

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF ARTESIA PUBLIC HOUSING AUTHORITY
A COMPONENT UNIT OF THE
CITY OF ARTESIA, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012



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

**A COMPONENT UNIT OF THE
CITY OF ARTESIA, NEW MEXICO**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
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June 30, 2012

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Official Roster
June 30, 2012

Board of Directors

Chairman	Jimmy Boyse
Vice Chairman	Veral d'Entremont
Commissioner	Randy Hazelbaker
Commissioner	Amelia Smith
Commissioner	Marty Petsonk
Resident Commissioner	Patricia Heredia

Administrative Officials

Executive Director	Louisa Madrid
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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of City of Artesia Public Housing Authority (the "Authority"), a component unit of City of Artesia, New Mexico (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for each proprietary fund for the year ended June 30, 2012 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of the City of Artesia as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, 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 Authority as of June 30, 2012, and the respective change 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 each proprietary fund for the year ended June 30, 2012 in conformity with a budgetary basis more fully described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparisons. The accompanying financial information listed as supporting Schedule I and Schedule II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule III for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 29, 2012

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Net Assets
June 30, 2012

Exhibit A-1

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 692,773	\$ -	\$ 692,773
Accounts receivable - tenants, net of allowance for doubtful accounts of \$946	4,838	-	4,838
Accounts receivable - grants	29,269	-	29,269
Prepaid expenses	41,659	-	41,659
<i>Total current assets</i>	<u>768,539</u>	<u>-</u>	<u>768,539</u>
<i>Noncurrent Assets</i>			
Restricted cash and cash equivalents	32,055	-	32,055
Capital assets	7,113,346	-	7,113,346
Accumulated depreciation	(4,435,976)	-	(4,435,976)
<i>Total assets</i>	<u>\$ 3,477,964</u>	<u>\$ -</u>	<u>\$ 3,477,964</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities</i>			
Accounts payable	\$ 54,397	\$ -	\$ 54,397
Accrued payroll	21,680	-	21,680
Compensated absences	4,960	-	4,960
<i>Total current liabilities</i>	<u>81,037</u>	<u>-</u>	<u>81,037</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	32,055	-	32,055
<i>Total current liabilities (payable from restricted assets)</i>	<u>32,055</u>	<u>-</u>	<u>32,055</u>
<i>Non-current liabilities</i>			
Compensated absences	1,750	-	1,750
<i>Total non-current liabilities</i>	<u>1,750</u>	<u>-</u>	<u>1,750</u>
<i>Total liabilities</i>	<u>114,842</u>	<u>-</u>	<u>114,842</u>
<i>Net assets</i>			
Invested in capital assets	2,677,370	-	2,677,370
Unrestricted	685,752	-	685,752
<i>Total net assets</i>	<u>3,363,122</u>	<u>-</u>	<u>3,363,122</u>
<i>Total liabilities and net assets</i>	<u>\$ 3,477,964</u>	<u>\$ -</u>	<u>\$ 3,477,964</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

Exhibit A-2

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Operating revenues</i>			
Tenant rents	\$ 433,006	\$ -	\$ 433,006
Other tenant revenue	12,478	-	12,478
<i>Total operating revenues</i>	<u>445,484</u>	<u>-</u>	<u>445,484</u>
<i>Operating expenses</i>			
Personnel services	285,366	-	285,366
Contractual services	55,438	-	55,438
General and administrative	64,665	-	64,665
Maintenance and materials	32,573	-	32,573
Utilities	124,422	-	124,422
Depreciation	225,835	-	225,835
<i>Total operating expenses</i>	<u>788,299</u>	<u>-</u>	<u>788,299</u>
<i>Operating (loss)</i>	<u>(342,815)</u>	<u>-</u>	<u>(342,815)</u>
<i>Non-operating revenues (expenses)</i>			
Capital grants	-	169,327	169,327
Other federal grant subsidies	80,471	13,044	93,515
Non-operating transfer	13,044	(13,044)	-
Interest income	2,492	-	2,492
Other income	8,995	-	8,995
<i>Total non-operating revenues (expenses)</i>	<u>105,002</u>	<u>169,327</u>	<u>274,329</u>
<i>Change in net assets</i>	<u>(237,813)</u>	<u>169,327</u>	<u>(68,486)</u>
<i>Total net assets - beginning of year</i>	3,431,608	-	3,431,608
<i>Equity transfer in (out)</i>	<u>169,327</u>	<u>(169,327)</u>	<u>-</u>
<i>Total net assets - end of year</i>	<u><u>\$ 3,363,122</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,363,122</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Cash Flows
For the Year Ended June 30, 2012

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 442,254	\$ -	\$ 442,254
Cash payments to employees for services	(285,676)	-	(285,676)
Cash payments to suppliers for goods and services	(309,182)	-	(309,182)
<i>Net cash used by operating activities</i>	<u>(152,604)</u>	<u>-</u>	<u>(152,604)</u>
<i>Cash flows from noncapital financing activities:</i>			
Other federal grant subsidies	88,278	-	88,278
<i>Net cash provided by noncapital financing activities</i>	<u>88,278</u>	<u>-</u>	<u>88,278</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	183,245	-	183,245
Acquisition of capital assets	(169,327)	-	(169,327)
<i>Net cash provided by capital and related financing activities</i>	<u>13,918</u>	<u>-</u>	<u>13,918</u>
<i>Cash flows from investing activities:</i>			
Interest on investments and other income	11,489	-	11,489
<i>Net cash provided by from investing activities</i>	<u>11,489</u>	<u>-</u>	<u>11,489</u>
<i>Net decrease in cash and cash equivalents</i>	(38,919)	-	(38,919)
<i>Cash and cash equivalents - beginning of year</i>	<u>763,747</u>	<u>-</u>	<u>763,747</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 724,828</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 724,828</u></u>

The accompanying notes are an integral part of these financial statements

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Reconciliation of operating loss to net cash used by operating activities:</i>			
Operating loss	\$ (342,815)	\$ -	\$ (342,815)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	225,835	-	225,835
Changes in assets and liabilities			
Accounts receivable	(3,230)	-	(3,230)
Prepaid expenses	(393)	-	(393)
Accounts payable	(34,816)	-	(34,816)
Accrued payroll expenses	1,416	-	1,416
Accrued compensated absences	(1,726)	-	(1,726)
Tenant deposits	3,125	-	3,125
<i>Net cash used by operating activities</i>	<u>\$ (152,604)</u>	<u>\$ -</u>	<u>\$ (152,604)</u>

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Artesia Public Housing Authority (the “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 appointed by the Mayor and City Council of the City of Artesia, govern the Authority. For financial purposes only, the 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.

This summary of significant accounting policies of the 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 as applied to governmental entities. The Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* for the year ended June 30, 2012. 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 Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

The Authority reports the following major enterprise funds:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- **Public Housing Capital Fund Program** – These programs, funded through direct grants from HUD, account for acquisition of capital assets or construction of capital projects.

A. Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its residents and participants.

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a component unit of the City of Artesia.

The City of Artesia does issue separately audited financial statements. Additional information regarding the City of Artesia may be obtained directly from their administrative office as follows: City of Artesia, 511 West Texas Ave., Artesia, New Mexico 88211.

B. Basis of Accounting and Measurement Focus

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All of the Authority's funds meet the requirements for being reported as major funds under GASB Statement No. 34.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations and does not include federal subsidies. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Authority's financial statements.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority receives operating subsidy funding from HUD under the performance funding system and the amount is calculated on HUD form 52723. Such contributions are reflected as operating grants revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. *Assets, Liabilities, and Net Assets*

Deposits and Investments

The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Agency of the United States. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

Accounts Receivable and Accounts Payable

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Authority's financial statements.

Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits of \$32,055, held as insurance against the non-payment for services rendered, are classified on the Statement of Net Assets as restricted because their use is limited.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets (continued)

Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 years – 40 years
Machinery and equipment	5 years – 10 years

Accrued Expenses

Accrued expenses are comprised of accrued salaries, wages, related employment taxes, and current and noncurrent maturities of compensated absences, which are discussed more fully below.

Compensated Absences

Accrued compensated absences are recorded on their Statements of Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board (GASB), Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave that will be paid upon termination. The Authority is not a participant of Retiree Health Care or the Public Employees Retirement Association of New Mexico plans

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components:

- **Invested in Capital Assets** – This component consists of capital assets, net of accumulated depreciation.
- **Restricted Net Assets** – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – Net assets that do not meet the definition of “Invested in Capital Assets” or “Restricted.”

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Assets (continued)

Unrestricted and Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences and the allowance for uncollectible accounts.

D. Budgets

The Authority's Commission is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures, at the legal level of budgetary control, which is at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation.

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2012 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Through July 20, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2012, \$486,850 of the Authority’s bank balance of \$736,850 was exposed to custodial credit risk. Although the \$486,850 was uninsured, it was collateralized by collateral held by the pledging bank’s trust department, not in the Authority’s name. None of the Authority’s deposits were uninsured and uncollateralized at June 30, 2012.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	First American Bank
Total amount of deposit	\$ 736,850
FDIC coverage	(250,000)
Total uninsured deposits	486,850
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority's name	486,850
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 243,425
Pledged Collateral	590,000
Over (Under) collateralized	\$ 346,575

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Reconciliation to Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the Authority's Statement of Net Assets as follows:

Cash and cash equivalents	\$ 692,773
Restricted cash and cash equivalents	<u>32,055</u>
Total cash, cash equivalents, and investments	724,828
Less: petty cash	(20)
Add: outstanding checks	<u>12,042</u>
Bank balance of deposits	<u><u>\$ 736,850</u></u>

NOTE 3. RECEIVABLES

Receivables as of June 30, 2012, are as follows:

Due from other governments:	
Federal sources	\$ 29,269
Tenant receivables	5,784
Allowance for doubtful accounts	<u>(946)</u>
Total	<u><u>\$ 34,107</u></u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers between programs were recorded for fiscal year ending June 30, 2012 for purposes of transferring the equity associated with capital asset purchases and non-capital grant activity from the Public Housing Capital Fund Program to the Low Rent Public Housing Program. The transfers between programs were recorded as follows:

<u>Equity Transfers from other programs:</u>	<u>Equity Transfers to other programs:</u>	<u>Amount</u>
Public Housing Capital Fund Program	Low Rent Public Housing Program	<u>\$ 169,327</u>
<u>Transfers from other programs:</u>	<u>Transfers to other programs:</u>	<u>Amount</u>
Public Housing Capital Fund Program	Low Rent Public Housing Program	<u>\$ 13,044</u>

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 5. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2012. Land is not subject to depreciation.

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 102,969	\$ -	\$ -	\$ 102,969
Total capital assets, not depreciated:	102,969	-	-	102,969
Capital assets, depreciated:				
Buildings and improvements	6,669,634	169,327	-	6,838,961
Machinery and equipment	171,416	-	-	171,416
Total capital assets, depreciated:	6,841,050	169,327	-	7,010,377
Less accumulated depreciation:				
Buildings and improvements	4,046,931	168,780	-	4,215,711
Machinery and equipment	163,210	57,055	-	220,265
Total accumulated depreciation:	4,210,141	225,835	-	4,435,976
Net book value	<u>\$ 2,733,878</u>	<u>\$ (56,508)</u>	<u>\$ -</u>	<u>\$ 2,677,370</u>

Depreciation expense for the year ended June 30, 2012 totaled \$225,835. The expense was allocated to the following program:

Low Rent Public Housing Program	<u>\$ 225,835</u>
---------------------------------	-------------------

NOTE 6. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2012.

	Balance, June 30, 2011	Additions	Retirements	Balance, June 30, 2012	Due Within One Year
Compensated absences	\$ 8,436	\$ 12,174	\$ 13,900	\$ 6,710	\$ 4,960
Totals	<u>\$ 8,436</u>	<u>\$ 12,174</u>	<u>\$ 13,900</u>	<u>\$ 6,710</u>	<u>\$ 4,960</u>

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Notes to the Financial Statements
June 30, 2012

NOTE 7. CONTINGENT LIABILITIES

Legal Proceedings—The Authority is subject to various legal proceedings that arise in the ordinary course of the Authority's operations. In the opinion of the Authority's management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the Authority.

Federal Grants—The Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. The Authority has joined together with other housing authorities throughout the country and obtained insurance through the Housing Authority Insurance Group, a housing authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred to the risk pool.

NOTE 9. CONCENTRATIONS

Approximately 36% of total revenues of the Authority are 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 this U.S. Governmental agency.

NOTE 10. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2012 which is the date on which the financial statements were issued. No events took place subsequent to year end.

NOTE 11. SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The Housing Authority will implement this standard during fiscal year June 30, 2013. The Authority is still evaluating how this reporting standard will affect the reporting entity.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2013.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2014.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Low Rent Public Housing Program
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 421,270	\$ 436,420	\$ 445,484	\$ 9,064
<i>Total operating revenues</i>	421,270	436,420	445,484	9,064
<i>Operating expenses</i>				
Personnel services	270,380	270,380	285,366	(14,986)
Contractual services	47,000	47,000	55,438	(8,438)
General and administrative	98,000	98,000	67,846	30,154
Bad debt	7,000	7,000	(3,181)	10,181
Maintenance and materials	36,000	36,000	32,573	3,427
Utilities	149,000	149,000	124,422	24,578
<i>Total operating expenses</i>	607,380	607,380	562,464	44,916
<i>Operating income (loss)</i>	(186,110)	(170,960)	(116,980)	53,980
<i>Non-operating revenues (expenses)</i>				
Other federal grant subsidies	255,000	255,000	80,471	(174,529)
Interest income	6,000	6,000	2,492	(3,508)
Miscellaneous income	-	-	8,995	8,995
<i>Total non-operating revenues (expenses)</i>	261,000	261,000	91,958	(169,042)
Capital grants	-	-	-	-
Transfers in	-	-	13,044	13,044
Transfers out	-	-	-	-
<i>Capital grants and net transfers</i>	-	-	13,044	13,044
<i>Change in net assets before GAAP Adjustment</i>	74,890	90,040	(11,978)	(102,018)
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	225,835	(225,835)
Designated cash (Budgeted increase in cash)	(74,890)	(90,040)	-	(90,040)
<i>Total net assets, beginning of year</i>	-	-	3,431,608	3,431,608
<i>Equity transfer in (out)</i>	-	-	169,327	148,839
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ 3,363,122	\$ 3,193,795
Change in net assets, above			\$ (11,978)	
No adjustments to revenues			-	
Adjustments for depreciation			(225,835)	
Change in net assets (Exhibit A-2)			\$ (237,813)	

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Public Housing Capital Fund Program
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
General and administrative	-	-	-	-
Bad debt	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses)</i>				
Other federal grant subsidies	13,104	13,104	13,104	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	13,104	13,104	13,104	-
Capital grants	169,267	169,267	169,267	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Capital grants and net transfers</i>	169,267	169,267	169,267	-
<i>Change in net assets before GAAP Adjustment</i>	182,371	182,371	182,371	-
<i>(Expenses and transfers) not budgeted</i>				
Transfer out	-	-	(13,044)	(13,044)
Designated cash (Budgeted increase in cash)	(182,371)	(182,371)	-	(182,371)
<i>Total net assets, beginning of year</i>	-	-	-	-
<i>Equity transfer in (out)</i>	-	-	(169,327)	(169,327)
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ -	\$ (182,371)
Change in net assets, above			\$ 182,371	
No adjustment to revenues.			-	
Adjustments for non-budgeted transfer.			(13,044)	
Change in net assets (Exhibit A-2)			\$ 169,327	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Schedule I

City of Artesia Public Housing Authority
 A Component Unit of the City of Artesia
 Collateral Pledged by Depository for Public Funds
 June 30, 2012

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Par Value June 30, 2012	Name and Location of Safekeeper
First American Bank	Dulce NM ISD #21 ETM**	9/1/2016	264430JZ3	\$ 70,000	FHLB: Fed Home Loan Bank
	Belen NM Cons Sch Dist**	8/1/2020	077581MQ6	175,000	FHLB: Fed Home Loan Bank
	Taos NM Muni SD #001 St**	9/1/2020	876014FF3	195,000	FHLB: Fed Home Loan Bank
	Estancia NM Muni SD**	6/15/2023	297326EH9	<u>150,000</u>	FHLB: Fed Home Loan Bank
	Total First American Bank Pledged Securities			<u>590,000</u>	
	Total pledged securities			<u><u>\$ 590,000</u></u>	

** As per NMSA 2.2.2.10 (N)(4)(5)(e), the value of collateral consisting of obligations of the State of New Mexico, its agencies institutions, counties, municipalities, or other subdivisions, shall be par value.

See independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Schedule of Deposit and Investment Accounts
June 30, 2012

Schedule II

<u>Bank Account Type/Name</u>	<u>First American Bank</u>	<u>Totals</u>
Checking	\$ 422,643	\$ 422,643
Operating	202,989	202,989
Payroll	79,163	79,163
Tenant Deposit	32,055	32,055
Total on deposit	736,850	736,850
Reconciling items	(12,042)	(12,042)
Reconciled balance June 30, 2012	<u>\$ 724,808</u>	\$ 724,808
Petty Cash		20
Less: restricted cash and cash equivalents per Exhibit A-1		<u>(32,055)</u>
Total cash and cash equivalents per Exhibit A-1		<u>\$ 692,773</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	\$ 692,773	\$ -	\$ 692,773
114	Cash - Tenant Security Deposits	32,055	-	32,055
100	Total Cash	724,828	-	724,828
121	Accounts Receivable - PHA projects	29,269	-	29,269
126	Accounts Receivable - Tenants	5,784	-	5,784
126.1	Allowance for Doubtful Accounts - Tenants	(946)	-	(946)
	Total Receivables, Net of Allowance for Doubtful			
120	Accounts	34,107	-	34,107
142	Prepaid Expenses and Other Assets	41,659	-	41,659
150	Total Current Assets	800,594	-	800,594
161	Land	102,969	-	102,969
162	Buildings	4,147,745	-	4,147,745
163	Furniture, Equipment & Machinery - Dwellings	141,721	-	141,721
164	Furniture, Equipment & Machinery - Administration	29,695	-	29,695
165	Leasehold Improvements	2,691,216	-	2,691,216
166	Accumulated Depreciation	(4,435,976)	-	(4,435,976)
160	Total Capital Assets, Net of Accumulated Depreciation	2,677,370	-	2,677,370
180	Total Non-Current Assets	2,677,370	-	2,677,370
190	Total Assets	\$ 3,477,964	\$ -	\$ 3,477,964

See independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
312	Accounts Payable <= 90 Days	\$ 54,397	\$ -	\$ 54,397
321	Accrued Wage/Payroll Taxes Payable	21,680	-	21,680
322	Accrued Compensated Absences - Current Portion	4,960	-	4,960
341	Tenant Security Deposits	32,055	-	32,055
310	Total Current Liabilities	<u>113,092</u>	<u>-</u>	<u>113,092</u>
354	Accrued Compensated Absences - Non Current	1,750	-	1,750
350	Total Non-Current Liabilities	<u>1,750</u>	<u>-</u>	<u>1,750</u>
300	Total Liabilities	<u>114,842</u>	<u>-</u>	<u>114,842</u>
508.1	Invested in Capital Assets, Net of Related Debt	2,677,370	-	2,677,370
512.1	Unrestricted Net Assets	685,752	-	685,752
513	Total Equity/Net Assets	<u>3,363,122</u>	<u>-</u>	<u>3,363,122</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 3,477,964</u>	<u>\$ -</u>	<u>\$ 3,477,964</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2012

Schedule III
Page 3 of 4

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 433,006	\$ -	\$ 433,006
70400	Tenant Revenue - Other	12,478	-	12,478
70500	Total Tenant Revenue	445,484	-	445,484
70600	HUD PHA Operating Grants	80,471	13,044	93,515
70610	Capital Grants	-	169,327	169,327
71100	Investment Income - Unrestricted	2,492	-	2,492
71500	Other Revenue	8,995	-	8,995
70000	Total Revenue	537,442	182,371	719,813
91100	Administrative Salaries	105,905	-	105,905
91200	Auditing Fees	8,507	-	8,507
91500	Employee Benefit Contributions - Administrative	28,925	-	28,925
91600	Office Expenses	22,663	-	22,663
91800	Travel	75	-	75
91900	Other	11,429	-	11,429
91000	Total Operating - Administrative	177,504	-	177,504
93100	Water	41,404	-	41,404
93200	Electricity	39,906	-	39,906
93300	Gas	28,844	-	28,844
93600	Sewer	14,268	-	14,268
93000	Total Utilities	124,422	-	124,422
94100	Ordinary Maintenance & Operation - Labor	102,479	-	102,479
94200	Ordinary Maintenance & Operation - Materials & Other	32,573	-	32,573
94500	Employee Benefit Contributions - Ordinary Maintenance	48,057	-	48,057
94000	Total Maintenance	218,611	-	218,611
96110	Property Insurance	33,010	-	33,010
96120	Liability Insurance	7,872	-	7,872
96130	Workmen's Compensation	1,709	-	1,709
96140	All Other Insurance	2,517	-	2,517
96100	Total Insurance Premiums	45,108	-	45,108

See independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
96900	Total Operating Expenses	562,464	-	562,464
97000	Excess Operating Revenue Over Operating Expenses	(25,022)	182,371	157,349
97400	Depreciation Expense	225,835	-	225,835
90000	Total Expenses	\$ 788,299	\$ -	\$ 788,299
10010	Operating Transfers In	\$ 13,044	\$ -	\$ 13,044
10020	Operating Transfers Out	-	(13,044)	(13,044)
	Excess (Deficiency) of Operating Revenue Over (Under)			
10000	Total Expenses	(237,813)	169,327	(68,486)
11030	Beginning Equity	3,431,608	-	3,431,608
11040-070	Equity Transfers - In (Out) from (to) CFP Grants	169,327	-	169,327
11040-080	Equity Transfers - In (Out) from (to) Low Rent	-	(169,327)	(169,327)
11040	Equity Transfers	169,327	(169,327)	-
	Ending Equity (deficit)	\$ 3,363,122	\$ -	\$ 3,363,122
11190	Unit Months Available	1,656	-	1,656
11210	Number of Unit Months Leased	1,477	-	1,477
11270	Excess Cash	\$ 611,364	\$ -	\$ 611,364
11620	Building Purchases	\$ -	\$ -	\$ -
11650	Leasehold Improvements Purchases	\$ -	\$ 169,327	\$ 169,327

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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**

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

We have audited the financial statements of the business-type activities of the City of Artesia Public Housing Authority (the "Authority"), a component unit of the City of Artesia, New Mexico as of and for the year ended , which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated November 29, 2012. We have also audited the budgetary comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our 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 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 responses*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying *schedule of findings and responses* to be a material weakness (see finding CU FS 2012-01).

Compliance and Other Matters

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

We noted a certain other matter that is 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 is described in the accompanying schedule of findings and responses as finding CU FS 2011-03.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization, the New Mexico Legislature, the New Mexico Department of Finance and Administration, the Office of the State Auditor, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 29, 2012

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Schedule of Findings and Responses
For the Year Ended June 30, 2012

SECTION I – FINANCIAL STATEMENT FINDINGS AND RESPONSES

CU FS 2012-01 Accounts Receivable Reconciliation-(Material Weakness)

Condition: During our accounts receivable testwork, we noted the accounts receivable balance reflected in the Authority's subsidiary ledger and general ledger in QuickBooks did not match the balances documented on the tenant ledger cards.

Criteria: Good internal control involves periodic reconciliation between the general ledger accounts receivable balance and the tenant ledger cards including all active and inactive tenants.

Effect: The accounts receivable balance had to be reduced \$15,839 via an audit adjustment to reflect the actual accounts receivable of \$5,784.

Cause: Management within the Authority is not adhering to internal controls requiring tenant ledger cards to be reconciled to the general ledger and Authority policy requiring accounts to be written off after 90 days.

Auditors' recommendation: The Authority should reconcile the total general ledger accounts receivable balance in QuickBooks to the tenant ledger cards on a monthly basis and perform an independent review of the monthly reconciliation.

Management's response: Management will reconcile tenant ledger cards with QuickBooks on a monthly basis. Management will follow write off procedures for removing uncollectable accounts receivable from both tenant ledger cards and QuickBooks on a monthly basis. Management will conduct an independent review of tenant balances to assure balances per tenant ledger cards and QuickBooks agree. Staff will be trained further in procedures.

CU FS 2011-03 Internal Control Deviations-Disbursements-(Other Matter)

Condition: During our internal control testing over the disbursement cycle, we noted 1 instance totaling \$677.87 out of 5 (check 7110) disbursements did not contain two signatures on the invoice for approval.

Criteria: Good internal controls require the Authority to follow internal control policies consistently to ensure all disbursements to vendors are valid and accurate.

Effect: Lack of sufficient invoice approvals increases the risk of unauthorized purchases.

Cause: The invoice was initialed by one person, but the second person responsible for approving the invoice forgot to sign the invoice.

Auditors' recommendation: We recommend the Authority be more diligent about evidencing approval on invoices and periodically check to ensure invoices are approved and signatory approval is evidenced prior to making the disbursement.

Management's response: Director did stamp the invoice for approval and payment although, did inadvertently overlook the initials.

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Schedule of Findings and Responses
For the Year Ended June 30, 2012

SECTION II – Prior Year Audit Findings

Financial Statement Findings

CU FS-2010-01 Late Submission of Audit Report	Resolved
CU FS-2011-01 Preparation of Financial Statements	Resolved
CU FS-2011-02 Deficiencies in Internal Control Structure, Design Operation, and Oversight	Resolved
CU FS-2011-03 Internal Control Deviations-Disbursements	Repeated and Modified
CU FS-2011-04 Purchasing Act Compliance	Resolved
CU FS-2011-05 Expenditures in Excess of Budget	Resolved

Federal Award Finding

FA-2011-01 Procurement Suspension and Debarment	Resolved
CU FA-2011-01 Declaration of Trust	Resolved
CU FA-2011-02 A-133 Data Collection Form Submission to Federal Clearing House	Resolved

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STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of City of Artesia
Other Disclosures
June 30, 2012

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Artesia Public Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.

B. EXIT CONFERENCE

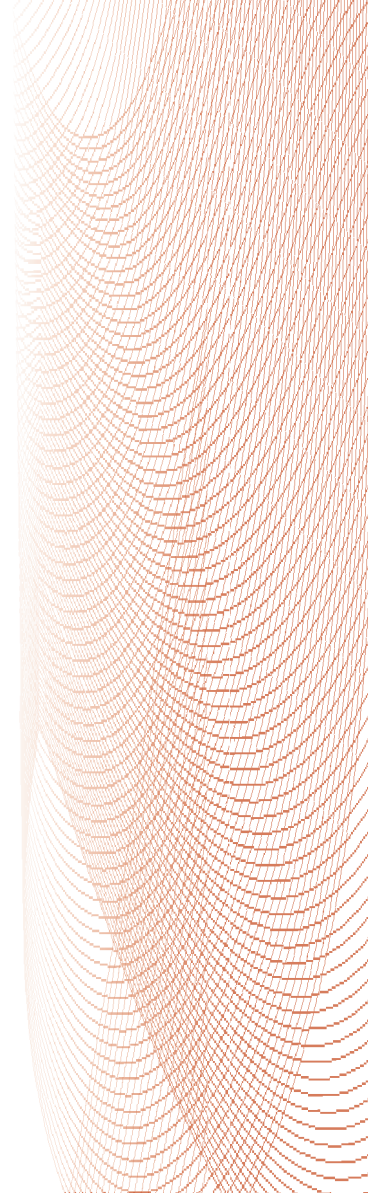
The contents of this report were discussed on November 29, 2012. The following individuals were in attendance.

City of Artesia Public Housing Authority Officials

Louisa Madrid, Executive Director
Veral Ld'Entremont Vice-Chair Commissioner

Accounting and Consulting Group, LLP

Morgan Browning, CPA, CGFM, Audit Manager
Ray Roberts, CPA, Audit Partner



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