431,573</u>
Total liabilities and net assets	<u>\$ 489,779</u>	<u>145,206</u>	<u>634,985</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	United States Department of Housing and Urban Development		
	Housing Choice Voucher	Nonmajor Proprietary Funds	Totals
Operating revenues:			
Charges for services:			
Miscellaneous	\$ 81,223		81,223
Total charges for services	<u>81,223</u>		<u>81,223</u>
Other operating revenues:			
Operating grants	1,312,177	465,726	1,777,903
Total operating revenues	<u>1,393,400</u>	<u>465,726</u>	<u>1,859,126</u>
Operating expenses:			
Administration:			
Salaries and benefits	104,513		104,513
Auditing and Bookkeeping	31,608	1,395	33,003
Office Expenses	27,110		27,110
Other	36,376	45,745	82,121
Utilities	1,592		1,592
Ordinary maintenance and repairs	1,113	125,361	126,474
Insurance and other general expenses	9,343		9,343
Direct assistance			
Housing assistance payments	1,318,001	69,420	1,387,421
Extraordinary maintenance and repairs		223,805	223,805
Depreciation	<u>9,303</u>		<u>9,303</u>
Total operating expenses	<u>1,538,959</u>	<u>465,726</u>	<u>2,004,685</u>
Net operating income	<u>(145,559)</u>		<u>(145,559)</u>
Nonoperating revenue (expenses):			
Interest income	60		60
Interest expense	<u>(3,697)</u>		<u>(3,697)</u>
Net non-operating income (expenses)	<u>(3,637)</u>		<u>(3,637)</u>
Net change in fund equity	<u>(149,196)</u>		<u>(149,196)</u>
Net assets, beginning of year, as previously reported	532,943	47,826	580,769
Adjustments	<u>47,826</u>	<u>(47,826)</u>	
Net assets, beginning of year, as restated	<u>580,769</u>		<u>580,769</u>
Net assets, end of year	<u>\$ 431,573</u>		<u>431,573</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	United States Department of Housing and Urban Development		
	Housing Choice Vouchers	Nonmajor Proprietary Funds	Totals
Cash flows from operating activities:			
Cash received from tenants and others for services	\$		
Cash received from operating grants	1,314,584	354,952	1,669,536
Cash paid for direct assistance		(156,747)	(156,747)
Cash paid for Housing Assistance Payments	(1,302,937)		(1,302,937)
Cash paid to and on behalf of employees	(103,782)	(17,151)	(120,933)
Cash paid to vendors for goods and services	(102,240)	(160,933)	(263,173)
Net cash flows from operating activities	<u>(194,375)</u>	<u>20,121</u>	<u>(174,254)</u>
Cash flows from noncapital financing activities:			
Transfers in from other programs	108,724		108,724
Transfers out to other programs		(108,724)	(108,724)
Net cash flows from noncapital financing activities	<u>108,724</u>	<u>(108,724)</u>	<u></u>
Cash flows from capital and related financing activities:			
Cash received for capital acquisitions			
Payments on debt	(9,005)		(9,005)
Purchase of property, plant and equipment	(31,326)		(31,326)
Net cash flows from capital and related financing activities	<u>(40,331)</u>	<u></u>	<u>(40,331)</u>
Cash flows from investing activities:			
Investment income	59		59
Net cash flows from investing activities	<u>59</u>	<u></u>	<u>59</u>
Net increase (decrease) in cash and cash equivalents	<u>(125,923)</u>	<u>(88,603)</u>	<u>(214,526)</u>
Cash and cash equivalents, beginning of year, as previously reported	344,418	89,116	433,534
Adjustment to eliminate investment from cash and cash equivalents	(16,537)		(16,537)
Cash and cash equivalents, at beginning of year, as restated	<u>327,881</u>	<u>89,116</u>	<u>416,997</u>
Cash and cash equivalent, end of year	<u>\$ 201,958</u>	<u>513</u>	<u>202,471</u>
Shown on balance sheets as:			
Unrestricted cash and cash equivalents	17,434	513	17,947
Restricted cash and cash equivalents	184,524		184,524
	<u>\$ 201,958</u>	<u>513</u>	<u>202,471</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

EXHIBIT E, continued

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2010

	United States Department of Housing and Urban Development		Totals
	Housing Choice Vouchers	Nonmajor Proprietary Funds	
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income	\$ (145,559)		(145,559)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation expense	9,303		9,303
Changes in assets and liabilities:			
(Increase)/decrease in assets:			
Tenant and other receivables, net Due from HUD	(21,071)		(21,071)
Fraud recovery receivable	(2,981)		(2,981)
Due from other governments	(56,401)	(110,775)	(167,176)
Prepaid expenses	15,794		15,794
Increase/(decrease) in liabilities:			
Accounts payable	5,809	122,602	128,411
Accrued salaries and benefits	875	8,294	9,169
Accrued and withheld payroll taxes Due to HUD Payment in lieu of taxes Deferred revenue Tenant security deposits Accrued compensated absences	(144)		(144)
	<u>\$ (194,375)</u>	<u>20,121</u>	<u>(174,254)</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

EXHIBIT E

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. PROGRAM GOAL AND THE PHA

The Socorro County Housing Authority (Authority) was organized under New Mexico Statutes, to provide a conduit for housing funds for disadvantaged New Mexicans. The Authority is a political subdivision of the State of New Mexico and a Component Unit of Socorro County, New Mexico.

The financial statements present only the financial position, results of operations and cash flows of the Authority and its component unit, Socorro Village LLC, and are not intended to present, and do not present the Socorro County's financial position, results of operations and cash flows of its' proprietary fund types.

This summary of significant accounting policies of Socorro County Housing Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on, before, and after November 30, 1989 unless these pronouncements conflict with or contradict GASB Statement No.'s 20 and 34 that provided the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

The primary purpose of the Socorro County Housing Authority is to manage the Section 8 Housing Choice Vouchers program provided by the Department of Housing and Urban Development (HUD) to aid low income families in obtaining decent, safe and sanitary rental housing. The program provides housing assistance payments to participating owners on behalf of eligible tenants. Housing assistance payments are generally the difference between the local payment standard and 30 percent of the family's adjusted income. The Authority does not have a legally adopted budget and therefore is not required to present budgetary comparisons.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

B. FINANCIAL REPORTING ENTITY

The Socorro County Housing Authority's basic financial statements include the accounts of all of its operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB #14 and GASB #39. Socorro Village LLC, HUD Project No. NM16M000081, is a component unit of Socorro County Housing Authority. Socorro Village's disclosures are made in note 5.

C. BASIS OF PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The housing authority's funds are grouped into a single fund type (proprietary funds) and include the following individual funds.

Major Fund:

Section 8 Housing Choice Vouchers

Nonmajor Funds:

Shelter Plus Care (Shelter)

Home Rehab

Homeless Prevention and Rapid Re-housing Program (HPRP)

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

D. BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities – Exhibits A and B) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements as are component units that are fiduciary in nature.

Socorro County Housing Authority does not have any governmental, internal service or fiduciary funds.

The Statement of Net Assets and the Statement of Activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

All proprietary funds are also accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

E. FUND FINANCIAL STATEMENTS

Major individual enterprise funds are normally reported as separate columns in the fund financial statements.

Nonmajor funds are combined and reported in a single column in the fund financial statements. The fund financial statements do not exclude interfund activity.

The Authority reports the following major funds:

Section 8 Housing Choice Voucher

The Authority reports the following combined nonmajor funds:

Shelter Plus Care (Shelter)

Home Rehab

F. REVENUE AND EXPENSE RECOGNITION

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 funds principal ongoing operations. The principal operating revenues of the Authority's funds are from HUD operating grants. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are treated as non-operating revenues and expenses.

Grants and similar items (including revenues associated with the HUD programs) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

G. CASH AND CASH EQUIVALENTS

Amounts reflected as "cash and cash equivalents" on the balance sheet include amounts on hand and in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Housing Authority.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

H. CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Infrastructure capital assets such as streets, traffic signals and signs are capitalized. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Construction period interest is capitalized.

The Authority does not develop any “internal use” software. Software purchased with computer hardware is capitalized. Software purchased separately with a cost greater than \$5,000 is also capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Vehicles and Equipment	3-7 yrs
Building	40 yrs

I. UNPAID COMPENSATED ABSENCES

Accrued compensated absences of the Proprietary Funds are recorded on the Statement of Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave.

J. OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non capital financing, or investing activities.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

K. INTERFUND ACTIVITIES

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are eliminated in the Government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

During the year ended June 30, 2010 the Authority did not have any interfund transfers. The details of interfund receivables/payables are shown in Note 3 D.

L. EXPENDITURES OF RESTRICTED SOURCES

It is the Authority's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

M. MANAGEMENT ESTIMATES AND ASSUMPTIONS

The accompanying financial statements include estimates and assumptions by management that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. EQUITY CLASSIFICATIONS

Equity is classified as net assets and displayed in three components:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets that were or are being used for capital asset acquisition/construction.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

N. EQUITY CLASSIFICATIONS, continued

Unrestricted net assets – This category reflects net assets of the Housing Authority, not restricted for any other purpose.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a federally funded Housing Authority, Socorro County Housing Authority is subject to various federal and contractual regulations. An analysis of the Housing Authority's compliance with significant laws and regulations and demonstration of its stewardship over its resources follows:

A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

The Socorro Housing Authority is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the Housing Authority may be invested in:

1. Fully collateralized certificates of deposit that are also FDIC insured;
2. Securities of the United States, its agencies or instrumentalities;
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions;
4. Securities that are guaranteed by the United States of the State of New Mexico;
5. Revenue bonds that are underwritten by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

The maximum authorized maturity for these securities will be one year or less.

During the year ended June 30, 2010 the Socorro County Housing Authority had complied with its investment policy.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS, continued

If the Authority is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is not less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the Authority may invest its money with the New Mexico State Treasurer's short term investment pool for a period no greater than 181 days, or in banks, savings and loans or credit unions. The State Treasurer's short term investment pool shall be invested as provided for state funds under Section 6-10-10 NMSA 1978.

B. REVENUE RESTRICTIONS

The Housing Authority has various restrictions placed over its revenue sources by the U.S. Department of Housing and Urban Development. The primary restricted revenue sources include:

<u>Revenue Source:</u>	<u>Legal Restrictions of Use</u>
U. S. Department of Housing and Urban Development: Section 8 Housing Choice Voucher Program and other HUD Grants and Awards	Program objectives and administrative costs within the allowable amounts contained in the grants.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

A. CASH AND INVESTMENTS - COLLATERALIZATION

The Housing Authority's policies regarding deposits of cash are discussed in notes 1G and 2A. The Housing Authority attempts to limit its exposure to various risks inherent to its cash and investments as follows:

Interest rate risk – The Housing Authority attempts to maximize its rate of return while insuring that the investment vehicle is either fully insured or fully collateralized by investments of the Federal Government. During the year ended June 30, 2010 the Housing Authority had only demand deposits and a certificate of deposit at local financial institutions.

Credit risk – State law limits the types of investments allowed by the Housing Authority (See Note 2A). As stated above, the Housing Authority complied with the restrictions imposed by the State in an effort to limit its credit risk.

Concentration of credit risk – During the year ended June 30, 2010 the Housing Authority limited its concentration of credit risk by depositing its funds in two local banks rather than a single bank.

Custodial credit risk – In the case of bank/saving/credit union deposits, this is the risk that in the event of a bank/savings/credit union failure, the housing authority's deposits may not be returned to it. In order to limit this exposure, the housing authority deposits its funds in two separate local banks and monitors the bank's collateralization of its deposits. At June 30, 2010 the Housing Authority's deposits were either fully insured and/or collateralized with securities of a Federal Agency of the United States of America.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

B. ACCOUNTS RECEIVABLE

Fraud Recovery consists of unpaid tenant rent and related charges of \$2,981. All amounts were considered collectable at June 30, 2010.

Accounts receivables - HUD consists of calculated amounts due for administrative fees in the Section 8 Housing Choice Voucher program based upon the administrative fee rate times the unit month utilized during FYE 06-30-10. Also, due from HUD is \$23,478 for Shelter Plus Care costs not reimbursed at 06-30-10.

Due from other governments includes amounts due from Socorro Village for management fees, bookkeeping and payroll reimbursement (\$51,851) and from Vista Montano for management fees (\$4,286).

C. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

D. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2010 the Socorro County Housing Authority had the following interfund receivables/payables:

	<u>Due from</u>	<u>Due to</u>
Section 8 Housing Choice Vouchers:		
HPRP	\$ 7,562	
HPRP:		
Section 8 HCV		\$ 7,562

The receivables and payables were made for temporary cash needs that are expected to be repaid currently.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

E. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Reclassification & <u>Additions</u>	Reclassification & <u>Deletions</u>	Balance at June 30, 2010
Capital assets not being depreciated:				
Land	\$ <u>31,518</u>	_____	_____	<u>31,518</u>
Total capital assets not being depreciated	<u>31,518</u>	_____	_____	<u>31,518</u>
Capital assets being depreciated:				
Building and building improvements	126,071			126,071
Furniture, machinery and equipment	<u>65,308</u>	<u>31,326</u>	_____	<u>96,634</u>
Total capital assets being depreciated	<u>191,379</u>	<u>31,326</u>	_____	<u>222,705</u>
Less accumulated depreciation for:				
Building and building improvements	68,400	3,151		71,551
Furniture, machinery and equipment	<u>57,965</u>	<u>6,151</u>	_____	<u>64,116</u>
Total accumulated depreciation	<u>126,365</u>	<u>9,302</u>	_____	<u>135,667</u>
Total capital assets being depreciated, net	<u>65,014</u>	<u>12,024</u>	_____	<u>87,038</u>
Total capital assets, net	\$ <u>96,532</u>	<u>22,024</u>	_____	<u>118,556</u>

All depreciation expense is charged to the Section 8 function in the Statement of Activities.

F. ACCOUNTS PAYABLE

Accounts payable are for normal operating expenses. A schedule of accounts payable by fund at June 30, 2010, is as follows:

Section 8-HCV	\$11,005
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**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

G. TRANSFERS

There were no transfers during the fiscal year.

4. OTHER NOTES

A. ANNUAL AND SICK LEAVE

It is the Authority's policy to grant annual leave and sick leave to the full time employees of the Housing Authority in accordance with the following schedule:

	<u>Per Pay Period</u>	
	<u>Annual Leave</u>	<u>Sick Leave</u>
All Employees	4 hours	4 hours
Paid upon Termination	Yes	No

The maximum amount of unused annual leave cannot exceed 720 hours. Unused annual leave up to 400 hours is paid on termination less any time used and paid within six months prior to the date of separation. Unused sick leave may be carried over and accumulated up to a maximum of 720 hours. Unused sick leave is not paid on termination. Unpaid annual leave at June 30, 2010 totaled \$2,800 (at June 30, 2009, the amount was \$2,944). All of the unpaid annual leave is considered current. During the year, annual leave increased \$7,376 and decreased by \$7,520. Compensated absences are accounted for in the Section 8 fund.

The following schedule details the changes in compensated absences during the year ended June 30, 2010.

	Balance June <u>30, 2009</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June <u>30, 2010</u>	Current <u>Portion</u>
Compensated Absences	\$ 2,944	7,376	7,520	2,800	2,800

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

4. OTHER NOTES, continued

B. NOTES PAYABLE

The following schedule details the changes in Note Payable during the year ended June 30, 2010.

	Balance June <u>30, 2009</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June <u>30, 2010</u>	Current <u>Portion</u>
Mortgage Payable	\$ 41,370		5,269	36,101	5,755

The Authority purchased an office building on March 6, 1996. The mortgage is held by the Wells Fargo Bank. The original mortgage was for \$85,000. The original note was for ten years with a balloon payment. The mortgage was renewed in 2006 for an additional ten years. The note bears interest at 8% per annum, requires monthly payments of \$703, and matures on 06/01/1016. The note is secured by the office building. A schedule of annual payments follows:

Fiscal Year <u>Ending</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
06/30/2011	\$ 8,436	\$ 2,681	\$ 5,755	\$ 30,346
06/30/2012	8,436	2,203	6,233	24,113
06/30/2013	8,436	1,686	6,750	17,363
06/30/2014	8,436	1,126	7,310	10,053
06/30/2015	8,436	519	7,917	2,136
06/30/2016	<u>2,165</u>	<u>30</u>	<u>2,135</u>	<u>-</u>
Total	\$ <u>44,345</u>	<u>8,245</u>	<u>36,100</u>	<u>84,011</u>

C. ECONOMIC DEPENDENCY

Most revenue of the Housing Authority is received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority's continued compliance with grant provisions and the continuance of the grant programs by the United States Department of Housing and Urban Development.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

4. OTHER NOTES, continued

D. RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property, injury to staff or others, errors and omissions and natural disasters. The Housing Authority insures itself against these losses through commercial insurance carriers. The New Mexico Tort Claims Act limits the Housing Authority’s risk for torts.

E. 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 amount, 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.

F. SUBSEQUENT EVENTS

On September 8, 2010, the Socorro County Housing Authority Board of Commissioners approved Resolution #2010-14 authorizing the sale of the real property located at 106 Center Street. This property is the former office building owned by the Socorro County Housing Authority. The Resolution requires the approval of the Socorro County Commission. Such approval had not been obtained at the date of this report.

G. RESTATEMENT OF BEGINNING FUND EQUITY

Beginning net assets were restated to recognize that equity was overstated in the Shelter Plus Care and the Home Rehab grant programs (Reimbursable grant programs) and understated in the Housing Choice Voucher Program as follows:

	Increase (Decrease)
Housing Choice Vouchers	\$ 47,826
Shelter Care Plus	(9,159)
Home Rehab	(38,667)

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

Socorro Village is a forty-unit apartment facility for the elderly and low income, located at 444 Eaton Avenue, Socorro, New Mexico. It is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The project is owned by Socorro Village, LLC, a New Mexico Limited Liability Company. There is no capital stock issued. Socorro Village, LLC is an organization exempt from income tax under provisions of Section 501 (c) (4) of the Internal Revenue Code. Socorro Village, LLC is owned equally by the Socorro County Housing Authority and Pioneer Socorro, LLC.

Socorro Village, LLC, is a component unit of the Socorro County Housing Authority. Socorro County Housing Authority is a political subdivision of the State of New Mexico and a component unit of Socorro County, New Mexico. There are no component units of Socorro Village, LLC.

FEDERALLY SUBSIDIZED RENT INCOME

Socorro Village has a Housing Assistance Payment (HAP) contract with the U.S. Department Housing and Urban Development (HUD). Under the contract, Socorro Village receives rental assistance for their tenants from HUD. HUD approves the maximum allowance monthly rents that could be charged. The current maximum allowable monthly rent is \$480 per unit. There are forty rental units at Socorro Village; all are income-producing units. The HUD rent subsidy amounted to \$93,578 during the year ended June 30, 2010.

METHOD OF ACCOUNTING

The accrual method of accounting is used for financial statement reporting.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost if purchased or Fair Market Value if contributed. Construction in progress is not depreciated until placed in service. The capitalization threshold is any individual item with a cost greater than \$5,000. Buildings, improvements and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and Improvements	10-40 years
Furnishings and Equipment	3-10 years

INCOME TAXES

Neither the Project nor its exempt owner's are subject to income taxes.

DISTRIBUTIONS

The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers or directors.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

CASH EQUIVALENTS

For the Statement of Cash Flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Project had no investments during the period.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE B – CASH IN BANKS

The operating accounts are maintained at commercial banks in the name of the entity. The Tenant Security Deposit account is maintained as a Trust Account. The Reserve for Replacement and part of the Construction Funds are held by the New Mexico Mortgage Finance Authority in trust for Socorro Village, LLC. The balance of the construction funds are temporarily maintained in commercial banks during the reconstruction period. The only interest bearing account is the Reserve for Replacement. All funds are FDIC insured. The current FDIC coverage is unlimited for non-interest bearing accounts and limited to \$250,000 for all other types of accounts.

	<u>First State Bank</u>	<u>Compass Bank</u>	<u>NMMFA</u>
Deposits in Banks	\$ 124,329	198,666	23,687
Less FDIC Coverage	\$ <u>124,329</u>	<u>198,666</u>	<u>23,687</u>
Uninsured Public Funds			
Pledged Collateral	_____.	_____.	_____.
Uninsured & Uncollateralized	=====.	=====.	=====.

NOTE C – ACCOUNTS AND NOTES RECEIVABLE

Tenant Accounts Receivable - \$5,098 for current rents and fees
Notes Receivable – None

NOTE D – RESERVE FOR REPLACEMENT

In accordance with the provisions of the Loan Agreement, restricted cash is held by New Mexico Mortgage Finance Authority to be used for replacement of capital assets or for operations upon the prior approval of NMMFA. A schedule of activity follows:

Balance, Beginning of Period (held by Capmark)	\$ 10,076
Interest Earned Net of Fees	<u>79</u>
Balance, End of Period	\$ <u>10,155</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE D – RESERVE FOR REPLACEMENT, continued

NMMFA holds the funds in an interest bearing account. Interest on the account is paid directly into the Reserve for Replacement Account.

NOTE E – PROPERTY AND EQUIPMENT

<u>Capital Assets, at Cost</u>						
	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>	<u>Capital Improvements</u>	<u>Equipment</u>	<u>Total</u>
Balances, Beginning of Period	\$ 53,210	435,699	760,175	81,546	62,324	1,392,955
Additions		1,556,757	1,652,185	282,010	58,060	3,549,012
Deletions	_____	(1,992,456)	_____	(14,625)	(13,944)	(2,021,025)
Balances, End of Period	\$ <u>53,210</u>	_____	<u>2,412,360</u>	<u>348,931</u>	<u>106,440</u>	<u>2,920,942</u>
 <u>Accumulated Depreciation</u>						
	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings</u>	<u>Capital Improvements</u>	<u>Equipment</u>	<u>Total</u>
Balances, Beginning of Period	\$		659,873	74,181	61,354	795,408
Provisions			33,414	6,431	1,913	41,758
Deletions	_____	_____	_____	(14,625)	(13,944)	(28,569)
Balances, End of Period	_____	_____	<u>693,287</u>	<u>65,987</u>	<u>49,323</u>	<u>808,597</u>
Net Book Value as of End of Period	\$ <u>53,210</u>	_____	<u>1,719,073</u>	<u>282,944</u>	<u>57,117</u>	<u>2,112,345</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE F – ACCOUNTS PAYABLE

Trade accounts payable are from normal operations and are all current. Construction accounts payable are for the reconstruction project and are all current.

NOTE G – ACCRUED INTEREST PAYABLE

Mortgage interest payable is accrued for the monthly mortgage payment.

NOTE H – MORTGAGE PAYABLE

HOME PROGRAM LOAN

On October 22, 2008, Socorro Village, LLC entered into a loan agreement with New Mexico Mortgage Finance Authority, for an \$800,000 Home Loan Program. The loan proceeds are from federally appropriated funds made available under lender’s HOME Program, pursuant to Title II of the National Affordable Housing Act of 1990, as amended, and federal regulations at 24CFR Part 92 “HOME Investments Partnership Program”. The proceeds are solely for the development of the 40 unit housing project. The loan is secured by a first mortgage on the property. The mortgage loan is a non-amortizing loan with a 480 month term due at the earlier of sale or refinancing of the project or on the maturity date of the note. Monthly interest will accrue on the outstanding balance of all unpaid principal at the rate of one percent (1%) per annum. Borrower shall make 456 monthly interest-only payments beginning on the first day of the twenty fifth (25th) month following the closing date and on the first day of each month thereafter until maturity.

	<u>Home Loan</u>
Mortgage Payable at beginning of year	\$ 341,072
Draws on loan during fiscal year	458,928
Principal payments during fiscal year	
Mortgage Payable at end of year	\$ 800,000

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

ENERGY SAVERS AND HOME TRUST LOAN

On November 6, 2008, Socorro Village, LLC entered into a loan agreement with New Mexico Mortgage Finance Authority for a \$250,000 Energy Saver Loan to be used for the acquisition and installation of eligible energy efficient improvements to the 40 unit housing project. The promissory note bears interest at one percent (1%) per annum from the date of each disbursement of the loan funds. Interest shall be paid monthly during the construction period, not to exceed two years from the date of the loan closing. Borrower shall make 360 monthly principal and interest payments on the outstanding balance, beginning on the first day of the twenty-fourth (24th) month following the loan closing and on the first day of each month thereafter until maturity. The entire principal amount, plus all accrued interest, will be due and payable on October 1, 2040, the maturity date. The loan is secured by a second mortgage on the 40 unit housing project.

On November 6, 2008, Socorro Village, LLC entered into a loan agreement with New Mexico Finance Authority, for a \$340,000 Home Trust Fund Loan to be used for the acquisition and rehabilitation of the 40 unit housing project. The promissory note bears interest at three percent (3%) per annum from the date of each disbursement of loan funds. Interest shall be paid monthly during the construction period, not to exceed two years from the date of the loan closing. Borrower shall make 360 monthly principal and interest payments on the outstanding balance, beginning on the first day of the twenty-fourth (24th) month following the loan closing and on the first day of each month thereafter until maturity. The entire principal amount, plus all accrued interest, will be due and payable on October 1, 2040, the maturity date. The loan is secured by a second mortgage on the 40 unit housing project.

The Energy Savers and Home Trust Loan agreement requires that a Replacement Reserve Account be established with the Lender, to be held in trust. The initial reserve was established in the amount of \$250 per unit, for a total of \$10,000. In addition, the borrower will make a deposit into the Replacement Reserve concurrent with the first payment of principal and with each monthly payment thereafter, equal to one-twelfth of \$250 per unit per year. Interest earned on the reserve account will become a part of the reserve. Disbursement from the reserve may be made only with prior written consent of the lender. In the event of default, the lender may apply the reserve fund to payment due on the loan.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE H – MORTGAGE PAYABLE, continued

See note on restricted deposits and funded reserves for reserve balance and activity.

	<u>Energy Saver</u>	<u>Home Trust</u>
Mortgage Payable at beginning of year	\$	\$ 117,474
Draws on Loans during fiscal year	250,000	222,526
Principal payments during fiscal year		
Mortgage Payable at end of year	\$ 250,000	\$ 340,000

COMBINED MORTGAGE PAYABLE SCHEDULE

A combined schedule of all principal and interest payments once the construction loans have been fully drawn, is as follows:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 10/11	\$ 9,489	\$ 27,895	\$ 37,384
FY 11/12	14,472	20,379	34,851
FY 12/13	14,765	20,086	34,851
FY 13/14	15,065	19,786	34,851
FY 14/15	15,373	19,478	34,851
FY 16/20	81,767	92,486	174,253
FY 21/25	90,745	83,507	174,253
FY 26/30	100,957	73,296	174,253
FY 31/35	112,591	61,662	174,253
FY 36/40	125,866	48,387	174,253
FY 41/45	8,910	40,040	174,253
FY 46/49	<u>800,000</u>	<u>27,333</u>	<u>48,950</u>
Total	<u>\$1,390,000</u>	<u>\$534,335</u>	<u>\$1,924,335</u>

Current portion of mortgages	\$	9,489
Long-term portion of mortgages		1,380,511
Total mortgages payable as of June 30, 2010	\$	1,390,000

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE I – UNRESTRICTED NET ASSETS

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

It is the project's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

The unrestricted net assets remaining from construction grants and loans are only available to be used for the reconstruction project.

NOTE J – RENT INCREASES

Under the regulatory agreement, the Project may not increase rents charged to tenants without HUD approval.

NOTE K – RESIDUAL RECEIPTS ACCOUNT

The project does not have any residual receipts. Use of the residual receipts account is contingent upon HUD's prior written approval.

NOTE L – MANAGEMENT FEE

The project paid a management fee equal to 9.2% of maximum rents to the management agent, Socorro County Housing Authority. In addition, the project also reimbursed the Socorro County Housing Authority for maintenance wages for the project.

NOTE M – RELATED PARTY TRANSACTION

Socorro County Housing Authority (SCHA) is a 50% owner of Socorro Village, LLC. SCHA is the Management Agent for Socorro Village, LLC. SCHA receives a management fee as described in Note L. SCHA receives a reimbursement for the services the maintenance employees provide to Socorro Village, LLC. Socorro Village, LLC does not have any employees. In addition, SCHA is receiving a construction management fee during the reconstruction phase of the project.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2010**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE M – RELATED PARTY TRANSACTION, continued

Pioneer Socorro, LLC (Pioneer) is a 50% owner of Socorro Village, LLC. Pioneer is wholly owned by New Mexico Housing and Community Development Corporation (NMHCD), a New Mexico Nonprofit Corporation. NMHCD is participating in the construction management during the reconstruction phase of the project and receives a management fee for their services.

NOTE N – SUBSEQUENT EVENTS AND CONSTRUCTION IN PROGRESS

In 2009 and 2010, Socorro Village underwent a major rehabilitation costing approximately 2.9 million dollars. A combination of loans, grants and reserve financing provided funding for the project. The rehabilitation was completed during the fiscal year ended June 30, 2010. Subsequent events have been evaluated through the date of this report.

NOTE O– CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's sole activity is a 40 unit apartment project. The Project's operations are concentrated in the multifamily elderly and low income real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
June 30, 2010**

NON MAJOR PROPRIETARY FUNDS

Shelter Plus Care - to account for the Shelter Plus Care Program funds provided by the U.S. Department of Housing and Urban Development (HUD) grant number NM02C501001 pursuant to subtitle F of Title IV of the McKinney-Vento Homeless Assistance Act 42 U.S.C. 11301 and federal regulations at 24 CFR 582. The grant is a five year grant for a total of \$295,480. The Program is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities.

Home Rehab – to account for several grants through the New Mexico Mortgage Finance Authority (MFA) for the Home Investment Partnerships Owner-Occupied Rehabilitation Program provided by the U.S. Department of Housing and Urban Development (HUD) under the Home Program pursuant to the Title II National Affordable Housing Act of 1990 and the federal regulations at 24 CFR Part 92 “Home Investment Partnership Program”. Home Rehab funds provide affordable housing opportunities for the benefit of low income citizens within the jurisdiction of the Socorro County Housing Authority.

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - Nonmajor Funds
June 30, 2010

	Shelter Plus Care	Home Rehab	ARRA - Homeless Prevention & Rapid Rehousing Program	Total Nonmajor Proprietary Funds
ASSETS				
Cash and cash equivalents	\$	435	78	513
Accounts receivable, net				
Due from HUD				
Due from other governments			144,693	144,693
Prepaid expenses				
Restricted assets:				
Cash and cash equivalents				
Capital assets not being depreciated:				
Land				
Capital assets, net of accumulated depreciation:				
Land and site improvements				
Buildings and building improvements				
Furniture, machinery and equipment				
Total assets		<u>435</u>	<u>144,771</u>	<u>145,206</u>
LIABILITIES				
Accounts payable		435	144,039	144,474
Due to HUD				
Due to other governments				
Deferred revenue				
Accrued salary and benefits			732	732
Tenant security deposits				
Noncurrent liabilities - Accrued compensated absences				
Due within one year				
Due in more than one year				
Total liabilities		<u>435</u>	<u>144,771</u>	<u>145,206</u>
NET ASSETS				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
Total net assets	\$			

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 1

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - Nonmajor Funds
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Shelter Plus Care</u>	<u>Home Rehab</u>	<u>ARRA - Homeless Prevention & Rapid Rehousing Program</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:				
Charges for services:				
Net tenant rental income	\$			
Miscellaneous				
Total charges for services				
Other operating revenues:				
HUD operating grants	74,974	140,005	250,747	465,726
Total operating revenues	<u>74,974</u>	<u>140,005</u>	<u>250,747</u>	<u>465,726</u>
Operating expenses:				
Administration	5,554	14,644	26,942	47,140
Utilities				
Extraordinary maintenance and repairs		125,361		125,361
General				
Direct financial assistance			223,805	223,805
Housing assistance payments	69,420			69,420
Depreciation				
Total operating expenses	<u>74,974</u>	<u>140,005</u>	<u>250,747</u>	<u>465,726</u>
Net operating income				
Nonoperating revenue (expenses):				
Interest income				
Interest expense				
Net non-operating income (expenses)				
Change in fund net assets				
Net assets, beginning of year, as previously reported	9,159	38,667		47,826
Adjustments	<u>(9,159)</u>	<u>(38,667)</u>		<u>(47,826)</u>
Net assets, beginning of year, as restated				
Net assets, end of year	<u>\$</u>	<u></u>	<u></u>	<u></u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Nonmajor Funds
For the Year Ended June 30, 2010

	Shelter Plus Care	Home Rehab	ARRA - Homeless Prevention & Rapid Rehousing Program	Total Nonmajor Proprietary Funds
Cash flows from operating activities:				
Cash received from tenants and others for services	\$			
Cash received from operating grants	74,974	173,924	106,054	354,952
Cash paid for direct assistance	(69,420)		(87,327)	(156,747)
Cash paid for Housing Assistance Payments				
Cash paid to and on behalf of employees			(17,151)	(17,151)
Cash paid to vendors for goods and services	(5,554)	(153,881)	(1,498)	(160,933)
Net cash flows from operating activities	<u>20,043</u>	<u>20,043</u>	<u>78</u>	<u>20,121</u>
Cash flows from noncapital financing activities:				
Transfers in from other programs				
Transfers out to other programs	(24,103)	(84,621)		(108,724)
Net cash flows from noncapital financing activities	<u>(24,103)</u>	<u>(84,621)</u>		<u>(108,724)</u>
Cash flows from capital and related financing activities:				
Cash received from HUD for capital acquisitions				
Purchase of property, plant and equipment				
Net cash flows from capital and related financing activities				
Cash flows from investing activities:				
Investment income				
Net cash flows from investing activities				
Net increase (decrease) in cash and cash equivalents	(24,103)	(64,578)	78	(88,603)
Cash and cash equivalents, at beginning of year	24,103	65,013		89,116
Cash and cash equivalent, end of year	<u>\$ 435</u>	<u>435</u>	<u>78</u>	<u>513</u>
Shown on balance sheets as:				
Unrestricted cash and cash equivalents		435	78	513
Restricted cash and cash equivalents				
	<u>\$ 435</u>	<u>435</u>	<u>78</u>	<u>513</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 3, continued

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Nonmajor Funds
JUNE 30, 2010

	<u>Shelter Plus</u>	<u>Home Rehab</u>	<u>ARRA - Homeless Prevention & Rapid Rehousing Program</u>	<u>Total Nonmajor Proprietary Funds</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net operating income				
Adjustments to reconcile net operating income to net cash flows from operating activities:				
Depreciation expense				
Imputed interest				
Changes in assets and liabilities:				
(Increase)/decrease in assets:				
Tenant and other receivables, net				
Due from HUD				
Due from other governments		33,919	(144,694)	(110,775)
Prepaid expenses				
Increase/(decrease) in liabilities:				
Accounts payable		(13,876)	136,478	122,602
Accrued salaries and benefits			8,294	8,294
Accrued and withheld payroll taxes				
Due to HUD				
Payment in lieu of taxes				
Deferred revenue				
Tenant security deposits				
Accrued compensated absences				
	\$	20,043	78	20,121

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 3

SOCORRO VILLAGE, LLC
HUD PROJECT NO. NM16M000081
Socorro, New Mexico
Statement of Financial Position
June 30, 2010

ASSETS

Unrestricted current assets:

Cash on hand and in banks	\$ 119,879
Accounts receivable-tenants	5,098
Accounts receivable-HUD	
Prepaid expense	1,748
Total current unrestricted assets	<u>126,725</u>

Restricted deposits and funded reserves:

Tenant security deposits	4,600
Cash held by NMMFA	13,532
Residual receipts account	706
Construction funds	198,666
Reserve for replacements	10,155
	<u>227,659</u>

Capital assets not being depreciated:

Land	53,210
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Capital assets, net of accumulated depreciation:

Land and other capital improvements	282,944
Buildings and improvements	1,719,073
Equipment	57,117
	<u>1,859,134</u>

Total assets	<u>\$ 2,466,728</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 121,009
Due to Socorro County Housing Authority	51,851
Accrued interest payable	850
Deferred revenue	357
Tenant security deposits	4,799
Current portion of notes payable	9,489
Total current liabilities	<u>188,355</u>

Noncurrent liabilities

Notes payable, net of current portion	<u>1,380,511</u>
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Total Liabilities	<u>1,568,866</u>
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Net Assets:

Investment in capital assets, net of related debt	722,344
Unrestricted	175,518
	<u>897,862</u>

Total Liabilities and Net Assets	<u>\$ 2,466,728</u>
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SOCORRO VILLAGE, LLC
HUD PROJECT NO. NM16M000081
Socorro, New Mexico
Statement of Revenues, Expenses and Changes
in Fund Net Assets
For the Year Ended June 30, 2010

Operating Revenue:	
Charges for services:	
Rent	\$ 116,438
Other	407
Operating grants:	
Rent subsidy from HUD	56,100
Total Operating Revenues	<u>172,945</u>
Operating Expenses:	
Administrative:	
Auditing	7,054
Bookkeeping	6,051
Advertising and marketing	1,365
Office	3,229
Legal	130
Travel	3,297
Other	18,380
Utilities:	
Water & sewer	11,588
Electricity	13,950
Gas	7,589
Ordinary maintenance & operations:	
Labor and benefits	39,228
Materials and supplies	9,873
Garbage and trash removal	1,737
Contract costs	8,041
General expenses:	
Insurance	6,819
Depreciation	41,758
Total operating expenses	<u>180,089</u>
Operating income (loss)	<u>(7,144)</u>
Nonoperating revenue (expense):	
Capital grants	525,000
Interest income	79
Interest expense	(6,197)
Net nonoperating revenue (expense)	<u>518,882</u>
Change in fund net assets	511,738
Net assets, beginning of year	<u>386,124</u>
Net assets, end of year	<u>\$ 897,862</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

SOCORRO VILLAGE, LLC
HUD PROJECT NO. NM16M000081
Socorro, New Mexico
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows from Operating Activities:	
Cash received from tenants and others for services	\$ 112,306
Cash received from operating grants	56,100
Cash paid to and on behalf of employees	(39,228)
Cash paid to vendors for goods and services	<u>(61,633)</u>
Net cash flows from operating activities	<u>67,545</u>
Cash flows from capital and related financing activities:	
Capital grants received	525,000
Proceeds from capital loans	939,798
Payments on capital debt	(5,640)
Purchase of capital assets	<u>(1,549,942)</u>
Net cash flows from capital and related financing activities	<u>(90,784)</u>
Cash flows from investing activities:	
Interest received	<u>79</u>
Net cash flows from investing activities	<u>79</u>
Net increase (decrease in cash and cash equivalents)	(23,160)
Cash and cash equivalents at beginning of year	<u>370,698</u>
Cash and cash equivalents at end of year	<u>\$ 347,538</u>
Shown as:	
Unrestricted cash and cash equivalents	\$ 119,879
Restricted cash and cash equivalents	<u>227,659</u>
	<u>\$ 347,538</u>

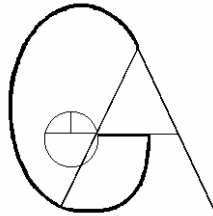
SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

SOCORRO VILLAGE, LLC
HUD PROJECT NO. NM16M000081
Socorro, New Mexico
Statement of Cash Flows, continued
For the Nine Month Period Ended June 30, 2010

Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	\$	(7,144)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		41,758
Decrease (Increase) in:		
Accounts Receivable-HUD		
Accounts Receivable-Tenants		(2,803)
Prepaid Expenses		363
Increase (Decrease) in:		
Accounts Payable-Trade		6,230
Tenant Security Deposits		(2,092)
Due to Socorro County Housing Authority		30,876
Deferred revenue		357
		<hr/>
Net Cash Provided (Used) by Operating Activities	\$	<u>67,545</u>

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

COMPLIANCE SECTION



Gary E. Gaylord, C.P.A.

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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***

Mr. Hector Balderas, State Auditor, and
Members of the Board of Commissioners
Socorro County Housing Authority
Socorro, New Mexico

Regional Inspector General for Audit
Department of Housing and Urban Development
Fort Worth, Texas

I have audited the financial statements of the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of Socorro County Housing Authority, a component unit of Socorro County, Socorro, New Mexico (Housing Authority) as of and for the year ended June 30, 2010, and have issued my report thereon dated November 30, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority's and its discretely presented component unit's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's, or its discretely presented component unit's, internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Socorro County Housing Authority's, or its discretely presented component unit's, internal control over financial reporting.

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

**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, Continued***

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting.

FS02-02	Audit Report not timely submitted to State Auditor
SV09-06	Submission of Owner Certified Financials (REAC)
FS10-01	Improper Billing
FS10-02	Improper Accounting
FS10-03	Timely Filing with Proper Documentation

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Socorro County Housing Authority's and its discretely presented component unit's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances 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 questioned costs as items:

CO10-04	HUD Requirements
FS10-06	Un-Audited Financial Data Schedule Submission (FDS)

I noted certain matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding:

OM10-05	Proper Documentation of Tenant Contracts
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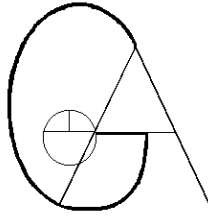
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS, Continued**

Socorro County Housing Authority's and its discretely presented component unit's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Socorro County Housing Authority's or its discretely presented component unit's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, the New Mexico State Auditor, the New Mexico Legislature, others within the organization, and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Gary E. Gaylord, Ltd. CPA's", written over a horizontal line.

Gary E. Gaylord, Ltd. CPA's
November 30, 2010



Gary E. Gaylord, C.P.A.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor
Mayor Ravi Bhasker
And Board of Commissioners
Socorro County Housing Authority
Socorro, New Mexico

Regional Inspector General for Audit
Department of Housing and Urban Development
Fort Worth, Texas

Compliance

I have audited Socorro County Housing Authority, Socorro, New Mexico (Housing Authority) a component unit of Socorro County, and its discretely presented component unit's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's, and its discretely presented component units', major federal programs for the year ended June 30, 2010. The Housing Authority's and its discretely presented component unit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Housing Authority's management and its discretely presented component unit's management. My responsibility is to express an opinion on the Housing Authority's and its component unit's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's and its discretely presented component unit's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Housing Authority's and its discretely presented component unit's compliance with those requirements.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133, Continued**

In my opinion, Socorro County Housing Authority, Socorro, New Mexico and its discretely presented component unit complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Housing Authority and its discretely presented component unit is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority's and its discretely presented component unit's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Socorro County Housing Authority's, Socorro, New Mexico and its discretely presented component unit's internal control over compliance.

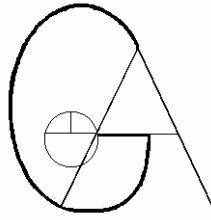
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, the New Mexico State Auditor, others within the entity, and the U.S. Department of Housing and Urban Development and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Gary E. Gaylord, Ltd. CPA
November 30, 2010



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

Mr. Hector Balderas, State Auditor, and
Members of the Board of Commissioners
Socorro County Housing Authority
Socorro, New Mexico

Regional Inspector General for Audit
Department of Housing and Urban
Development
Fort Worth, Texas

My report on the audit of the basic financial statements of Socorro County Housing Authority, Socorro, New Mexico, for the year ended June 30, 2010 appears on pages 4 and 5. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Financial Data Schedule (FDS) submitted electronically to United States Department of Housing and Urban Development Real Estate Assessment Center (HUD/REAC) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The FDS has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, presents fairly, in all material respects, the financial position of Socorro County Housing Authority, Socorro, New Mexico as of June 30, 2010, and the results of its operations for the year then ended in conformity with the accounting practices prescribed or permitted by HUD/REAC.

November 30, 2010

ADDITIONAL SUPPLEMENTARY DATA

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010**

<u>Federal Grants</u>	<u>Federal CFDA Number</u>	<u>Federal Grant/Project Number</u>	<u>Expenditures</u>
Socorro County Housing Authority:			
Direct grants from U.S. Department of Housing and Urban Development			
Major Programs:			
Section 8 Housing Choice Voucher	14.871	NM077	\$ 1,312,177
Non-major programs:			
Shelter Plus Care	14.238		74,974
Pass-Through Program From:			
State of New Mexico Mortgage Finance Authority			
Home Investment Partnership Program	14.239		140,005
ARRA Homelessness Prevention and Rapid Rehousing Program	14.257		<u>250,747</u>
Total Socorro County Housing Authority			<u>1,777,903</u>
Socorro Village:			
HOME Program Loan	14.239		458,928
Housing Assistance Program	14.195		<u>56,100</u>
Total Socorro Village			<u>515,028</u>
Total U.S. Dept. of Housing and Urban Development			\$ <u>2,292,931</u>
Total Expenditures of Federal Awards			\$ <u>2,292,931</u>

- 1) The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Socorro County Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the statement
- 2) The Housing Authority did not have any sub-recipient grantees during the fiscal year ended June 30, 2010.
- 3) The Housing Authority did not receive any noncash assistance.
- 4) The Housing Authority did not have any Federal insurance in effect during the year.
- 5) The Housing Authority had a Federal loan of \$800,000 outstanding at June 30, 2010.

SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
SCHEDULE OF BANK DEPOSITORIES
JUNE 30, 2010

<u>Bank Name</u>	<u>Account Name</u>	<u>Acct. Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Wells Fargo Bank:							
	Section 8 HCV	1	\$ 137,667		(2,693)		134,974
	Shelter Plus Care	1	10,274				10,274
	Housing Rehab	2	56,614				56,614
	HPRP	1	13,034		(12,456)		578
First State Bank:							
	Socorro Village LLC	1	119,729				119,729
	Socorro Village Security/Pet Deposits	1	4,600				4,600
	Socorro Village Residual Receipts	1	706				706
Compass Bank:							
	Socorro Village Construction	1	89,912	108,754			198,666
	NM Mortgage Finance Authority	1	13,533				13,533
	NM MFA - Replacement Reserve	2	10,155				10,155
	Total with financial institutions		<u>\$ 456,224</u>	<u>108,754</u>	<u>(15,149)</u>		549,829
	Cash on hand						180
	Grand total cash and cash equivalents						<u>\$ 550,009</u>
					Socorro County H.A.	Socorro Village	Totals
Shown on Statement of Net Assets as:							
	Cash and cash equivalents				\$ 17,947	119,879	137,826
	Restricted Deposits and Funded Reserves					227,659	227,659
	Temporary restricted assets				184,524		184,524
					<u>\$ 202,471</u>	<u>347,538</u>	<u>550,009</u>

Account Types:

- 1 Demand Deposits
- 2 Interest Bearing

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part of These Financial Statements

SCHEDULE 2

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
FINANCIAL DATA SCHEDULE
June 30, 2010

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Home Rehabilitation Program	ARRA Homeless Prevention & Rapid Rehousing	Total
ASSETS:						
111	Cash - Unrestricted	17,434				17,434
113	Cash - Other Restricted	184,524				184,524
114	Cash - Tenant Security Deposits					
100	Total Cash	201,958				201,958
121	Accounts Receivable - PHA Projects	29,855				29,855
122	Accounts Receivable - HUD Other Projects					
124	Accounts Receivable - Other Government	51,851				51,851
125	Accounts Receivable - Miscellaneous	25,526				25,526
126	Accounts Receivable - Tenants - Dwelling Rents					
126.1	Allowance for doubtful accounts - Tenants					
128	Fraud Recovery	2,981				2,981
128.1	Allowance for doubtful accounts - Fraud					
129	Accrued Interest Receivable	1				1
120	Total Receivables, net of allowances for doubtful accounts	110,214				110,214
131	Investments - Unrestricted	16,537				16,537
142	Prepaid Expenses and Other Assets	42,514				42,514
144	Inter Program Due From					
150	Total Current Assets	371,223				371,223
161	Land	31,518				31,518
162	Buildings	126,071				126,071
163	Furniture, Equipment & Machinery - Dwelling					
164	Furniture, Equipment & Machinery - Administration	96,634				96,634
165	Leasehold Improvements					
166	Accumulated Depreciation	(135,667)				(135,667)
160	Total Fixed Assets, Net of Accumulated Depreciation	118,556				118,556
180	Total Non-Current Assets	118,556				118,556
190	Total Assets	489,779				489,779
LIABILITIES:						
311	Bank Overdraft					
312	Accounts payable < 90 days	11,501				11,501
321	Accrued wage/payroll taxes payable	7,568				7,568
322	Accrued Compensated Absences - Current	2,800				2,800
325	Accrued Interest Payable	237				237
331	Accounts payable - HUD PHA Programs					
333	Accounts payable - Other Government					
341	Tenant Security Deposits					
342	Deferred Revenue					
347	Inter Program - Due to					
348	Loan Liability - Current	5,755				5,755
310	Total Current Liabilities	27,861				22,106
355	Loan Liability - Noncurrent	30,345				30,345
350	Total Noncurrent Liabilities	30,345				30,345
300	Total Liabilities	58,206				58,206
508	Total Contributed Capital					
508.1	Invested in Capital Assets, Net of Related Debt	82,456				82,456
511.1	Restricted Net Assets	184,524				184,524
512.1	Unrestricted Net Assets	164,593				164,593
513	Total Equity/Net Assets	431,573				431,573
600	Total Liabilities and Equity/Net Assets	489,779				489,779

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
FINANCIAL DATA SCHEDULE
June 30, 2010

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Home Rehabilitation Program	ARRA Homeless Prevention & Rapid Rehousing	Total
REVENUE:						
703	Net Tenant Rental Revenue					
705	Total Tenant Revenue					
706	HUD PHA Operating Grants	1,312,177	74,974	140,005	250,747	1,777,903
706.1	Capital Grants					
711	Investment Income - Unrestricted	60				60
714	Fraud Recovery	3,881				3,881
715	Other Revenue	77,342				77,342
720	Investment Income - Restricted					
700	Total Revenue	<u>1,393,460</u>	<u>74,974</u>	<u>140,005</u>	<u>250,747</u>	<u>1,859,186</u>
EXPENSES:						
911	Administrative Salaries	83,825				83,825
912	Auditing Fees	21,803				21,803
913	Bookkeeping Fees	9,805		1,395		11,200
914	Advertising and Promotion	170				170
915	Employee Benefit Contributions - Administrative	20,689				20,689
916	Office Expenses	27,110				27,110
918	Travel	6,872				6,872
919	Other	29,333	5,554	13,249	26,942	75,078
910	Total Operating - Administrative	<u>199,607</u>	<u>5,554</u>	<u>14,644</u>	<u>26,942</u>	<u>246,747</u>
931	Water					
932	Electricity					
933	Gas					
938	Other Utilities Expense	1,592				1,592
930	Total Utilities	<u>1,592</u>				<u>1,592</u>
941	Ordinary Maintenance and Operations - Labor					
942	Ordinary Maintenance and Operations - Materials and Other	1,113				1,113
943	Ordinary Maintenance and Operations - Contracts					
945	Employee Benefit Contributions - Ordinary Maintenance					
940	Total Maintenance	<u>1,113</u>				<u>1,113</u>
961.1	Property Insurance					
961.2	Liability Insurance	4,015				4,015
961.3	Workman's Compensation	3,875				3,875
961.4	All Other Insurance	1,453				1,453
961	Total Insurance Premiums	<u>9,343</u>				<u>9,343</u>
962	Compensated Absences					
963	Payments in Lieu of Taxes					
960	Total Other General Expenses					
96720	Interest on Notes Payable (Short and Long Term)	3,697				3,697
96700	Total interes Expense and Amortization Cost	<u>3,697</u>				<u>3,697</u>
969	Total Operating Expenses	<u>215,352</u>	<u>5,554</u>	<u>14,644</u>	<u>26,942</u>	<u>262,492</u>
970	Excess Operating Revenue over Operating Expenses	<u>1,178,108</u>	<u>69,420</u>	<u>125,361</u>	<u>223,805</u>	<u>1,596,694</u>
971	Extraordinary Maintenance			125,361		125,361
973	Housing Assistance Payments	1,318,001	69,420		223,805	1,611,226
974	Depreciation Expense	9,303				9,303
900	Total Expenses	<u>1,542,656</u>	<u>74,974</u>	<u>140,005</u>	<u>250,747</u>	<u>2,008,382</u>

STATE OF NEW MEXICO
 SOCORRO COUNTY HOUSING AUTHORITY
 A Component Unit of Socorro County
 SOCORRO, NEW MEXICO
 FINANCIAL DATA SCHEDULE
 June 30, 2010

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Home Rehabilitation Program	ARRA Homeless Prevention & Rapid Rehousing	Total
OTHER FINANCING SOURCES (USES):						
1001	Operating Transfers In					
1002	Operating Transfers Out					
1010	Total Other Financing Sources (Uses)					
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(149,196)				(149,196)
1103	Beginning Equity	532,943	9,159	38,667		580,769
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	47,826	(9,159)	(38,667)		
1117	Administrative Fee Equity	164,593				164,593
1118	Housing Assistance Payments Equity	184,524				184,524
1119	Unit Months Available	3,816				3,816
1121	Number of Unit Months Leased	3,056				3,056
1162	Building Purchases					
1165	Leasehold Improvements Purchases					

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued Unqualified

Internal control over financial reporting:

- | | |
|---|-----|
| 1. Material weaknesses identified? | No |
| 2. Reportable condition (s) identified that are not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

Internal control over major programs:

- | | |
|---|-----|
| 1. Material weakness(es) identified? | No |
| 2. Reportable condition(s) identified that are not considered to be material weaknesses | Yes |

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee No

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

SECTION II- FINDINGS

PRIOR YEAR AUDIT FINDINGS

CURRENT STATUS

Internal Control Over Financial Reporting:

FS02-02	Audit Report not timely submitted to State Auditor	Repeated
FS07-06	Inaccurate classification of expenses	Resolved
FS07-07	Ineffective use of separate bank accounts	Updated FS 10-02
SV09-01	Tenants Security Deposit Bank Account	Resolved
SV09-02	Accounts Payable and Management Fee Accruals	Resolved
SV09-03	Trust Accounts held by NMMFA	Resolved
SV09-04	Posting of Accounting Records	Resolved
SV09-05	Submission of Required Information to HUD	Resolved
SV09-06	Submission of Owner Certified Financials (REAC)	Updated

Compliance-Federal Programs

FA02-01	Audit Report not timely submitted to HUD	Resolved
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CURRENT YEAR AUDIT FINDINGS

Internal Control Over Financial Reporting:

FS02-02	Audit Report not timely submitted to State Auditor
SV09-06	Submission of Owner Certified Financials (REAC)
FS10-01	Improper Billing
FS10-02	Improper Accounting
FS10-03	Timely Filing with Proper Documentation

Compliance:

CO10-04	HUD Requirements
FS10-06	Un-Audited Financial Data Schedule Submission (FDS)

Other Matters

OM10-05	Proper Documentation of Tenant Contracts
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**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

SV09-06 SUBMISSION OF OWNER CERTIFIED FINANCIALS (REAC)

Statement of Condition:

The Owner Certified Financial Statements were not timely submitted to HUD through the REAC submission process.

Criteria:

HUD regulations require that Owner Certified Financial Statements be submitted through REAC within 90 days from the end of the fiscal year, unless extensions are granted.

Effect:

Noncompliance with HUD regulations and management, owners, HUD and other third parties did not have timely financial information to utilize.

Cause:

The accounting records were not complete and ready to be submitted within the required time.

Recommendation:

Accounting records should be timely maintained, financial statements should be reviewed by management, and REAC submissions should be timely processed.

Response:

The Fee Accountant did not complete the accounting until the Audit had already begun which was in the middle of November, 2010. The Housing Authority will ensure that all future audit reports are filed in a timely manner.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS02-02 AUDIT REPORT NOT TIMELY SUBMITTED TO STATE AUDITOR

Statement of Condition:

The Socorro County Housing Authority did not issue the audit report until December 01, 2010.

Criteria:

The Housing Authority was required to submit the audit reports for the year ended June 30, 2010 on or before November 15, 2010 and Section 2.2.2.9A (1) (c) of the Office of the State Auditor Rule 2010.

Effect:

The Housing Authority is not in compliance with the Office of the State Auditor Audit Rule 2010. Furthermore, the federal award funding may be affected by the late submission of year end audit reports.

Cause:

The Housing Authority was unable to submit the June 30, 2010 audit report on a timely basis as a result of audit staff illnesses and absences from work and difficulty in receiving necessary information from the fee accountant.

Recommendation:

The Housing Authority must ensure that all future audit reports are filed in a timely fashion.

Response:

The Audit began as soon as the Financial were deemed to be ready for the Audit. The Housing Authority is in the process of advertising for a new Fee Accountant.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS10-01 IMPROPER BILLING

Statement of Condition:

During the fiscal year ended June 30, 2010, the billings for July and August 2009 for the Shelter Plus Care Program were not processed until September 2010, when this oversight was discovered during the 2010 audit.

Criteria:

Grant Funds should be requested based upon the amounts that are needed to be paid to vendors and others, plus any allowable administrative costs, and should be drawn down before the actual payment is made to the vendor or others for allowable costs.

Effect:

Expenditures were being paid without grant funds being available.

Cause:

The fee accountant was being relied upon to bill HUD. Because the accounting records were being posted late and the Executive Director was unable to match the billings against the expenditures, the Executive Director was unaware of this problem.

Recommendation:

The billing process needs improvement and staff should be trained on how to ensure that grantors are being billed properly and timely.

Response:

The Executive Director was not aware that the July and August billing had not been rendered as soon as the Executive Director discovered this, she billing that same day. The Executive Director will monitor this more closely to insure that billing is completed in a timely manner.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS10-02 IMPROPER ACCOUNTING

Statement of Condition:

The Housing Authority has a reimbursable grant that allows drawdowns for administrative costs. These costs are being paid out of the Operation Fund and are not being reflected in the reimbursable grant fund. This reimbursable grant at year end, shows a retained earnings amount, which should not exist.

Criteria:

If the allowable administrative costs are being absorbed by another fund (Operation Fund), the accounting would include the following: Entry should be made to recognize the cost in the grant's expense accounts with a credit being recorded in the Due to Operation Fund. In the Operation Fund a due from grant program should be debited and revenue recognized for the amount billed to the grantor that is equal to the costs absorbed by the Operation Fund.

Any non-grant income should be recorded through the due to/due from accounts in the same manner.

As reimbursement is received the monies should be transferred from the grant fund to the "other fund" to settle the due to and due from accounts.

In a reimbursable grant program revenues are equal to allowable costs and retained earnings/(deficits) would not exist.

Effect:

At June 30, 2010 the Housing Authority did not recognize Revenues and Expenditures properly in the Operation Fund and the Reimbursable Grant Fund, and retained earnings were present.

Cause:

The fee accountant was not knowledgeable in the proper accounting procedures to be followed for a reimbursable grant.

Recommendation:

Every effort should be made to properly allocate and record interfund transactions per grant and GAAP guidelines.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS10-02 IMPROPER ACCOUNTING, continued

Response:

The Housing Authority will instruct our Fee Accountant to reconcile the allowed administrative Fee in the books of the account of the grant.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS10-03 TIMELY FILING WITH PROPER DOCUMENTATION

Statement of Condition:

The Housing Authority did not file nor pay 941 and CRS-1 taxes in a timely fashion.

Criteria:

Filings and payments to IRS and State of New Mexico for withholding taxes should be made within guidelines and due dates. Retention of documents filed is required.

Effect:

The Housing Authority incurred unnecessary penalties and interest.

Cause:

The Housing Authority relied upon the fee accountant to prepare and file the needed reports. The accounting records were not being posted in a timely manner. Staff was not trained on how to prepare, pay and file reports.

Recommendation:

The Housing Authority should obtain proper training for calculating, filing and record retention for taxes due. If the fee accountant is tasked with this job, monitoring by staff needs to be implemented to ensure compliance.

Response:

The Executive Director was depending on the Fee Accountant to let her know how much was due to the IRS, the books were not maintained on a current basis and there was not instruction as to how much to pay or when. The Housing Authority will work very closely with the Fee Accountant to prevent this from happening in the future.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

CO10-04 HUD REQUIREMENTS

Statement of Condition:

HUD requires the Housing Authority to complete Rent reasonableness certificates in a timely manner.

Criteria:

In order to properly manage the operations of the Housing Authority timely and accurate rent reasonableness certificates must be prepared and filed in appropriate tenant files.

Effect:

Some tenant files did not have current Rent reasonableness certificates. The explanation located in tenant files stated “outside city limits”.

Cause:

There was a lack of adequate coordination with the Housing Authority’s staff to make sure that proper documentation and procedures were followed for Rent reasonableness certifications, thus violating HUD rules.

Recommendation:

Every effort should be made to comply with HUD rules and regulations. The Housing Authority staff should be advised and trained in regard to proper procedures, guidelines and possible limitations with county and city limit issues, while obtaining HUD required documents.

Response:

Out of 35 files only 1 file was documented in this way. We are in the process of obtaining a new system called Go Section 8, which deals with Rent Reasonableness, our 1st meeting will be on December 13, 2010 @ 10:00 a.m.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

OM10-05 PROPER DOCUMENTATION OF TENANT CONTRACTS

Statement of Condition:

During our audit of tenant files we noted that the tenant files did not always contain evidence of visits with tenants and decisions being made in regard to that tenant.

Criteria:

In order to properly manage rental units and client files the Housing Authority's policies require that communications with tenants, and staff observations and actions that result, be documented in the tenant file. This record keeping allows for less mistakes and miscommunication.

Effect:

This may cause problems in the future, should a question arise regarding actions taken or not taken and staff is no longer present or memory is hazy.

Cause:

There was a lack of adequate coordination with the Housing Authority's staff to make sure that proper documenting of tenant files occurred.

Recommendation:

The Housing Authority should reemphasize its policy on documenting client contacts. The Housing Authority may wish to maintain a contact log at the front of the tenant file to assist in this process.

Response:

Again out of 35 only 1 file was not properly documented. We are reemphasizing our policy and have had a meeting with the staff to insure that we document the files properly.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
For the Year Ended June 30, 2010**

FS10-06 UN-AUDITED FINANCIAL DATA SCHEDULE SUBMISSION (FDS)

Statement of Condition:

The Un-audited Financial Data Schedule (FDS) was not timely submitted to HUD through the REAC submission process.

Criteria:

HUD regulations require the Un-audited Financial Data Schedule (FDS) to be submitted through REAC within 60 days from the end of the fiscal year, unless extensions are granted.

Effect:

Noncompliance with HUD regulations may result in a withholding or reduction to the Housing Authority's monthly administrative fees in accordance with 24 CFR 982.152.

Cause:

Unknown.

Recommendation:

The Housing Authority must ensure that all further Un-audited Financial Data Schedules are submitted in a timely manner.

Response:

Fee Accountant is responsible for the submission of the Un-audited FDS. On June 22, of this year the fee accountant had an unexpected death in her family. The past five months have been difficult and she is working hard to get back on track.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
EXIT CONFERENCE
June 30, 2010**

Preparation of Financial Statements:

The Socorro County Housing Authority is responsible for the form and content of the accompanying financial statements which have been prepared by Gary E. Gaylord, Ltd.

Exit Conference

An exit conference was held at the offices of the Socorro County Housing Authority on November 30, 2010. In attendance were the following:

Representing Socorro County Housing Authority:

Mary Ann Chavez
Bob Tacker

Executive Director
Vice-Chairperson

Representing the Audit Firm:

Gary E. Gaylord, CPA

Auditor-in-Charge