

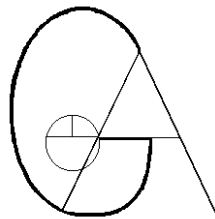
**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY**

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For the Year Ended June 30, 2011

With Independent Auditors' Reports Thereon



GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
TABLE OF CONTENTS
June 30, 2011**

INTRODUCTORY SECTION

	<u>Page</u>
Table of Contents	1-3
Official Roster	4

FINANCIAL SECTION

Independent Auditor's Report	5-6
Basic Financial Statements	
Government - Wide and Fund Financial Statements:	
Statement of Net Assets	Exhibit A 7
Statement of Activities	Exhibit B 8
Proprietary Funds:	
Statement of Net Assets	Exhibit C 9-10
Statement of Revenues, Expenses and Changes in Fund Net Assets	Exhibit D 11
Statement of Cash Flows	Exhibit E 12-13
Index	14-15
Notes to Financial Statements	16-38

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
TABLE OF CONTENTS, continued
June 30, 2011**

SUPPLEMENTARY INFORMATION

	<u>Page</u>
Non Major Proprietary Fund Descriptions	
Combining and Individual Fund Financial Statements:	
Proprietary Funds:	
Combining Statement of Net Assets	Statement 1 39
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	Statement 2 40
Combining Statement of Cash Flows	Statement 3 41-42
Statement of Financial Position - Socorro Village, LLC	Statement 4 43
Statement of Revenues, Expenses and Changes in Fund Net Assets – Socorro Village, LLC	Statement 5 44
Statement of Cash Flows – Socorro Village, LLC	Statement 6 45-46

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-49
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	50-51
Independent Auditor’s Report on Additional Information	52

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
TABLE OF CONTENTS, continued
June 30, 2011**

ADDITIONAL SUPPLEMENTARY DATA

		<u>Page</u>
Schedule of Expenditures of Federal Awards	Schedule 1	53
Schedule of Bank Depositories	Schedule 2	54
FDS		55-57
Schedule of Findings and Questioned Costs		58-62
Exit Conference		63

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
OFFICIAL ROSTER
June 30, 2011**

Board of Commissioners

Lonnie Marquez
Bob Tacker
Marcel Abeyta
Jose Lencho Vega

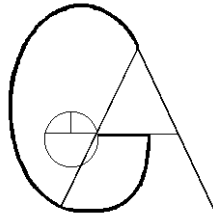
Chairperson
Vice-Chairperson
Commissioner
Commissioner

Administrative Staff

Mary Ann Chavez

Executive Director

FINANCIAL SECTION



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3
Albuquerque, New Mexico 87108
(505) 266-4820
fax (505) 268-6618

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor
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, 2011, 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, 2011, 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2011, 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, 2011, 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 September 23, 2011 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.



September 23, 2011

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2011

	<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	\$ 59,648	164,094
Investments	16,537	
Due from HUD	7,407	
Due from other governments	29,809	
Due from Socorro Village	44,744	
Accounts receivable, net		545
Prepaid expenses	1,503	2,191
Interest Receivable		
Restricted assets:		
Cash and cash equivalents	405,361	131,170
Capital assets not being depreciated:		
Land	31,518	53,210
Capital assets, net of accumulated depreciation:		
Land and other capital improvements		253,018
Buildings and building improvements	51,367	1,659,160
Furniture, machinery and equipment	23,391	45,087
Total assets	<u>671,285</u>	<u>2,308,475</u>
LIABILITIES		
Accounts payable	4,236	4,364
Accrued Interest payable	203	1,713
Due to Socorro County Housing Authority		44,744
Deferred revenue	1	
Accrued salary and benefits	7,273	644
Accrued compensated absences	2,202	560
Tenant security deposits		8,398
Noncurrent liabilities:		
Due within one year	6,233	14,472
Due in more than one year	24,131	1,367,825
Total liabilities	<u>44,279</u>	<u>1,442,720</u>
NET ASSETS		
Invested in capital assets, net of related debt	75,912	628,178
Restricted for housing assistance payments	405,361	
Unrestricted	145,733	237,577
Total net assets	<u>\$ 627,006</u>	<u>865,755</u>

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

EXHIBIT A

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, 2011

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	\$ 1,465,978	44,230	1,619,822		198,074	
Interest on long-term debt	2,667				(2,667)	
	<u>1,468,645</u>	<u>44,230</u>	<u>1,619,822</u>		<u>195,407</u>	
Component Unit:						
Socorro Village:						
Business-type activities:						
Housing Services	\$ 246,930	99,517	132,405			(15,008)
Interest on long-term debt	17,155					(17,155)
	<u>264,085</u>	<u>99,517</u>	<u>132,405</u>			<u>(32,163)</u>
General Revenues:						
Interest on Investments					26	56
Total General Revenues					<u>26</u>	<u>56</u>
Change in net assets					195,433	(32,107)
Net assets, beginning of year					<u>431,573</u>	<u>897,862</u>
Net assets, at end of year					<u>\$ 627,006</u>	<u>865,755</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, 2011

	Housing Choice Vouchers	Shelter Care Plus	Nonmajor Proprietary Funds	Totals
ASSETS				
Current assets, unrestricted:				
Cash and cash equivalents	\$ 49,878	9,769	1	59,648
Due from HUD		7,407		7,407
Due from other governments	29,809			29,809
Due from other funds	16,528			16,528
Prepaid expenses	1,503			1,503
Investments	16,537			16,537
Due from Socorro Village	44,744			44,744
Total current unrestricted assets	<u>158,999</u>	<u>17,176</u>	<u>1</u>	<u>176,176</u>
Current assets, restricted:				
Cash and cash equivalents:				
Housing Assistance Payments	405,361			405,361
Tenant Deposits				
Total current restricted assets	<u>405,361</u>			<u>405,361</u>
Total current assets	<u>564,360</u>	<u>17,176</u>	<u>1</u>	<u>581,537</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	51,367			51,367
Furniture, machinery and equipment	23,391			23,391
Accumulated depreciation				
Capital assets, net of acc. depr.	<u>106,276</u>			<u>106,276</u>
Total assets	<u>\$ 670,636</u>	<u>17,176</u>	<u>1</u>	<u>687,813</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, 2011

	Housing Choice Vouchers	Shelter Care Plus	Nonmajor Proprietary Funds	Totals
LIABILITIES				
Current liabilities, payable from unrestricted assets:				
Accounts payable	\$ 3,588	648		4,236
Accrued interest payable	203			203
Accrued salaries and benefits	7,273			7,273
Due to other funds		16,528		16,528
Deferred revenue			1	1
Accrued compensated absences	2,202			2,202
Current portion of note payable	6,233			6,233
Total Current Liabilities	<u>19,499</u>	<u>17,176</u>	<u>1</u>	<u>36,676</u>
Noncurrent liabilities:				
Long-term portion of note payable	<u>24,131</u>			<u>24,131</u>
Total Noncurrent Liabilities	<u>24,131</u>			<u>24,131</u>
Total liabilities	<u>43,630</u>	<u>17,176</u>	<u>1</u>	<u>60,807</u>
NET ASSETS				
Invested in capital assets, net of related debt	75,912			75,912
Restricted for housing assistance payments	405,361			405,361
Unrestricted	<u>145,733</u>			<u>145,733</u>
Total net assets	<u>627,006</u>			<u>627,006</u>
Total liabilities and net assets	<u>\$ 670,636</u>	<u>17,176</u>	<u>1</u>	<u>687,813</u>

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

EXHIBIT C

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, 2011

	United States Department of Housing and Urban Development			
	Housing Choice Voucher	Shelter Care Plus	Nonmajor Proprietary Funds	Totals
Operating revenues:				
Charges for services:				
Miscellaneous	\$ 44,230			44,230
Total charges for services	<u>44,230</u>			<u>44,230</u>
Other operating revenues:				
Operating grants	1,510,425	72,457	36,940	1,619,822
Total operating revenues	<u>1,554,655</u>	<u>72,457</u>	<u>36,940</u>	<u>1,664,052</u>
Operating expenses:				
Administration:				
Salaries and benefits	97,731		12,500	110,231
Auditing and Bookkeeping	26,537			26,537
Office Expenses	13,091			13,091
Other	58,804	5,367	1,214	65,385
Utilities				
Ordinary maintenance and repairs				
Insurance and other general expenses	7,754			7,754
Direct assistance			23,226	23,226
Housing assistance payments	1,140,385	67,090		1,207,475
Extraordinary maintenance and repairs				
Depreciation	12,279			12,279
Total operating expenses	<u>1,356,581</u>	<u>72,457</u>	<u>36,940</u>	<u>1,465,978</u>
Net operating income	<u>198,074</u>			<u>198,074</u>
Nonoperating revenue (expenses):				
Interest income	26			26
Interest expense	(2,667)			(2,667)
Net non-operating income (expenses)	<u>(2,641)</u>			<u>(2,641)</u>
Net change in fund equity	195,433			195,433
Net assets, beginning of year	<u>431,573</u>			<u>431,573</u>
Net assets, end of year	<u>\$ 627,006</u>			<u>627,006</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, 2011

	United States Department of Housing and Urban Development			
	Housing Choice Vouchers	Shelter Care Plus	Nonmajor Proprietary Funds	Totals
Cash flows from operating activities:				
Cash received from tenants and others for services	\$ 56,984	82,226		139,210
Cash received from operating grants	1,516,802		181,634	1,698,436
Cash paid for Housing Assistance Payments	(1,098,779)	(67,090)	(159,704)	(1,325,573)
Cash paid to and on behalf of employees	(98,624)		(13,232)	(111,856)
Cash paid to vendors for goods and services	(114,694)	(5,367)	(9,210)	(129,271)
Net cash flows from operating activities	<u>261,689</u>	<u>9,769</u>	<u>(512)</u>	<u>270,946</u>
Cash flows from noncapital financing activities:				
Transfers in from other programs				
Transfers out to other programs				
Net cash flows from noncapital financing activities				
Cash flows from capital and related financing activities:				
Cash received for capital acquisitions				
Payments on debt	(8,436)			(8,436)
Purchase of property, plant and equipment				
Net cash flows from capital and related financing activities	<u>(8,436)</u>			<u>(8,436)</u>
Cash flows from investing activities:				
Investment income	28			28
Net cash flows from investing activities	<u>28</u>			<u>28</u>
Net increase (decrease) in cash and cash equivalents	253,281	9,769	(512)	262,538
Cash and cash equivalents, beginning of year	<u>201,958</u>		<u>513</u>	<u>202,471</u>
Cash and cash equivalent, end of year	<u>\$ 455,239</u>	<u>9,769</u>	<u>1</u>	<u>465,009</u>
Shown on balance sheets as:				
Unrestricted cash and cash equivalents	49,878	9,769	1	59,648
Restricted cash and cash equivalents	405,361			405,361
	<u>\$ 455,239</u>	<u>9,769</u>	<u>1</u>	<u>465,009</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, 2011

	United States Department of Housing and Urban Development			Totals
	Housing Choice Vouchers	Shelter Plus Care	Nonmajor Proprietary Funds	
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Net operating income	\$ 198,074			198,074
Adjustments to reconcile net operating income to net cash flows from operating activities:				
Depreciation expense	12,279			12,279
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Tenant and other receivables, net				
Due from HUD	29,854	(7,407)		22,447
Due from other funds	(16,528)			(16,528)
Fraud recovery receivable	2,981			2,981
Due from other governments	(13,704)		144,694	130,990
Prepaid expenses	41,011			41,011
Increase/(decrease) in liabilities:				
Accounts payable	8,615	648	(144,475)	(135,212)
Due to other funds		16,528		16,528
Accrued salaries and benefits	(295)		(732)	(1,027)
Accrued and withheld payroll taxes				
Due to HUD				
Payment in lieu of taxes				
Deferred revenue			1	1
Tenant security deposits				
Accrued compensated absence:	(598)			(598)
	<u>\$ 261,689</u>	<u>9,769</u>	<u>(512)</u>	<u>270,946</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
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

INDEX

NOTE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 - A. Program Goal and the PHA
 - B. Financial Reporting Entity
 - C. Basis of Presentation
 - D. Basis of Accounting
 - E. Fund Financial Statements
 - F. Revenue and Expense Recognition
 - G. Cash and Cash Equivalents
 - H. Capital Assets and Depreciation
 - I. Unpaid Compensated Absences
 - J. Operating Revenues and Expenses
 - K. Interfund Activities
 - L. Expenditures of Restricted Sources
 - M. Management Estimates and Assumptions
 - N. Equity Classifications

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
 - A. Deposits and Investments, Laws and Regulations
 - B. Revenue Restrictions

3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS
 - A. Cash and Investments-Collateralization
 - B. Accounts Receivable
 - C. Prepaid Expenses
 - D. Interfund Receivables and Payables
 - E. Capital Assets
 - F. Accounts Payable
 - G. Transfers

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

INDEX, continued

NOTE, continued

4. OTHER NOTES
 - A. Annual and Sick Leave
 - B. Notes Payable
 - C. Economic Dependency
 - D. Risk Management
 - E. Contingent Liabilities
 - F. Subsequent Events

5. COMPONENT UNIT – SOCORRO VILLAGE
 - A. Summary of Significant Accounting Policies
 - B. Cash in Banks
 - C. Accounts and Notes Receivable
 - D. Reserve for Replacement
 - E. Property and Equipment
 - F. Accounts Payable
 - G. Accrued Interest Payable
 - H. Mortgage Payable
 - I. Unrestricted Net Assets
 - J. Rent Increase
 - K. Residual Receipts Account
 - L. Management Fee
 - M. Related Party Transaction
 - N. Subsequent Events and Construction in Progress
 - O. Current Vulnerability Due to Certain Concentrations

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011**

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
Shelter Plus Care

Nonmajor Funds:

Home Rehab
Homeless Prevention and Rapid Re-housing Program (HPRP)
Family Self-Sufficiency

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

E. FUND FINANCIAL STATEMENTS

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

The Authority reports the following major funds:

Section 8 Housing Choice Voucher (HCV)

The Housing Choice Voucher Program (HCVP) provides rental assistance to help low income families afford decent, safe, and sanitary rental housing. The program is a tenant-based rental assistance program wherein qualifying families are assisted with their rental payments to landlords in the private rental market. The amount of the rental assistance is based upon family composition and family income.

Shelter Plus Care

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.

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 nonmajor funds:

Home Rehab
ARRA – Homeless Prevention & Rapid Re-housing Program
Family Self-Sufficiency

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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 fund's 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.

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 \$5,000. 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.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

H. CAPITAL ASSETS AND DEPRECIATION, continued

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.

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, 2011 the Authority did not have any interfund transfers. The details of interfund receivables/payables are shown in Note 3 D.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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 affects 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.

Unrestricted net assets – This category reflects net assets 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.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS, continued

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 America;
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, 2011 the Socorro County Housing Authority had complied with its investment policy.

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.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

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.

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, 2011 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, 2011 the Housing Authority and its component unit limited the concentration of credit risk by depositing its funds in two local banks rather than a single bank. Also, a portion of its funds are held by New Mexico Mortgage Finance Authority. See Note 5 for details on the component unit cash accounts.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

A. CASH AND INVESTMENTS – COLLATERALIZATION, continued

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, 2011 the Housing Authority’s deposits were fully insured by FDIC.

B. ACCOUNTS RECEIVABLE

Accounts receivables - HUD consists of \$ 7,407 for Shelter Plus Care costs not reimbursed at 06-30-11.

Due from other governments includes amounts due from Village of Los Lunas Housing Authority for managing its Section 8 Housing Choice Voucher Program during the latter part of the fiscal year (\$ 21,106) and an amount due from Vista Montano for management fees (\$ 8,703).

Also, the housing authority recorded the amount due from Socorro Village for management fees, bookkeeping and payroll reimbursement (\$ 44,744). This amount is reflected as Due from Socorro Village on its Statement of Net Assets.

C. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid insurance costs of \$1,503 has been recorded by the Authority.

D. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2011 the Socorro County Housing Authority had the following interfund receivables/payables:

	<u>Due from</u>	<u>Due to</u>
Section 8 Housing Choice Vouchers:		
Shelter Plus Care	\$ 16,528	
Shelter Plus Care		
Section 8 HCV		\$ 16,258

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

D. INTERFUND RECEIVABLES AND PAYABLES, continued

The due from and due to accounts were generated from unpaid fees earned by the Section 8 Housing Choice Voucher program and were made for temporary cash needs that are expected to be repaid currently.

E. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Reclassification & <u>Additions</u>	Reclassification & <u>Deletions</u>	Balance at June 30, 2011
Capital assets not being depreciated:				
Land	\$ 31,518	_____	_____	31,518
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	96,634	_____	_____	96,634
Total capital assets being depreciated	<u>222,705</u>	_____	_____	<u>222,705</u>
Less accumulated depreciation for:				
Building and building improvements	71,551	3,153		74,704
Furniture, machinery and equipment	<u>64,116</u>	<u>9,127</u>	_____	<u>73,243</u>
Total accumulated depreciation	<u>135,667</u>	<u>12,280</u>	_____	<u>147,947</u>
Total capital assets being depreciated, net	<u>87,038</u>	<u>(12,280)</u>	_____	<u>74,758</u>
Total capital assets, net	\$ <u>118,556</u>	<u>(12,280)</u>	_____	<u>106,276</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, 2011, is as follows:

Section 8-HCV	\$ 3,588
Shelter Care Plus	<u>648</u>
Total	<u>\$ 4,236</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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, 2011 totaled \$ 2,202. All of the unpaid annual leave is considered current. 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, 2011.

	<u>Balance June</u> <u>30, 2010</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June</u> <u>30, 2011</u>	<u>Current</u> <u>Portion</u>
Compensated Absences	\$ 2,800	5,082	5,680	2,202	2,202

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

4. OTHER NOTES, continued

B. NOTES PAYABLE

The following schedule details the changes in Note Payable during the year ended June 30, 2011.

	Balance June <u>30, 2010</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June <u>30, 2010</u>	Current <u>Portion</u>
Mortgage Payable	\$ 36,101		5,737	30,364	6,233

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>
06/30/2012	\$ 8,436	\$ 2,203	\$ 6,233	\$ 24,131	
06/30/2013	8,436	1,686	6,750	17,381	
06/30/2014	8,436	1,126	7,310	10,071	
06/30/2015	8,436	519	7,917	2,154	
06/30/2016	<u>2,184</u>	<u>30</u>	<u>2,154</u>	<u>-</u>	
Total	\$ <u>35,928</u>	<u>5,564</u>	<u>30,364</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, 2011**

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, 2011, 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 as well as the United States Department of Housing and Urban Development.

Effective July 1, 2011 Socorro County Housing Authority agreed to combine the Village of Los Lunas Housing Authority's Section 8 Housing Choice Voucher program with its operation. Because of this change, the Socorro County Housing Authority changed its name to El Camino Real Housing Authority.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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 \$ 132,405 during the year ended June 30, 2011.

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, 2011**

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, 2011**

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 debt service reserve accounts are held by the New Mexico Mortgage Finance Authority in trust for Socorro Village, LLC. 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>NMMFA</u>
Deposits in Banks	\$ 266,786	28,743
Less FDIC Coverage	\$ <u>266,786</u>	<u>28,743</u>
Uninsured Public Funds		
Pledged Collateral	_____.	_____.
Uninsured & Uncollateralized	=====.	=====.

NOTE C – ACCOUNTS AND NOTES RECEIVABLE

Tenant Accounts Receivable - \$ 545 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	\$ 10,155
Current Year Contributions	5,000
Interest Earned Net of Fees	<u>56</u>
Balance, End of Period	\$ <u>15,211</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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>Buildings</u>	<u>Capital Improvements</u>	<u>Equipment</u>	<u>Total</u>
Balances, Beginning of Period	\$ 53,210	2,412,360	348,931	106,440	2,920,941
Additions	_____	_____	_____	_____	_____
Deletions	_____	_____	_____	_____	_____
Balances, End of Period	\$ <u>53,210</u>	<u>2,412,360</u>	<u>348,931</u>	<u>106,440</u>	<u>2,920,941</u>

	<u>Accumulated Depreciation</u>				
	<u>Land</u>	<u>Buildings</u>	<u>Capital Improvements</u>	<u>Equipment</u>	<u>Total</u>
Balances, Beginning of Period	\$	693,287	65,987	49,323	808,597
Provisions					
Deletions	_____	<u>59,913</u>	<u>29,926</u>	<u>12,030</u>	<u>101,869</u>
Balances, End of Period	_____	<u>753,200</u>	<u>95,913</u>	<u>61,353</u>	<u>910,466</u>
Net Book Value as of End of Period	\$ <u>53,210</u>	<u>1,659,160</u>	<u>253,018</u>	<u>45,087</u>	<u>2,010,475</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE F – ACCOUNTS PAYABLE

Trade accounts payable are from normal operations 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 which is December 1, 2048. 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	\$ 800,000
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, 2011**

5. COMPONENT UNIT – SOCORRO VILLAGE, continued

NOTE H – MORTGAGE PAYABLE, 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. 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 December 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. 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 December 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, 2011**

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	\$ 250,000	\$ 340,000
Draws on Loans during fiscal year		
Principal payments during fiscal year	<u>(4,181)</u>	<u>(3,523)</u>
Mortgage Payable at end of year	\$ <u>245,819</u>	\$ <u>336,477</u>

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 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 15/16	15,689	19,162	34,851
FY 17/21	83,472	90,781	174,253
FY 22/25	92,683	81,570	174,253
FY 27/31	103,164	71,089	174,253
FY 32/36	115,108	59,145	174,253
FY 37/41	112,505	45,632	158,137
FY 42/46		40,000	40,000
FY 47/49	<u>800,000</u>	<u>19,333</u>	<u>819,333</u>
Total	<u>\$1,382,296</u>	<u>\$506,441</u>	<u>\$1,888,737</u>

Current portion of mortgages	\$ 14,472
Long-term portion of mortgages	<u>1,367,824</u>
Total mortgages payable as of June 30, 2010	\$ <u>1,382,296</u>

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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.

NOTE J – RENT INCREASE

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, (a total fee of \$13,680) (Socorro County Housing Authority). In addition, the project also reimbursed the Socorro County Housing Authority for maintenance wages and benefits in the amount of \$45,495.

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.

**STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF SOCORRO COUNTY
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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.

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
SOCORRO, NEW MEXICO
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - Nonmajor Funds
June 30, 2011

	<u>Family Self- Sufficiency</u>	<u>Home Rehab</u>	<u>ARRA - Homeless Prevention & Rapid Rehousing Program</u>	<u>Total Nonmajor Proprietary Funds</u>
ASSETS				
Cash and cash equivalents	\$		1	1
Accounts receivable, net Due from HUD				
Due from other governments				
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>1</u>		<u>1</u>
LIABILITIES				
Accounts payable				
Due to HUD				
Due to other governments				
Deferred revenue			1	1
Accrued salary and benefits				
Tenant security deposits				
Noncurrent liabilities - Accrued compensated absences:				
Due within one year				
Due in more than one year				
Total liabilities		<u>1</u>		<u>1</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, 2011

	<u>Family Self- Sufficiency</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	12,500		24,440	36,940
Total operating revenues	<u>12,500</u>		<u>24,440</u>	<u>36,940</u>
Operating expenses:				
Administration	12,500		1,214	13,714
Utilities				
Extraordinary maintenance and repairs				
General				
Direct financial assistance			23,226	23,226
Housing assistance payments				
Depreciation				
Total operating expenses	<u>12,500</u>		<u>24,440</u>	<u>36,940</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				
Adjustments				
Net assets, beginning of year, as restated				
Net assets, end of year	<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, 2011

	Family Self- Sufficiency	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	12,500		169,134	181,634
Cash paid for direct assistance				
Cash paid for Housing Assistance Payments			(159,704)	(159,704)
Cash paid to and on behalf of employees	(12,500)		(732)	(13,232)
Cash paid to vendors for goods and services		(434)	(8,776)	(9,210)
Net cash flows from operating activities		(434)	(78)	(512)
Cash flows from noncapital financing activities:				
Transfers in from other programs				
Transfers out to other programs				
Net cash flows from noncapital financing activities				
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		(434)	(78)	(512)
Cash and cash equivalents, at beginning of year		435	78	513
Cash and cash equivalent, end of year	\$	1		1
Shown on balance sheets as:				
Unrestricted cash and cash equivalents				
Restricted cash and cash equivalents				
	\$			

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
For the Year Ended JUNE 30, 2011

	<u>Family Self Sufficiency</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			144,694	144,694
Due from other governments				
Prepaid expenses				
Increase/(decrease) in liabilities:				
Accounts payable		(435)	(144,040)	(144,475)
Accrued salaries and benefits			(732)	(732)
Accrued and withheld payroll taxes				
Due to HUD				
Payment in lieu of taxes				
Deferred revenue		1		1
Tenant security deposits				
Accrued compensated absences				
	<u>\$</u>	<u>(434)</u>	<u>(78)</u>	<u>(512)</u>

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, 2011

ASSETS

Unrestricted current assets:	
Cash on hand and in banks	\$ 164,094
Accounts receivable-tenants	545
Accounts receivable-HUD	
Prepaid expense	2,191
Total current unrestricted assets	<u>166,830</u>
Restricted deposits and funded reserves:	
Tenant security deposits	8,398
Cash held by NMMFA	13,532
Residual receipts account	489
Operating reserve	93,540
Reserve for replacements	15,211
	<u>131,170</u>
Capital assets not being depreciated:	
Land	53,210
Capital assets, net of accumulated depreciation:	
Land and other capital improvements	253,018
Buildings and improvements	1,659,160
Equipment	45,087
	<u>45,087</u>
Total assets	<u>\$ 2,308,475</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 4,364
Accrued salaries and benefits	644
Accrued compensated absences	560
Due to Socorro County Housing Authority	44,744
Accrued interest payable	1,713
Tenant security deposits	8,398
Current portion of notes payable	14,472
Total current liabilities	<u>74,895</u>
Noncurrent liabilities	
Notes payable, net of current portion	<u>1,367,825</u>
Total Liabilities	<u>1,442,720</u>
Net Assets:	
Investment in capital assets, net of related debt	628,178
Unrestricted	237,577
	<u>865,755</u>
Total Liabilities and Net Assets	<u>\$ 2,308,475</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 Revenues, Expenses and Changes
in Fund Net Assets
For the Year Ended June 30, 2011

Operating Revenue:	
Charges for services:	
Rent	\$ 93,381
Other	6,136
Operating grants:	
Rent subsidy from HUD	132,405
Total Operating Revenues	<u>231,922</u>
Operating Expenses:	
Administrative:	
Auditing	6,955
Bookkeeping	6,800
Advertising and marketing	3,700
Office	251
Travel	142
Other	15,257
Utilities:	
Water & sewer	26,019
Electricity	14,761
Gas	431
Ordinary maintenance & operations:	
Labor and benefits	46,700
Materials and supplies	14,348
Garbage and trash removal	519
Contract costs	3,549
General expenses:	
Insurance	5,629
Depreciation	101,869
Total operating expenses	<u>246,930</u>
Operating income (loss)	<u>(15,008)</u>
Nonoperating revenue (expense):	
Capital grants	
Interest income	56
Interest expense	(17,155)
Net nonoperating revenue (expense)	<u>(17,099)</u>
Change in fund net assets	(32,107)
Net assets, beginning of year	<u>897,862</u>
Net assets, end of year	<u>\$ 865,755</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, 2011

Cash Flows from Operating Activities:	
Cash received from tenants and others for services	\$ 107,313
Cash received from operating grants	132,405
Cash paid to and on behalf of employees	(45,495)
Cash paid to vendors for goods and services	(107,778)
Net cash flows from operating activities	<u>86,445</u>
Cash flows from capital and related financing activities:	
Capital grants received	
Proceeds from capital loans	
Payments on capital debt	(23,996)
Purchase of capital assets	(114,779)
Net cash flows from capital and related financing activities	<u>(138,775)</u>
Cash flows from investing activities:	
Interest received	56
Net cash flows from investing activities	<u>56</u>
Net increase (decrease in cash and cash equivalents)	(52,274)
Cash and cash equivalents at beginning of year	<u>347,538</u>
Cash and cash equivalents at end of year	<u>\$ 295,264</u>
Shown as:	
Unrestricted cash and cash equivalents	\$ 164,094
Restricted cash and cash equivalents	<u>131,170</u>
	<u>\$ 295,264</u>

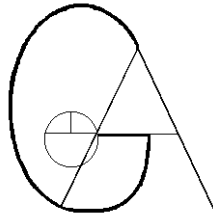
SEE INDEPENDENT AUDITORS' REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

SOCORRO VILLAGE, LLC
HUD PROJECT NO. NM16M000081
Socorro, New Mexico
Statement of Cash Flows, continued
For the Year Ended June 30, 2011

Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	\$	(15,008)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation		101,869
Decrease (Increase) in:		
Accounts Receivable-Tenants		4,554
Prepaid Expenses		(443)
Increase (Decrease) in:		
Accounts Payable-Trade		(1,866)
Accrued salaries and benefits		644
Accrued compensated absences		560
Tenant Security Deposits		3,599
Due to Socorro County Housing Authority		(7,107)
Deferred revenue		(357)
Net Cash Provided (Used) by Operating Activities	\$	<u><u>86,445</u></u>

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

COMPLIANCE SECTION



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3
Albuquerque, New Mexico 87108
(505) 266-4820
Fax (505) 268-6618

**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, 2011, and have issued my report thereon dated September 23, 2011. 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

**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**

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying *schedule of finding and question costs* to be a significant deficiency:

2011-01(SD) Time Sheets Are Not Signed

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.

I also 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 findings:

2011-02(OM) Minutes of Commissioner Meetings
2011-03(OM) PERA Coverage

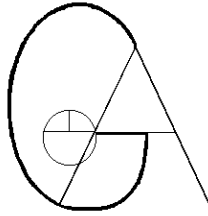
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS, Continued*

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 black ink, appearing to read "Gary E. Gaylord CPA", written over a horizontal line.

Gary E. Gaylord, Ltd. CPA's
September 23, 2011



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3
Albuquerque, New Mexico 87108
(505) 266-4820
Fax (505) 268-6618

**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
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, 2011. 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 each of its major federal programs 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, 2011.

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.

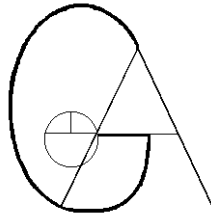
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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
September 23, 2011



Gary E. Gaylord, C.P.A.

GARY E. GAYLORD, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3
Albuquerque, New Mexico 87108
(505) 266-4820
Fax (505) 268-6618

**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, 2011 appears on pages 4 and 5. The audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements. 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, 2011, and the results of its operations for the year then ended in conformity with the accounting practices prescribed or permitted by HUD/REAC.

September 23, 2011

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, 2011

<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	\$ 1,346,969
Non-major programs:			
Shelter Plus Care	14.238		72,457
Family Self-Sufficiency	14.877		12,500
Pass-Through Program From:			
State of New Mexico Mortgage Finance Authority			
ARRA Homelessness Prevention and Rapid Rehousing Program	14.257		<u>24,440</u>
Total Socorro County Housing Authority			<u>1,456,366</u>
Socorro Village:			
Housing Assistance Program	14.195		<u>132,405</u>
Total Socorro Village			<u>132,405</u>
Total U.S. Dept. of Housing and Urban Development			\$ <u>1,588,771</u>
Total Expenditures of Federal Awards			\$ <u>1,588,771</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, 2011

<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>Rounding</u>	<u>Book Balance</u>
Wells Fargo Bank:							
Section 8 HCV		1	\$ 457,049		(1,811)	1	455,239
Section 8 HCV		2	16,537				16,537
Shelter Plus Care		1	9,964		(195)		9,769
Housing Rehab		2	1				1
First State Bank:							
Socorro Village LLC		1	165,123		(265)		164,858
Socorro Village Security/Pet Deposits		1	7,634				7,634
Socorro Village Residual Receipts		1	489				489
Socorro Village Operating Reserve		1	93,540				93,540
Compass Bank:							
NM Mortgage Finance Authority		3	13,532				13,532
NM MFA - Replacement Reserve		3	15,211				15,211
	Total with financial institutions		<u>\$ 779,080</u>		<u>(2,271)</u>	<u>1</u>	<u>776,810</u>

	<u>Socorro County H.A.</u>	<u>Socorro Village</u>	<u>Totals</u>
Shown on Statement of Net Assets as:			
Cash and cash equivalents	\$ 59,648	164,094	223,742
Investments	16,537		16,537
Restricted Deposits and Funded Reserves		131,170	131,170
Temporary restricted assets	405,361		405,361
	<u>\$ 481,546</u>	<u>295,264</u>	<u>776,810</u>

Account Types:

- 1 Demand Deposits
- 2 Interest Bearing
- 3 Paying agent a/c

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, 2011

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Family Self Sufficiency	Home Rehabilitation Program	ARRA Homeless Prevention & Rapid Rehousing	Total
ASSETS:							
111	Cash - Unrestricted	49,878	9,769		1		59,648
113	Cash - Other Restricted	405,361					405,361
114	Cash - Tenant Security Deposits						
100	Total Cash	455,239	9,769		1		465,009
121	Accounts Receivable - PHA Projects		7,407				7,407
122	Accounts Receivable - HUD Other Projects						
124	Accounts Receivable - Other Government	29,809					29,809
125	Accounts Receivable - Miscellaneous	44,744					44,744
126	Accounts Receivable - Tenants - Dwelling Rents						
126.1	Allowance for doubtful accounts - Tenants						
129	Accrued Interest Receivable						
120	Total Receivables, net of allowances for doubtful accounts	74,553	7,407				81,960
131	Investments - Unrestricted	16,537					16,537
142	Prepaid Expenses and Other Assets	1,503					1,503
144	Inter Program Due From	16,528					16,528
150	Total Current Assets	564,360	17,176		1		581,537
161	Land	31,518					31,518
162	Buildings	126,070					126,070
163	Furniture, Equipment & Machinery - Dwelling	35,567					35,567
164	Furniture, Equipment & Machinery - Administration	61,067					61,067
165	Leasehold Improvements						
166	Accumulated Depreciation	(147,946)					(147,946)
160	Total Fixed Assets, Net of Accumulated Depreciation	106,276					106,276
180	Total Non-Current Assets	106,276					106,276
190	Total Assets	670,636	17,176		1		687,813
LIABILITIES:							
312	Accounts payable < 90 days	3,588	648				4,236
321	Accrued wage/payroll taxes payable	7,273					7,273
322	Accrued Compensated Absences - Current	2,202					2,202
325	Accrued Interest Payable	203					203
331	Accounts payable - HUD PHA Programs						
333	Accounts payable - Other Government						
341	Tenant Security Deposits						
342	Deferred Revenue				1		1
347	Inter Program - Due to		16,528				16,528
348	Loan Liability - Current	6,233					6,233
310	Total Current Liabilities	19,499	17,176		1		30,443
355	Loan Liability - Noncurrent	24,131					24,131
350	Total Noncurrent Liabilities	24,131					24,131
300	Total Liabilities	43,630	17,176		1		60,807
508	Total Contributed Capital						
508.1	Invested in Capital Assets, Net of Related Debt	75,912					75,912
511.1	Restricted Net Assets	405,361					405,361
512.1	Unrestricted Net Assets	145,733					145,733
513	Total Equity/Net Assets	627,006					627,006
600	Total Liabilities and Equity/Net Assets	670,636	17,176		1		687,813

STATE OF NEW MEXICO
SOCORRO COUNTY HOUSING AUTHORITY
A Component Unit of Socorro County
SOCORRO, NEW MEXICO
FINANCIAL DATA SCHEDULE
June 30, 2011

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Family Self Sufficiency	Home Rehabilitation Program	ARRA Homeless Prevention & Rapid Rehousing	Total
REVENUE:							
703	Net Tenant Rental Revenue						
705	Total Tenant Revenue						
706	HUD PHA Operating Grants	1,510,425	72,457	12,500		24,440	1,619,822
706.1	Capital Grants						
711	Investment Income - Unrestricted	12					12
714	Fraud Recovery	680					680
715	Other Revenue	43,550					43,550
720	Investment Income - Restricted	14					14
700	Total Revenue	<u>1,554,681</u>	<u>72,457</u>	<u>12,500</u>		<u>24,440</u>	<u>1,664,078</u>
EXPENSES:							
911	Administrative Salaries	70,410		11,612			82,022
912	Auditing Fees	13,910					13,910
913	Bookkeeping Fees	12,627					12,627
914	Advertising and Promotion	211					211
915	Employee Benefit Contributions - Administrative	22,239		888			23,127
916	Office Expenses	13,091					13,091
917	Legal	4,000					4,000
918	Travel	11,232					11,232
919	Other	43,361	5,367			1,214	49,942
910	Total Operating - Administrative	<u>191,081</u>	<u>5,367</u>	<u>12,500</u>		<u>1,214</u>	<u>210,162</u>
931	Water						
932	Electricity						
933	Gas						
938	Other Utilities Expense						
930	Total Utilities						
941	Ordinary Maintenance and Operations - Labor						
942	Ordinary Maintenance and Operations - Materials and Other						
943	Ordinary Maintenance and Operations - Contracts						
945	Employee Benefit Contributions - Ordinary Maintenance						
940	Total Maintenance						
961.1	Property Insurance	756					756
961.2	Liability Insurance	2,891					2,891
961.3	Workman's Compensation	4,107					4,107
961.4	All Other Insurance						
961	Total Insurance Premiums	<u>7,754</u>					<u>7,754</u>
962	Compensated Absences	5,082					5,082
963	Payments in Lieu of Taxes						
960	Total Other General Expenses	<u>5,082</u>					<u>5,082</u>
96720	Interest on Notes Payable (Short and Long Term)	2,667					2,667
96700	Total Interest Expense and Amortization Cost	<u>2,667</u>					<u>2,667</u>
969	Total Operating Expenses	<u>206,584</u>	<u>5,367</u>	<u>12,500</u>		<u>1,214</u>	<u>225,665</u>
970	Excess Operating Revenue over Operating Expenses	<u>1,348,097</u>	<u>67,090</u>			<u>23,226</u>	<u>1,438,413</u>
971	Extraordinary Maintenance						
973	Housing Assistance Payments	1,140,385	67,090			23,226	1,230,701
974	Depreciation Expense	12,279					12,279
900	Total Expenses	<u>1,359,248</u>	<u>72,457</u>	<u>12,500</u>		<u>24,440</u>	<u>1,468,645</u>

STATE OF NEW MEXICO
 SOCORRO COUNTY HOUSING AUTHORITY
 A Component Unit of Socorro County
 SOCORRO, NEW MEXICO
 FINANCIAL DATA SCHEDULE
 June 30, 2011

FDS Line #	Accounts Description	Section 8 Housing Choice Vouchers (HCV)	Shelter Care Plus Program	Family Self Sufficiency	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	195,433					195,433
1103	Beginning Equity	431,573					431,573
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors						
1117	Administrative Fee Equity	221,645					221,645
1118	Housing Assistance Payments Equity	405,361					405,361
1119	Unit Months Available	3,816					3,816
1121	Number of Unit Months Leased	2,787					2,787
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, 2011**

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 | No |

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? No

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, 2011**

SECTION II- FINDINGS

PRIOR YEAR AUDIT FINDINGS

CURRENT STATUS

Internal Control Over Financial Reporting:

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

Compliance-Federal Programs

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

Other Matters

OM10-05	Proper Documentation of Tenant Contracts	Resolved
---------	--	----------

CURRENT YEAR AUDIT FINDINGS

Internal Control Over Financial Reporting:

2011-01(SD) Time Sheets Are Not Signed

Other Matters

2011-02(OM) Minutes of Commissioner Meetings
2011-03(OM) PERA Coverage

**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, 2011**

2011-01(SD) TIME SHEETS ARE NOT SIGNED

Statement of Condition: We noted that time sheets were not being consistently signed by the employees and the employee's supervisor to attest to the accuracy of the time sheet. The current time sheet in use has only one signature line.

Criteria: Time sheets should be signed by both the employee and the supervisor in advance of payroll preparation. Time sheets should be accurately prepared and any compensated absence information should be reflected and verified by the supervisor before signing.

Effect: Employees were being paid for time worked or for compensated time off that was not properly documented.

Cause: The signing of employee time sheets was not consistently enforced and employees were not sufficiently informed about the importance of documenting and signing the time sheets that were used to support payroll.

Recommendation: The time sheet should be redesigned to include two signature lines. One of the lines should be labeled "Employee" and the second line should be labeled "Supervisor". Staff and management should be informed about the importance of documenting and verifying the accuracy of payroll information.

Agency Response: The Housing Authority will amend their times sheets to included two Signature lines. One will have Employee and the other line will have Supervisor.

**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, 2011**

2011-02(OM) MINUTES OF COMMISSIONER MEETINGS

Statement of Condition: During our review of the commissioner's meeting I noted that, on occasion, minutes were being approved without an indication as to which meeting's minutes were, in fact, being approved. I also noted that financial statements were being approved "as presented" without an indication as to which month or months were being reviewed and approved.

Criteria: The minutes constitute a formal historical record of the actions taken by the Commissioners and, as such, should clearly indicate what documents are being reviewed and approved or disapproved.

Effect: In the future, it may be unclear to the reader of the minutes as to what actions were truly taken. This could become critical, particularly if minutes are misplaced and gaps in the historical records are created.

Cause: Unintentional oversight by the preparer.

Recommendation: Minutes should be prepared properly and missing dates or inadequate identification of documents should be corrected before approval by the Commissioners.

Agency Response: The Socorro County Housing Authority will prepare the minutes with the date the minutes are approved. They will be approved by one of the Commissioners.

**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, 2011**

2011-03(OM) PERA COVERAGE

Statement of Condition: Employees of the Housing Authority are not covered by PERA or RHCA.

Criteria: The *Personnel Guidelines* Section 6.A.8 States under Retirement Plan: “All regular full-time, and term employees are required to participate in the Public Employees Retirement Association (PERA) retirement plan. Within Ninety (90) day introductory period, job change. The Authority shall file with PERA an executed PERA Membership Application form or PERA Exclusion From Membership form on all employees”.

Effect: Employee who may wish to participate in the State’s retirement and retiree health plans are currently not being covered in accordance with the Authority’s *Personnel Guidelines*.

Cause: Management and Commissioners were unsure as to whether the Housing Authority could afford to participate in the plan and what options were available to employer and/or employee. A meeting with PERA has been scheduled in the near future by the Executive Director of the Authority.

Recommendation: The authority should offer these additional benefits to its employees as administrative equity is adequate to absorb the additional cost that will be incurred.

Agency Response: The Housing Authority has made an appointment with the PERA office in Santa Fe and will also meet with the accountant to insure that the Housing Authority can financially afford this benefit.

