

State of New Mexico
City of Artesia
Public Housing Authority

Project No. NM021000001
Financial Statements and Supplemental Information
and Independent Accountant's Report
For the year ended June 30, 2009

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

List of Principal Officials
For the year ended June 30, 2009

Board of Commissioners

| | |
|-------------------|------------------|
| Jimmy Boyse | Chairperson |
| Veral d'Entremont | Vice-Chairperson |
| Alex Vasquez | Commissioner |
| Randy Hazelbaker | Commissioner |
| Leslie Patterson | Commissioner |
| James Herrera | Resident Member |

Administrative Staff

| | |
|---------------|--------------------|
| Louisa Madrid | Executive Director |
|---------------|--------------------|

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

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REQUIRED SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor and
Board of Commissioners
City of Artesia Public Housing Authority
Artesia, New Mexico

We have audited the accompanying financial statements of the business-type activities of the City of Artesia Public Housing Authority, component unit of the City of Artesia, New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the City of Artesia Public Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the enterprise fund presented as supplementary information in the accompanying individual fund financial statement for the year ended June 30, 2009. These financial statements are the responsibility of the City of Artesia Public Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. We believe that our audit provides a reasonable basis for our opinions.

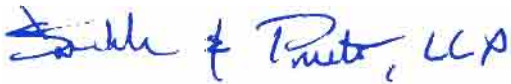
As described in Note 1, the financial statements present only the City of Artesia Public Housing Authority and are not intended to present fairly the financial position of the City of Artesia, New Mexico, as of June 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Artesia Public Housing Authority, as of June 30, 2009, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the enterprise fund of the City of Artesia Public Housing Authority for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 24, 2009, on our consideration of the City of Artesia Public Housing Authority's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, and contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6, and the financial data schedule on pages 20 and 21, are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison statement. The accompanying schedule of cash accounts, schedule of pledged collateral and financial data schedule are presented for the purpose of additional analysis and are not a required part of the 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 also not a required part of the basic financial statements of the City of Artesia Public Housing Authority. The accompanying schedule of cash accounts, schedule of pledged collateral, financial data schedule, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Sibley & Truitt, LLP". The signature is written in a cursive, flowing style.

November 24, 2009

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The City of Artesia Public Housing Authority's ("Housing Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Housing Authority's financial activity, (c) identify changes in the Housing Authority's financial position and (d) identify individual fund issues or concerns.

The Housing Authority is a component unit of the City of Artesia (the "City") and is governed by its City Council. The Housing Authority is funded and monitored by the U.S. Department of Housing and Urban Development and the Real Estate Assessment Center ("REAC").

This Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Housing Authority's financial statements.(beginning on page 7).

FINANCIAL HIGHLIGHTS

- The Housing Authority's total net assets increased by \$199,955 (or 8.4 percent) during the fiscal year ended June 30, 2009. Since the Housing Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,579,937 and \$2,379,982 for 2009 and 2008, respectively. The increase in net assets was primarily due to an increase in revenue for the year ended June 30, 2009.
- The business-type activities revenue increased by \$215,285 (or 29.21 percent) during the fiscal year ended 2009, and was \$952,510 and 737,225 for 2009 and 2008, respectively. The increase in revenue for year ended June 30, 2009 was primarily due to an increase in CFP grant revenue of \$133,227.
- The business-type activities expenses of all Housing Authority programs decreased by \$20,231 (or 2.61 percent). Total expenses were \$755,855 and \$776,086 for 2009 and 2008, respectively. The decrease in expenses for the year ended June 30, 2009 was primarily due to a decrease in utility expense reported for the year ended June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's annual report consists of the following parts: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, and 3) Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, followed by notes to the financial statements. A budget to actual schedule is presented following the notes. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the schedule of cash accounts, pledged collateral and financial data schedule for the Authority.

Statement of Net Assets

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets.

Statement of Revenues, Expenses, and Changes in Net Assets

Over time, increases or decreases in net assets may serve as a useful indication of whether the Authority's financial position is improving or deteriorating. The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference – the net income or loss—being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

Statement of Cash Flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balance at the end of the current fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages ten through seventeen of this report.

Financial Statement Analysis

Overall, the Authority is in good financial condition. Unrestricted net assets increased \$147,528 in comparison to the prior year. The Authority was able to use a majority of their Capital Fund Program grant revenues on upgrades and the modernization of various dwelling units, rather than general operation expenditures.

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 484,718 | \$ 363,581 |
| Capital assets, net of accumulated depreciation | <u>2,169,930</u> | <u>2,117,503</u> |
| Total assets | <u>\$ 2,654,648</u> | <u>\$ 2,481,084</u> |
| Liabilities: | | |
| Current and other liabilities | <u>74,711</u> | <u>101,102</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 2,169,930 | 2,117,503 |
| Unrestricted | <u>410,007</u> | <u>262,479</u> |
| Total net assets | <u>2,579,937</u> | <u>2,379,982</u> |
| Total liabilities and net assets | <u>\$ 2,654,648</u> | <u>\$ 2,481,084</u> |

The remaining balance of unrestricted net assets of \$410,007 may be used to meet the Authority's ongoing obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

Condensed Statements of Revenues, Expenses, and changes in Fund Net Assets for the fiscal years ended June 30, 2009 and 2008 are shown in the table below.

| | <u>2009</u> | <u>2008</u> |
|-----------------------|-------------------|--------------------|
| Revenues: | | |
| Operating Revenues: | | |
| Grants | \$ 596,033 | 422,612 |
| Tenant revenues | 339,676 | 306,885 |
| Other revenues | <u>20,101</u> | <u>7,728</u> |
| Total revenues | <u>955,810</u> | <u>737,225</u> |
| Expenses: | | |
| Operating Expenses: | | |
| Salaries and benefits | 257,550 | 222,087 |
| Operating | 279,028 | 341,466 |
| Depreciation | <u>219,277</u> | <u>212,533</u> |
| Total expenses | <u>755,855</u> | <u>776,086</u> |
| Change in net assets | <u>\$ 199,955</u> | <u>\$ (38,861)</u> |

Tenant revenues increased by \$32,791 (or 10.69 percent) during the year. Salaries and benefits increased by \$35,463 (or 16 percent) during the year. Depreciation increased by \$6,744 (or 3.18 percent).

Capital Asset and Debt Administration

There was an overall net increase in net capital assets during the year ended June 30, 2009 because the current year depreciation expense was less than additions to capital assets.

Economic Factors and Next Year's Budgets

Funding is determined at the federal level. HUD appropriated the 2009 budgets at 88.4%. HUD expects to appropriate the 2010 budgets at a 100% level of funding. In addition, the Housing Authority continues to receive Capital Fund Program Grants that are used to make improvements to the physical assets of the Housing Authority and improvements to management.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information would be addressed to the Executive Director, 617 W. Bush Artesia, New Mexico 88210.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

ASSETS

Current assets

| | |
|----------------------------------|---------------|
| Cash and cash equivalents | \$ 423,053 |
| Accounts receivable-Net | 6,204 |
| Receivable from other government | 367 |
| Prepaid expenses | <u>39,426</u> |

Total current assets 469,050

Noncurrent assets

| | |
|---|---------------|
| Restricted cash: Cash and cash equivalents - Tenant security deposits | <u>15,668</u> |
|---|---------------|

Capital assets

| | |
|---------------------------|----------------|
| Land | 102,969 |
| Building and improvements | 5,703,825 |
| Furniture and equipment | <u>165,946</u> |

5,972,740

Less accumulated depreciation 3,802,810

Total capital assets (net of accumulated depreciation) 2,169,930

Total noncurrent assets 2,185,598

TOTAL ASSETS **\$ 2,654,648**

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|--|---------------|
| Accounts payable | \$ 33,026 |
| Accrued liabilities and other expenses | <u>25,648</u> |

Total 58,674

Current liabilities payable from restricted assets

| | |
|--------------------------|---------------|
| Tenant security deposits | <u>16,037</u> |
|--------------------------|---------------|

Total current liabilities 74,711

Net assets

| | |
|----------------------------|----------------|
| Invested in capital assets | 2,169,930 |
| Unrestricted | <u>410,007</u> |

Total net assets 2,579,937

TOTAL LIABILITIES AND NET ASSETS **\$ 2,654,648**

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

| | |
|-------------------------------|---------------------|
| Operating Revenues | |
| Tenant revenues | \$ 339,676 |
| HUD operating grant revenue | 277,566 |
| CFP grant revenue | 318,467 |
| Other revenue | <u>16,801</u> |
| Total operating revenue | <u>952,510</u> |
| | |
| Operating expenses | |
| Salaries and benefits | 257,550 |
| Operating expenses | 279,028 |
| Depreciation expense | <u>219,277</u> |
| Total operating expenses | <u>755,855</u> |
| Operating income | 196,655 |
| | |
| Non-operating revenues | |
| Interest revenue | <u>3,300</u> |
| Change in net assets | 199,955 |
| | |
| Net assets, beginning of year | <u>2,379,982</u> |
| Net assets, end of year | <u>\$ 2,579,937</u> |

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from tenants | \$ 354,906 |
| Cash received from HUD | 596,033 |
| Interest received | 3,300 |
| Cash payments to suppliers for goods and services | (302,679) |
| Cash payments to employees for services | (256,552) |
| | <u>395,008</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of property and equipment | (271,703) |
| | <u>123,305</u> |
| Net increase in cash and cash equivalents | 123,305 |
| Cash and cash equivalents, beginning of year | 315,416 |
| | <u>438,721</u> |
| Cash and cash equivalents, end of year | <u>\$ 438,721</u> |
| Cash and cash equivalents consist of: | |
| Unrestricted cash and cash equivalents | \$ 423,053 |
| Restricted cash and cash equivalents - Tenants deposits | 15,668 |
| | <u>\$ 438,721</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u> | |
| Operating income | \$ <u>199,955</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 219,277 |
| Changes in assets and liabilities: | |
| Accounts receivable | (492) |
| Prepaid expenses | 2,659 |
| Accounts payable | (26,310) |
| Accrued liabilities and other expenses | 998 |
| Tenant security deposits | (1,079) |
| | <u>195,053</u> |
| Total adjustments | <u>195,053</u> |
| Net cash provided by operating activities | <u>\$ 395,008</u> |

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the City of Artesia Public Housing Authority (the "Public Housing Authority"), is presented to assist in understanding the Public Housing Authority's financial statements. The financial statements and notes are representations of the Public Housing Authority's management, who is responsible for their integrity and objectivity.

The Public Housing Authority was established in 1968. There are two different housing projects in the City of Artesia, New Mexico for the Public Housing Authority. The first project, consisting of sixty units, was completed in 1968. The second project, consisting of seventy-eight units, was completed in 1969. Five commissioners, who are selected by the Mayor and City Council of the City of Artesia, govern the Public Housing Authority. For financial purposes only, the Public Housing Authority is a discretely presented component unit of the City of Artesia. The Authority was created to provide a conduit for housing funds for disadvantaged citizens.

The following is a summary of the Public Housing Authority's accounting policies.

Reporting Entity—The Public Housing Authority is governed by the City of Artesia, New Mexico (the "City") and its separate business type activity financial statements which are included in the City's basic financial statements. The Public Housing Authority has no component units.

The financial statements include those activities and functions related to the Public Housing Authority which are controlled by or dependent upon its Board of Commissioners. The accompanying financial statements do not present the financial position and results of operations of the City, taken as a whole in accordance with generally accepted accounting principles (GAAP).

Basis for Presentation—The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis - For State and Local Governments. The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Fund Accounting—The Housing Authority of the City of Artesia, New Mexico is a governmental proprietary activity accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

All enterprise funds are accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheet. The reported net assets (net total assets) is segregated into net assets invested in capital assets, net of related debt and unrestricted components. In accordance with GASB Statement No. 20, the Public Housing Authority has elected to follow all financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, including FASB 71, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB pronouncements issued subsequent to that date.

Under the terms of grant agreements, the Public Housing Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Public Housing Authority's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Propriety funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as charges for services, subsidies and capital contributions are associated with the principal activity of the fund. Nonoperating revenues, such as investments earnings result from ancillary activities.

Budget—Budget for Low Rent Public Housing is adopted and amended on a HUD-prescribed basis on an annual basis.

The Public Housing Authority follows these procedures in establishing the budgetary process:

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

This budget is a guideline to operation but is not a legally enforceable document.

Basis of Accounting—The financial statements are prepared using the accrual basis of accounting.

Cash and Cash Equivalents—For purposes of the statement of cash flows, the Public Housing Authority considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

State statutes authorize the Public Housing Authority to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political

subdivisions, and the State Treasurer's Investment Pool. New Mexico state statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Public Housing Authority. The pledged securities remain in the name of the financial institution.

Receivables—Accounts receivables pertain to amounts due from customers for rental of dwellings. The Public Housing Authority evaluates receivables for collectibility and records an allowance for doubtful accounts based on expected defaults. At June 30, 2009 the allowance for doubtful accounts is \$6,311.

Capital Assets—Capital assets which include property and equipment in service is recorded at cost. Expenditures of land, structures, and equipment that substantially increase the useful lives of existing assets, are capitalized at cost. The Public Housing Authority records depreciation of property and equipment in service on the straight-line method at amounts estimated to amortize costs of assets over their estimated useful lives.

The Public Housing Authority adopted a capitalization policy whereby all property and equipment over \$5,000 in value and useful life greater than one year are capitalized.

The following estimated useful lives are used in providing for depreciation of property and equipment.

| | |
|----------------------------|--------------|
| Buildings and improvements | 40 years |
| Furniture and equipment | 5 - 10 years |

Analysis of impairment—Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such Public Housing Authority assets at June 30, 2009.

Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

Compensated Absences-Vested or accumulated vacation leave that is expecting to be liquidated with expendable available financial resources is reported as an expenditure and a liability. In accordance with the provisions of Governmental Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Employees accumulate leave in varying terms, based upon length of service and position held.

Taxes-The Public Housing Authority is exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

Annual Subsidies—Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues and contributed capital. The terms of these subsidies and contributions are defined in various contracts. HUD subsidies for ongoing operations are recorded as operating grant revenues in the accompanying statements of revenues and expenses. HUD contributions for modernizations are recorded as capital grant revenues in the accompanying statements of revenues and expenses.

Net Assets—Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the Public Housing Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Restricted resources are used first to fund appropriations. The Public Housing Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

New governmental accounting standards—In June 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets which is effective for financial statements for periods beginning after June 15, 2009. The Statement establishes uniform financial reporting standards for intangible assets.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, Land Held as Investments by Endowments, which is effective for financial statements for periods beginning after June 15, 2008, with earlier application encouraged. This Statement establishes standards for the reporting of land and other real estate by endowment.

In June, 2008 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. The statement is intended to improve how governments report information about derivative instruments.

Management has not yet determined the impact of the above statements on the financial statements.

2. CASH AND CASH EQUIVALENTS

The Public Housing Authority maintains cash in one financial institution, First American in Artesia, New Mexico. Collateral is held in safekeeping at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, with the exception of deposit insurance by the Federal Deposit Insurance Corporation.

The schedule of pledged collateral to secure the deposits of the Public Housing Authority as of June 30, 2009 is as follows:

| | <u>First National Bank</u> |
|---|--------------------------------|
| Total deposits in bank | \$ 438,888 |
| FDIC coverage | <u>(250,000)</u> |
| Total uninsured public funds | <u>\$ 188,888</u> |
| Pledged securities | \$ 271,099 |
| Collateral requirement (50% of uninsured public funds) | <u>(94,444)</u> |
| Over collateralization | <u>\$ 176,655</u> |

As of June 30, 2009 the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. Cash and cash equivalents consists of the following:

| | <u>Per Institution</u> | <u>Reconciling Items</u> | <u>Per Financial Statement</u> |
|-------------------------|----------------------------|------------------------------|------------------------------------|
| Checking accounts: | | | |
| Operating account | \$ 29,030 | \$ (47) | \$ 28,983 |
| Payroll account | 815 | - | 815 |
| Tenant Security Deposit | 15,808 | (140) | 15,668 |
| Capital fund account | 393,235 | - | 393,235 |
| Cash on hand | <u>-</u> | <u>20</u> | <u>20</u> |
| | <u>\$ 438,888</u> | <u>\$ (167)</u> | <u>\$ 438,721</u> |

The carrying amounts of deposits are reported as cash within the financial statements as follows:

| Statement of Net Assets: | | |
|--------------------------|--|-------------------|
| Cash | | \$ 423,053 |
| Restricted cash | | <u>15,668</u> |
| | | <u>\$ 438,721</u> |

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that, in the event of a bank failure the Public Housing Authority's deposits may not be returned to it. The Public Housing Authority does not have a deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. As of June 30, 2009, none of the Public Housing Authority's bank balance of \$438,888 was exposed to custodial risk as \$188,888 of it was uninsured and collateralized by collateral held by pledging bank's agent, not in the Authority's name.

3. ACCOUNTS RECEIVABLE - TENANTS

Accounts receivable - tenants at June 30, 2009 consisted of the following:

| | |
|--------------------------------------|-----------------|
| Charges for services | \$ 12,515 |
| Less allowance for doubtful accounts | <u>(6,311)</u> |
| Net receivables | <u>\$ 6,204</u> |

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

| | Balance at 2008 | Increases | Decreases and Transfers | Balance at 2009 |
|--|---------------------|------------------|----------------------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 102,969 | \$ - | \$ - | \$ 102,969 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,432,122 | 271,703 | - | 5,703,825 |
| Furniture and equipment | <u>165,946</u> | <u>-</u> | <u>-</u> | <u>165,946</u> |
| Total capital assets, being depreciated | <u>5,598,068</u> | <u>271,703</u> | <u>-</u> | <u>5,869,771</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,434,553) | (211,475) | - | (3,646,028) |
| Furniture and equipment | <u>(148,981)</u> | <u>(7,801)</u> | <u>-</u> | <u>(156,782)</u> |
| Total accumulated depreciation | <u>(3,583,534)</u> | <u>(219,276)</u> | <u>-</u> | <u>(3,802,810)</u> |
| Total capital assets, being depreciated, net | <u>2,014,534</u> | <u>52,427</u> | <u>-</u> | <u>2,066,961</u> |
| Capital assets, net | <u>\$ 2,117,503</u> | <u>\$ 52,427</u> | <u>\$ -</u> | <u>\$ 2,169,930</u> |

Depreciation expense for the year ended June 30, 2009 was \$219,276.

5. LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2009, were as follows:

| | 2008 | Increase | Decreases | 2009 | Due Within One Year |
|----------------------|-----------------|-----------------|-------------------|-----------------|------------------------|
| Compensated absences | <u>\$ 4,841</u> | <u>\$ 9,158</u> | <u>\$ (9,303)</u> | <u>\$ 4,696</u> | <u>\$ 4,696</u> |

6. EMPLOYEE BENEFITS

The Public Housing Authority adopted the Money Purchase Pension Plan (Plan) effective April 1, 1972. The Plan is qualified by the Internal Revenue Service under Code Section 401(a). All employees will be eligible to participate in the Plan if they have completed six months of service and have attained the age of twenty and one-half.

For covered employees, participants can contribute up to the lesser of \$40,000 or 100% of their gross compensation to the plan. The Public Housing Authority is required to contribute 5.5% of the eligible employee's gross compensation.

The contribution requirements for the year ended were:

| | | |
|---------------|----|-------|
| June 30, 2007 | \$ | 5,956 |
| June 30, 2008 | \$ | 7,143 |
| June 30, 2009 | \$ | 8,138 |

7. POST EMPLOYMENT HEALTH CARE BENEFITS

The Retiree Health Care Act (Chapter 10, Article 76 NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. The Public Housing Authority has elected not to participate in the post-employment health insurance plan.

8. OPERATING SUBSIDIES

The Public Housing Authority receives operating subsidy funding from HUD under the Performance Funding System and the amount is calculated on HUD Form 52723. After the end of each year, the amount of utilities, rent shortfall, and targeted investment income estimated for the initial operating subsidy calculation are adjusted to actual. If the estimated utility expenses are higher than actual, the difference is returned to HUD. If the actual investment income is more than targeted investment income, the difference is also returned to HUD. If there is a rent shortfall, HUD will increase the amount due to the Public Housing Authority.

9. RISK MANAGEMENT

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

10. ECONOMIC DEPENDENCY

Substantially all revenues of the Public Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Public Housing Authority's continued compliance with the grant provisions and the maintenance of the grant programs by the United States Department of Housing and Urban Development.

11. CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF REVENUES AND EXPENSES BUDGET
(NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Rents | \$ 330,800 | \$ 332,800 | \$ 339,676 | \$ 6,876 |
| HUD subsidy | 306,882 | 317,197 | 277,566 | (39,631) |
| CFP grant revenue | 662,843 | 669,283 | 318,467 | (350,816) |
| Other revenue | 1,600 | 10,900 | 16,801 | 5,901 |
| Total Revenues | <u>1,302,125</u> | <u>1,330,180</u> | <u>952,510</u> | <u>(377,670)</u> |
| EXPENSES: | | | | |
| Administrative salaries | 88,000 | 88,000 | 88,742 | (742) |
| Training | 1,500 | 2,500 | 1,682 | 818 |
| Travel | 1,600 | 1,600 | - | 1,600 |
| Accounting fees | 6,000 | 6,900 | 7,069 | (169) |
| Auditing fees | 7,000 | 7,000 | - | 7,000 |
| Employee benefits-Admin | 35,000 | 43,000 | 44,339 | (1,339) |
| Other administrative expenses | 30,000 | 30,000 | 27,817 | 2,183 |
| Water | 32,000 | 35,000 | 42,756 | (7,756) |
| Electricity | 38,000 | 50,000 | 47,222 | 2,778 |
| Gas | 45,000 | 45,000 | 32,501 | 12,499 |
| Other utilities | 14,000 | 14,000 | 11,890 | 2,110 |
| Maintenance labor | 78,000 | 78,000 | 81,096 | (3,096) |
| Employee benefits - Maint | 36,000 | 45,000 | 43,374 | 1,626 |
| Maintenance materials | 27,000 | 32,000 | 28,880 | 3,120 |
| Maintenance contract costs | 23,000 | 23,000 | 22,001 | 999 |
| Insurance | 55,000 | 55,000 | 53,055 | 1,945 |
| Capital outlay | 557,560 | 564,000 | 271,703 | 292,297 |
| Total expenditures | <u>1,074,660</u> | <u>1,120,000</u> | <u>804,127</u> | <u>315,873</u> |
| Excess (deficiency) of revenues over expenditures | <u>227,465</u> | <u>210,180</u> | <u>148,383</u> | <u>(61,797)</u> |
| Non-Operating Revenue: | | | | |
| Interest income | 5,000 | 5,000 | 3,300 | (1,700) |
| Revenue over expenses | <u>\$ 232,465</u> | <u>\$ 215,180</u> | <u>\$ 151,683</u> | <u>\$ (63,497)</u> |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF RECONCILIATION BETWEEN THE BUDGETARY
BASIS AND GAAP BASIS REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

| | |
|---|-------------------|
| Excess of revenues and other sources over expenses GAAP basis | \$ 199,955 |
| Expenses accruals, net | 4,154 |
| Depreciation expense | 219,277 |
| Capital Outlay | <u>(271,703)</u> |
| Excess of revenues over expenses and other sources, Non-GAAP budgetary basis | <u>\$ 151,683</u> |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

| Account No. | | Low Rent 14.850 | CFP 14.872 | Total |
|--|--|--------------------|---------------|--------------|
| Current Assets: | | | | |
| 111 | Cash | \$ 423,053 | \$ - | \$ 423,053 |
| 126 | Accounts receivable - tenant dwellings rent | 6,204 | - | 6,204 |
| | Receivable from other government | 367 | - | 367 |
| 142 | Prepaid expenses | 39,426 | - | 39,426 |
| 150 | Total current assets | 469,050 | - | 469,050 |
| Restricted Assets: | | | | |
| 114 | Tenant security deposit | 15,668 | - | 15,668 |
| Property, Plant and Equipment | | | | |
| 161 | Land | 102,969 | - | 102,969 |
| 162 | Building and improvements | 5,142,101 | 561,724 | 5,703,825 |
| 163 | Furniture, Equipment & Machinery - Dwelling | 165,946 | - | 165,946 |
| 166 | Accumulated Depreciation | (3,750,217) | (52,593) | (3,802,810) |
| 190 | Total Assets | \$ 2,145,517 | \$ 509,131 | \$ 2,654,648 |
| Liabilities and Fund Equity | | | | |
| Current Liabilities: | | | | |
| 312 | Accounts payable <= 90 days | \$ 33,026 | \$ - | \$ 33,026 |
| 312 | Accrued wages | 20,953 | - | 20,953 |
| 322 | Accrued compensation absences - current portion | 4,695 | - | 4,695 |
| Liabilities payable from restricted assets: | | | | |
| 341 | Tenant security deposits | 16,037 | - | 16,037 |
| 300 | Total Liabilities | 74,711 | - | 74,711 |
| Net Assets | | | | |
| 508.1 | Invested in capital assets, net of related debt | 1,660,799 | 509,131 | 2,169,930 |
| 512.1 | Unrestricted net assets | 410,007 | - | 410,007 |
| 600 | Total Liabilities and Net Assets | \$ 2,145,517 | \$ 509,131 | \$ 2,654,648 |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

| Account No. | Low Rent 14.850 | CFP 14.872 | Total |
|------------------|--------------------|---------------|--------------|
| REVENUE: | | | |
| 703 | \$ 339,676 | \$ - | \$ 339,676 |
| 704 | 16,801 | - | 16,801 |
| 705 | 356,477 | - | 356,477 |
| 706 | 277,566 | - | 277,566 |
| 706.1 | - | 318,467 | 318,467 |
| 711 | 3,300 | - | 3,300 |
| 700 | 637,343 | 318,467 | 955,810 |
| EXPENSES: | | | |
| 911 | 88,742 | - | 88,742 |
| 912 | 7,069 | - | 7,069 |
| 915 | 87,711 | - | 87,711 |
| 916 | 27,817 | - | 27,817 |
| 931 | 42,756 | - | 42,756 |
| 932 | 47,222 | - | 47,222 |
| 933 | 32,501 | - | 32,501 |
| 938 | 11,890 | - | 11,890 |
| 941 | 81,096 | - | 81,096 |
| 942 | 28,880 | - | 28,880 |
| 943 | 22,001 | - | 22,001 |
| 974 | 198,757 | 20,520 | 219,277 |
| 961 | 53,055 | - | 53,055 |
| 964 | 5,838 | - | 5,838 |
| 900 | 735,335 | 20,520 | 755,855 |
| 1000 | (97,992) | 297,947 | 199,955 |
| 1103 | 1,913,339 | 466,643 | 2,379,982 |
| 1104 | - | - | - |
| | \$ 1,815,347 | \$ 764,590 | \$ 2,579,937 |

**STATE OF NEW MEXICO
 CITY OF ARTESIA
 PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF CASH ACCOUNTS
 JUNE 30, 2009**

| | <u>Per Institution</u> | <u>Reconciling Items</u> | <u>Per Financial Statement</u> |
|-------------------------|----------------------------|------------------------------|------------------------------------|
| Checking accounts: | | | |
| Operating account | \$ 29,030 | \$ (47) | \$ 28,983 |
| Payroll account | 815 | - | 815 |
| Tenant Security Deposit | 15,808 | (140) | 15,668 |
| Capital fund account | <u>393,235</u> | <u>-</u> | <u>393,235</u> |
| | <u>\$ 438,888</u> | <u>\$ (187)</u> | <u>\$ 438,701</u> |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009**

| Type of Security | CUSIP Number | Market Value | Maturity Date |
|-------------------------|---------------------|---------------------|----------------------|
| Dulce NM ISD-FSA INSD | 264430EE5 | \$ 25,058 | 07/01/2011 |
| Santa Fe NM - FGIC INSD | 801891EF5 | 50,099 | 08/01/2011 |
| MBS FHLMC 20 YR C90717 | 31335HYN7 | <u>195,942</u> | 09/01/2023 |
| | | <u>\$ 271,099</u> | |



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

Mr. Hector H. Balderas
New Mexico State Auditor and
Board of Commissioners
City of Artesia Public Housing Authority
Artesia, New Mexico

We have audited the financial statements of the business-type activities of the City of Artesia Public Housing Authority, a component unit of the City of Artesia, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Artesia Public Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Artesia Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Artesia Public Housing Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Artesia Public Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Artesia Public Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the City of Artesia Public Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Artesia Public Housing Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Artesia Public Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of commissioners, management, others within the Organization, the City of Artesia, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas
November 24, 2009



Strickler & Prieto, LLP

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. Hector H. Balderas
New Mexico State Auditor and
Board of Commissioners
City of Artesia Public Housing Authority
Artesia, New Mexico

Compliance

We have audited the compliance of the City of Artesia Public Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Artesia Public Housing Authority'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 City of Artesia Public Housing Authority's management. Our responsibility is to express an opinion on the City of Artesia Public Housing Authority's compliance based on our audit.

We conducted our 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 we 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 City of Artesia Public Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Artesia Public Housing Authority's compliance with those requirements.

In our opinion, the City of Artesia Public Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City of Artesia Public Housing Authority 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 our audit, we considered the City of Artesia Public Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Artesia Public Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the board of commissioners, management, others within the Organization, the City of Artesia, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance Administration and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas
November 24, 2009

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal CFDA No.</u> | <u>Pass-through Number</u> | <u>Award Amount</u> | <u>Federal Expenditures</u> |
|---|-------------------------|----------------------------|---------------------|-----------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Capital Fund Program | 14.872 | NM02P021501-06 | \$ 224,416 | \$ 712 |
| Capital Fund Program | 14.872 | NM02P021501-07 | 221,416 | 124,150 |
| Capital Fund Program | 14.872 | NM02P021501-08 | 223,451 | 196,585 |
| Operating Fund Program | 14.85 | NM021-00000108D | 240,442 | 145,189 |
| Operating Fund Program | 14.85 | NM021-00000109D | <u>312,740</u> | <u>132,376</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,222,465</u> | <u>\$ 599,012</u> |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Artesia Public Housing Authority. All federal awards received, including those received through other agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 of the City of Artesia Public Housing Authority's financial statements.

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.872 | Capital Fund Program |

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

Auditee qualified as low-risk auditee? Yes X No

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

| | | Current status |
|--------------|---|----------------|
| Item 2008-01 | State Compliance Submission of Audit Report | Resolved |

**STATE OF NEW MEXICO
CITY OF ARTESIA
PUBLIC HOUSING AUTHORITY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2009**

An exit conference was conducted December 1, 2009 in a closed meeting of the City of Artesia Public Housing Authority Commissioners pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Artesia Public Housing Authority

Veral d'Entremont
Leslie Patterson
Louisa Madrid

Vice-Chairperson
Commissioner
Executive Director

Strickler & Prieto, LLP

Sandra Chiquito

Manager

Financial Statement Preparation

The Public Housing Authority independent public accountants prepared the accompanying financial statements; however, the Public Housing Authority is responsible for the financial statement content.