

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

Prepared by
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO**

Official Roster
June 30, 2008

Board of Commissioners

Arthur Clark Smith	Chairman of the Board
Arturo V. Talavera	Commissioner
Eduardo D. Lopez	Commissioner
Ernest N. Gallegos	Commissioner
Alfredo Morelos, Jr.	Commissioner
Manuel D. V. Saucedo	Commissioner
Frank Rodriguez	Commissioner

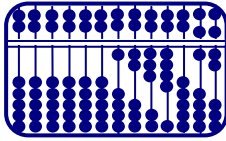
Administration

Esperanza B. Tarango	Executive Director
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STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2008
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FINANCIAL SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

Hector H. Balderas
New Mexico State Auditor
The Board of the Lordsburg Public Housing Authority
Lordsburg, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Lordsburg Public Housing Authority, as of and for the year-ended June 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Lordsburg Public Housing Authority's non-major enterprise funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Lordsburg Public Housing 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. We have also audited the financial statements of each of the Lordsburg Public Housing Authority's non-major proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2008 as listed in the table of contents. 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.

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 Lordsburg Public Housing Authority as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the Lordsburg Public Housing Authority as of June 30, 2008, 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 respective financial position of each non-major enterprise fund of the Lordsburg Public Housing Authority as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major and non-major enterprise funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The *Management's Discussion and Analysis* on pages vi through ix is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2009, on our consideration of the Lordsburg Public Housing Authority's internal control over financial reporting and 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 the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849

Our audit was conducted for the purpose of forming opinions on the financial statements that are presented in the Lordsburg Public Housing Authority's basic financial statements, and the combining and individual fund financial statements and budgetary comparisons of the Lordsburg Public Housing Authority. The accompanying information listed as supporting Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Financial Data Schedule as required by the U. S. Department of Housing and Urban Development is presented for purposes of additional analysis.

Marcus, Fairall, Bristol + Co. LLP

Marcus, Fairall, Bristol + Co., LLP
El Paso, Texas
April 7, 2009

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
JUNE 30, 2008

Management's Discussion and Analysis

As management of the Lordsburg Public Housing Authority (LPHA), we offer readers of the LPHA's financial statements this narrative overview and analysis of the financial activities of the LPHA for the fiscal year-ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of Lordsburg Public LPHA exceeded its liabilities at the close of the most recent fiscal year by \$2,216,156 (net assets). Of this amount, \$350,063 (unrestricted net assets) may be used to meet LPHA's ongoing obligations to tenants.
- LPHA's total net assets increased by \$48,043 during the fiscal year. The majority of this increase is due to an 8% increase in rental revenue for the year-ended June 30, 2008. There was also a 45% decrease in capital grant revenue and a 33% increase in expenses for the year-ended June 30, 2008.
- As of June 30, 2008, the LPHA's investment in capital assets increased \$56,651. This is due to the purchase of capital improvements on the office building.
- As of June 30, 2008, the LPHA's restricted net assets are \$20,909. These are restricted in the Land Sales Fund for improvements to the tenant's units.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the LPHA's basic financial statements. The LPHA's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The LPHA, like other state and local agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The LPHA is a proprietary fund.

Proprietary Funds. Proprietary funds are generally used to account for services for which the LPHA charges tenants. LPHA is a component unit of the City of Lordsburg.

The business-type activity of the LPHA is the leasing and administration of low-rent housing. The LPHA receives grants that help offset a significant portion of the costs of providing low-rent housing. The balance of the revenue comes through rent and fees charged to tenants.

The statement of net assets presents information on all of the LPHA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the LPHA is improving or deteriorating.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 5-13 of this report.

**STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
JUNE 30, 2008**

Management's Discussion and Analysis

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of an agency's financial position. In the case of the LPHA, net assets exceeded liabilities by \$2,216,156 at the close of the current fiscal year.

The largest portion of the LPHA's net assets represents the Authority's investment of \$1,845,184 in capital assets (e.g., improvements, buildings, machinery, and equipment). The LPHA uses these capital assets to provide services to tenants; consequently, these assets are not available for future spending.

**LORDSBURG PUBLIC HOUSING AUTHORITY NET ASSETS
June 30,**

	2008	2007
Assets		
Current and Other Assets	\$ 428,018	\$ 436,435
Accounts Receivable	1,494	1,239
Other Receivables		40,755
Capital Assets, Net of Accumulated Depreciation	1,845,184	1,788,533
Total Assets	\$2,274,696	\$ 2,266,962
Liabilities		
Current Liabilities	58,540	98,849
Total Liabilities	58,540	98,849
Net Assets		
Invested in Capital Assets	1,845,184	1,788,533
Restricted	20,909	21,676
Unrestricted	350,063	357,904
Total Net Assets	2,216,156	2,168,113
 Total Liabilities and Net Assets	 \$2,274,696	 \$ 2,266,962

A portion of the LPHA's net assets (less than one percent) represents resources that are subject to restrictions. The restrictions relate to funds received from the sale of donated land. The funds are to be used for improvements on streets within the complex. Balances in CFP grant funds are also restricted. The remaining balance of unrestricted net assets, \$350,063, may be used to meet LPHA's ongoing obligations to tenants.

At the end of the current fiscal year, the LPHA is able to report a positive balance in the net assets for the business-type activities.

Analysis of Changes in Net Assets

The LPHA's net assets, overall, increased by \$48,043 during the current fiscal year. This increase is a result of increased rental revenue during the fiscal year and an increase of LPHA's expenditures during the fiscal year.

**STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
JUNE 30, 2008**

Management's Discussion and Analysis

**Changes in Net Assets
For the Year-Ended June 30,**

	2008	2007
Operating Revenue:		
Dwelling Rental	\$ 300,404	\$ 279,319
Other Income	2,479	10,885
Federal Subsidies	195,748	162,169
Total Operating Revenues	\$ 498,631	452,373
Operating Expenses:		
Administration	9,811	15,607
Utilities	127,173	88,786
Ordinary Maintenance and Operations	73,856	65,156
General Expenses	94,829	34,667
Depreciation	124,320	111,617
Insurance	21,861	21,530
Personnel Services	190,797	146,242
Total Operating Expenses	642,647	483,605
Operating Income (Loss)	(144,016)	(31,232)
Non-Operating Revenues (Expenses):		
Interest Revenue	11,088	13,746
Revenue from sale of land		20,433
Cost of donated land held for sale		(25,000)
CFP Grant	180,971	328,192
Total Non-Operating Revenues	192,059	337,371
Change in Net Assets	48,043	306,139
Net Assets-Beginning	2,168,113	1,861,974
Net Assets-Ending	\$ 2,216,156	\$ 2,168,113

**STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
LORDSBURG, NEW MEXICO
JUNE 30, 2008**

Management's Discussion and Analysis

Analysis of Changes in Net Assets (continued)

Business-Type Activities. Business-type activities increased the LPHA's net assets by \$48,043. CFP grants were received in the amount of \$180,971. Excluding the grant, the business-type activities would have decreased net assets by \$132,928.

FINANCIAL ANALYSIS OF THE HOUSING AUTHORITY'S FUNDS

As noted earlier, LPHA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At the end of the fiscal year, the unrestricted net assets for the fund were \$350,063. The total increase in net assets for the fund was \$48,043. Factors concerning the finances of this fund have been addressed previously in the discussion of the LPHA's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The LPHA's capital assets for its business-type activities as of June 30, 2008 amount to \$1,845,184 (net of accumulated depreciation). Capital assets include improvements, buildings, machinery, and equipment. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$180,971.

**Capital Assets, Net of Depreciation
June 30,**

	2008	2007
Land	\$ 100,000	\$ 100,000
Buildings	248,176	310,221
Improvements	1,458,807	1,318,572
Machinery and Equipment	38,201	59,740
Capital Assets, Net of Accumulated Depreciation	\$ 1,845,184	\$1,788,533

For proprietary fund financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the LPHA's finances for all of those with an interest in the proprietary fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Esperanza Tarango, Lordsburg Public Housing Authority, 1001 Avenida Del Sol, Lordsburg, New Mexico, 88045.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Proprietary Fund
Statement of Net Assets
June 30, 2008

	Low Income Housing	Non-Major Funds	Totals
Assets:			
Current assets:			
Cash and equivalents	\$ 399,031		\$ 399,031
Accounts receivable (net of allowance for doubtful accounts)	1,494		1,494
Due from other funds		20,909	20,909
Grant receivable	7,984		7,984
Accrued Interest Receivable	94		94
Capital assets:			
Land	100,000		100,000
Other capital assets, net of accumulated depreciation	1,745,184		1,745,184
Total assets	<u>\$ 2,253,787</u>	<u>\$ 20,909</u>	<u>\$ 2,274,696</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 21,424		\$ 21,424
Due to other funds	20,909		20,909
Compensated absences	2,157		2,157
Customer deposits	14,050		14,050
Total current liabilities	<u>58,540</u>		<u>58,540</u>
Total liabilities	<u>58,540</u>		<u>58,540</u>
Net Assets:			
Invested in capital assets	1,845,184		1,845,184
Restricted		20,909	20,909
Unrestricted	350,063		350,063
Total net assets	<u>2,195,247</u>	<u>20,909</u>	<u>2,216,156</u>
Total Liabilities and Net Assets	<u>\$ 2,253,787</u>	<u>\$ 20,909</u>	<u>\$ 2,274,696</u>

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year-Ended June 30, 2008

	Low Income Housing	Non-Major Funds	Totals
Operating Revenue:			
Dwelling Rental	\$ 300,404		\$ 300,404
Other Income	2,479		2,479
Federal Subsidies	195,748		195,748
Total Operating Revenue	<u>498,631</u>		<u>498,631</u>
Operating Expenses:			
Administration	9,811		9,811
Utilities	127,173		127,173
Ordinary Maintenance	73,058	798	73,856
General Expenses	94,829		94,829
Depreciation	124,320		124,320
Insurance	21,861		21,861
Personnel Services	190,797		190,797
Total Operating Expenses	<u>641,849</u>	798	<u>642,647</u>
Operating Income (Loss)	<u>(143,218)</u>	<u>(798)</u>	<u>(144,016)</u>
Non-Operating Revenues (Expenses):			
Interest Revenue	11,057	31	11,088
CFP Grant		180,971	180,971
Total Non-Operating Revenues	<u>11,057</u>	<u>181,002</u>	<u>192,059</u>
Income (Loss) Before Transfers	(132,161)	180,204	48,043
Transfers In (Out)	<u>180,971</u>	<u>(180,971)</u>	
Change in Net Assets	48,810	(767)	48,043
Total Net Assets, Beginning of Year	<u>2,146,437</u>	<u>21,676</u>	<u>2,168,113</u>
Total Net Assets, End of Year	<u>\$ 2,195,247</u>	<u>\$ 20,909</u>	<u>\$2,216,156</u>

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year-Ended June 30, 2008

	Low Income Housing	Non-Major Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Dwelling Rentals	\$ 300,404	\$	\$ 300,404
Cash Received from Federal Subsidies	195,748		195,748
Cash Received for Other Income	2,479		2,479
Cash Payments to Suppliers and Employees	(483,303)	(798)	(484,101)
Net Cash Provided by (Used for) Operating Activities	<u>15,328</u>	<u>(798)</u>	<u>14,530</u>
Cash Flows from Capital Financing Activities			
Cash Received from Federal Grant		180,971	180,971
Modernization of Buildings		(180,971)	(180,971)
Net Cash Used for Financing Activities			
Cash Flows from Investing Activities			
Cash transferred from restricted account		(1,909)	(1,909)
Interest earned	11,057	31	11,088
Net Cash Provided by (Used for) Investing Activities	<u>11,057</u>	<u>(1,878)</u>	<u>9,179</u>
Net (Decrease) Increase in Cash and Cash Equivalents	26,385	(2,676)	23,709
Cash and Cash Equivalents – Beginning of Year	<u>372,646</u>	<u>2,676</u>	<u>375,322</u>
Cash and Cash Equivalents – End of Year	<u>\$ 399,031</u>	<u>\$</u>	<u>\$ 399,031</u>

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year-Ended June 30, 2008

	Low Income Housing	Non-Major Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	\$ (143,218)	\$ (798)	\$ (144,016)
Change in Unrestricted Assets Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	124,320		124,320
(Increase) Decrease in Accounts Receivable	(255)		(255)
(Increase) Decrease in Grants Receivable	(7,984)		(7,984)
(Increase) Decrease in Accrued Interest Receivable	(94)		(94)
(Increase) Decrease in Due from Other Funds	41,434		41,434
Increase (Decrease) in Accounts Payable	16,299		16,299
Increase (Decrease) in Due to City of Lordsburg	(13,336)		(13,336)
Increase (Decrease) in Compensated Absences	1,303		1,303
Increase (Decrease) in Accrued Salaries	(5,450)		(5,450)
Increase (Decrease) in Tenant Security Deposits	400		400
Increase (Decrease) in Due to Other Funds	1,909		1,909
 Net Cash Provided (Used) by Operating Activities	 \$ 15,328	 \$ (798)	 \$ 14,530

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

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lordsburg Public Housing Authority (LPHA) is organized under the laws of the State of New Mexico for the purpose of engaging in the leasing and administration of Low-Rent Housing programs and other similar objectives. LPHA is a separate legal entity from the City of Lordsburg and is a component unit of the City. LPHA does not have any fiduciary funds or component units.

The financial statements of LPHA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the LPHA's accounting policies are described below.

All business-type activities of the (LPHA) follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosures' requirements. In May 2002, the GASB approved Statement No. 39, *Determining Whether Certain Organizations are Component Units-an amendment of GASB Statement No. 14*. This Statement amends Statement 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. In June 2006, the GASB approved Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. Statement No. 40 requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates and disclosures of deposit and investment policies related to the risks.

The LPHA implemented the provisions of GASB No.'s 34, 37, 38, and 39 effective June 15, 2003. The LPHA implemented the provisions of GASB No. 40 effective July 1, 2004. The LPHA implemented the provisions of GASB No. 41 effective June 15, 2002. The LPHA implemented the provisions of GASB No. 42 effective June 15, 2005.

A. Fund Financial Statements

Financial statements are provided for proprietary funds.

The Statement of Net Assets was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is 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.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

A proprietary fund is used to account for the LPHA's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of general capital assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The LPHA has elected not to follow subsequent private-sector guidance.

Amounts reported as revenues include 1) charges to tenants who use, or directly benefit from services or privileges provided by the LPHA and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the LPHA's fund is rental income from low-rent housing and federal subsidies. Operating expenses for the fund includes the cost of maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for us, it is the LPHA's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Defining Operating Revenues and Expenses

It is the government's policy to define operating revenues and expenses for each proprietary fund and is to be based on the nature of the fund's activity and how it categorizes the transactions in the fund's statement of cash flows. It is the policy of LPHA to consider funds received from dwelling rentals, federal rental subsidies and state grants as operating revenues. Housing assistance payments, tenant services, supplies and employees are expenses to be considered as operating expenses.

The United States Department has direct responsibility for administering the Low-Rent Housing Program under the United States Housing Act of 1937 as amended. U.S. Department of Housing and Urban Development (HUD) is authorized to enter into contracts with local housing authorities to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing projects.

The accompanying financial statements and supplementary data include all the Low-Rent Housing Programs of LPHA as follows:

Annual contribution contract FW-5150

PHA Owned Housing Project Number NM 034004-04J

A summary of all of the programs administered by LPHA is provided in the following pages to assist the reader in interpreting the financial statements

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Public Housing Authority (PHA) Owned Housing

PHA Owned Housing consists of 100 housing units owned and operated by LPHA. Funding is provided by annual contributions of operations subsidies from HUD and tenant rent collections.

Development and Modernization

Substantially all additions to structures are accomplished through modernization programs. Modernization programs replace or materially upgrade deteriorated portions of LPHA's housing units. Funding is provided through Capital Fund Grants from the State of New Mexico.

Grants

The Capital Fund Grants are restricted. Expenditures are to be made specifically for programs covered by the grant budgets. Any grant funds received in advance and not used by the end of the specified grant periods are required to be returned to the grantor.

- C. *Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the LPHA's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The LPHA'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.

State statutes authorize the LPHA to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements.

Investments for the LPHA are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of inter-fund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the proprietary fund financial statements.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets or Equity(continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable proprietary fund financial statements. The government defines capital assets including computer software 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 to be included as part of the fund capital assets reported in the fund statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. No computer software is developed in-house.

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.

Property, plant, and equipment of the business-type activity are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures and Modernization	39.5
Vehicles	3-5
Other Furniture and Equipment	5-10

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Funds are shown as deferred revenues.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of five days to twenty five days per year depending on length of service. Annual leave earned by an employee must be taken within the subsequent twelve (12) months. Employees who have worked at least one (1) year shall be paid prorated annual leave upon separation.

Qualified employees are entitled to accumulate sick leave at the rate of five days per year beginning with the first day of the year. Upon termination, employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the proprietary fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the statement of net assets.

Long-Term Obligations: In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

Fund Equity: Unrestricted net assets are available for use by management of the LPHA. The investment in capital assets is not available for use by management of the LPHA. The restricted net assets consist of the funds received from the sale of donated land and are available for capital improvements on tenant housing.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-Fund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

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. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets of the LPHA are prepared prior to June 1 and must be approved by resolution of the Board of Commissioners and submitted to the U.S. Department of Housing and Urban Development (HUD). The Board of Commissioners and HUD must formally approve the budget.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. There is no budget prepared for the Land Fund.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles of the United States of America, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2008 is presented.

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budgetary Information (continued)

The following is reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund type.

	<u>Low Income</u>	
	<u>Housing</u>	<u>CFP</u>
	<u>Fund</u>	<u>Grant</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)	\$ (132,161)	\$
Adjustments:		
To revenues for tax accruals, earnings on investments and and other deferrals and accruals	(255)	
Adjustments:		
To adjust expenditures for payables, payroll taxes, prepaid expenses and other accruals	<u>119,311</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (Budget Basis)	<u>\$ (13,105)</u>	<u>\$</u>

There was no budget prepared for the Land Sales Fund because no changes in that fund could be forecasted.

NOTE 3 CUSTODIAL CREDIT RISK - DEPOSITS

The LPHA had the following depository accounts. All deposits are carried at cost plus accrued interest. The LPHA does not have a deposit policy.

<u>Depository Account</u>	<u>Bank</u>
	<u>Balance</u>
Insured	\$ 100,000
Collateralized:	
Collateral held by pledging bank's trust department not in the city's name	310,870
Uninsured and uncollateralized	<u> </u>
Total cash and investments	<u>\$ 410,870</u>

Custodial credit risk is the risk that in the event of a bank failure, the proprietary fund's deposits may not be returned to it. The LPHA does not have a deposit policy for custodial risk. As of June 30, 2008, \$310,870 of the LPHA's bank balance of \$410,870 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$
Uninsured and collateral held by pledging bank's trust department not in LPHA's name	<u>310,870</u>
Total	<u>\$ 310,870</u>

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 4 RECEIVABLES

Receivables as of June 30, 2008, are as follows:

	Low Income	Housing	CFP Grant
Dwelling rent receivable	\$	1,494	\$
Grant receivable		7,984	
Totals	\$	9,478	\$

The above receivables are deemed 100% collectible.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year-ended June 30, 2008. Land is not subject to depreciation.

	Business-Like Activities		Balance June 30,2007	Additions	Deletions	Balance June 30,2008
Capital assets not being depreciated						
Land	\$	100,000	\$	\$	\$	100,000
Total		100,000				100,000
Other capital assets being depreciated						
Buildings		2,450,758				2,450,758
Improvements		1,428,091	180,971			1,609,062
Furniture, equipment, vehicles		129,660				129,660
Total		4,008,509	180,971			4,189,480
Accumulated depreciation						
Building		2,140,537	62,045			2,202,582
Improvements		109,519	40,736			150,255
Furniture, equipment, vehicles		69,920	21,539			91,459
Total		2,319,976	124,320			2,444,296
Net book value	\$	1,788,533	\$ 56,651	\$		\$ 1,845,184

Depreciation expense relating to business-like activities for the year-ended June 30, 2008 totaled \$124,320.

NOTE 6 COMPENSATED ABSENCES

During the year-ended June 30, 2008, the following changes occurred in the liabilities reported in the statement of net assets:

	Balance June 30,2007	Additions	Decreases	Balance June 30,2008	Due Within One Year
Compensated Absences	\$ 854	\$ 7,429	\$ 6,126	\$ 2,157	\$ 2,157

This debt is paid from the Low-Income Fund operating account.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

This debt is paid from the Low-Income Housing Fund operating account. The amount due within one year is \$2,157.

NOTE 7 RISK MANAGEMENT

The LPHA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The LPHA is a member and is insured through the State of New Mexico self-insurance program. The LPHA pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers' Compensation, General and Automobile Liability, Automobile Physical Damage and Property and Crime coverage. The LPHA is not liable for more than the premiums paid. Total premiums paid for year ending June 30, 2008 is \$ 18,510.

NOTE 8 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the Combining Statements – overview of certain information concerning individual funds including:

Deficit fund balance of individual funds- There were no funds reflecting a deficit fund balance as of June 30, 2008.

NOTE 9 PERA PENSION PLAN

Plan Description. Substantially all of LPHA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7% for municipal general employees. The LPHA is required to contribute 7% of the gross covered salary of its plan members. The contribution requirements of plan members and the LPHA are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The LPHA's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 were \$8,485, \$6,899, and \$7,947, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10 POST-EMPLOYMENT BENEFITS

The LPHA did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2008.

NOTE 11 CONTINGENT LIABILITIES

There were no pending lawsuits against LPHA as of June 30, 2008.

NOTE 12 FEDERAL AND STATE GRANTS

In the normal course of operations, the LPHA receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2008

NOTE 13 INTER-FUND TRANSFERS/BALANCES

Transfers to/from other funds at June 30, 2008, consist of the following:

\$	15,259	From CFP 06-01 Grant Fund to Low-Income Housing Fund to complete major repairs
	<u>165,712</u>	From CFP 07-01 Grant Fund to Low-Income Housing Fund to complet major repairs
\$	<u>180,971</u>	Total transfers

Balances due to/from other funds at June 30, 2008, consist of the following:

	<u>From</u>	<u>To</u>	<u>Reason</u>
\$ 20,909	Low Income	Land	Transferred to overnight funds bank account

NOTE 14 SUBSEQUENT EVENTS

The LPHA has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal agencies constitute future commitments.

NON-MAJOR PROPRIETARY FUNDS

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Combining Balance Sheet – Non-Major Proprietary Funds
 June 30, 2008

	CFP Grant 07-01	CFP Grant 06-01	Land Sales	Totals
Assets				
Current assets				
Due from other funds	\$	\$	\$ 20,909	\$ 20,909
Total assets			\$ 20,909	\$ 20,909
Liabilities and net assets				
Current liabilities				
Due to other funds				
Total current liabilities				
Net assets				
Restricted net assets			20,909	20,909
Total net assets			20,909	20,909
Total liabilities and net assets	\$	\$	\$ 20,909	\$ 20,909

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Combining Statement of Operating Revenues, Expenses and
Changes in Fund Net Assets – Non-Major Proprietary Funds
For the Year-Ended June 30, 2008

	CFP Grant 07-01	CFP Grant 06-01	Land Sales	Totals
Operating Revenue				
Other Income	\$	\$	\$	\$
Total Operating Revenue				
Operating Expenses				
General Expenses			798	798
Total Operating Expenses			798	798
Operating Income			(798)	(798)
Non-Operating Income				
Interest income			31	31
CFP Grant	165,712	15,259		180,971
Total Non-Operating Income (Loss)	165,712	15,259	31	181,002
Income (Loss) Before Transfers	165,712	15,259	(767)	180,204
Transfers In (Out)	(165,712)	(15,259)		(180,971)
Change in Net Assets			(767)	(767)
Total Net Assets, Beginning of Year			21,676	21,676
Total Net Assets, End of Year	\$	\$	\$ 20,909	\$ 20,909

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Statement of Cash Flows – Non-Major Proprietary Fund
For the Year-Ended June 30, 2008

	CFP Grant 07-01	CFP Grant 06-01	Land Sales	Totals
Cash Flows from Operating Activities:				
Cash Received from Dwelling Rentals	\$	\$	\$	\$
Cash Received from Federal Subsidies				
Cash Received for Other Income				
Cash Payments to Suppliers and Employees			(798)	(798)
Net Cash Provided by (Used for) Operating Activities			(798)	(798)
Cash Flows from Capital Financing Activities				
Cash Received from Federal Grant	165,712	15,259		180,971
Modernization of Buildings	(165,712)	(15,259)		(180,971)
Net Cash Used for Financing Activities				
Cash Flows from Investing Activities			(1,909)	(1,909)
Cash Transferred to Other Fund			31	31
Net Cash Provided by (Used for) Investing Activities			(1,878)	(1,878)
Net Increase (Decrease) in Cash and Cash Equivalents			(2,676)	(2,676)
Cash and Cash Equivalents – Beginning of Year			2,676	2,676
Cash and Cash Equivalents – End of Year	\$	\$	\$	\$

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

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Statement of Cash Flows – Non-Major Proprietary Fund
For the Year-Ended June 30, 2008

There is no cash provided by operating activities in the non-major funds.

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Low-Income Housing Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
Operating revenues:				
Dwelling rental	\$ 270,000	\$ 270,000	\$ 300,149	\$ 30,149
Federal subsidies	195,000	195,000	195,748	748
Interest income	3,000	3,000	11,057	8,057
Other income	4,000	4,000	2,479	(1,521)
Total operating revenues	<u>472,000</u>	<u>472,000</u>	<u>509,433</u>	<u>37,433</u>
Add: Beginning cash	242,262	242,262		
	<u>714,262</u>	<u>714,262</u>		
Operating expenses:				
Personnel services	\$ 166,000	\$ 166,000	\$ 184,921	\$ (18,921)
Operating expenses	520,016	520,016	337,617	182,399
Total operating expenses	<u>686,016</u>	<u>686,016</u>	<u>522,538</u>	<u>163,478</u>
Income (loss) before transfers			<u>(13,105)</u>	
Transfers				
Transfers in			\$ 222,405	
Transfers out				
Total transfers	<u>\$</u>	<u>\$</u>	<u>\$ 222,405</u>	<u>\$</u>
Change in net assets			209,300	
Differences between GAAP and Non-GAAP				
Adjust accrued revenue		255		
Adjust accrued expenses		5,009		
Depreciation		<u>(124,320)</u>		
			(119,056)	
Total net assets - beginning of year			<u>2,105,003</u>	
Total net assets – end of year			<u>\$ 2,195,247</u>	

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Capital Grant Fund 01-07
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
 For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues:				
Federal grants	\$ 165,712	\$ 165,712	\$ 165,712	
Total operating revenues	165,712	165,712	165,712	
Expenses:				
Current				
Structures	165,712	165,712	165,712	
Total expenses	165,712	165,712	165,712	
Change in net assets				
Difference between non-GAAP and GAAP				
Adjust accrued revenues				
Total net assets – beginning of year			_____	
Total net assets – end of year			\$ _____	

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

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Capital Grant Fund 01-06
Statement of Revenues, Expenses and Changes in Fund Net Assets
Budget (Non-GAAP Basis) and Actual
 For the Year-Ended June 30, 2008

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues:				
Federal grants	\$ 16,259	\$ 16,259	\$ 16,259	\$
Total revenues	16,259	16,259	16,259	
Expenses:				
Current				
Structures	16,259	16,259	16,259	
Total expenses	16,259	16,259	16,259	
Change in net assets				
Total net assets – beginning of year			_____	
Total net assets – end of year			\$ _____	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Schedule of Depositories
June 30, 2008

	<u>Type</u>	<u>Amount</u> <u>Per Bank</u>	<u>Plus</u> <u>DIT</u>	<u>Less</u> <u>O/S Cks</u>	<u>Balance</u> <u>Per Books</u>
Western Bank					
Operating	CK	\$ 92,482	\$	\$ 11,839	\$ 80,643
Overnight	MM	187,678			187,678
Time Deposit	CD	130,710			130,710
Subtotal		<u>\$ 410,870</u>	<u>\$</u>	<u>\$ 11,839</u>	<u>\$ 399,031</u>

Type:

CK=checking

CD=time deposit

MM=money market

	<u>Western</u> <u>Bank</u>
Amount Held in Bank June 30, 2007	<u>\$ 410,870</u>
Less FDIC Insurance	<u>100,000</u>
Uninsured Public Funds	<u>310,870</u>
50% Collateral Requirement (Section 6-10-17 NMSA-1978)	155,435
Pledged Security	<u>701,438</u>
Over (Under) Collateral	<u>\$ 546,003</u>

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Schedule of Collateral Pledged by Depository
June 30, 2008

Name of Depository	Description of Pledged Collateral	Maturity Date	CUSIP No	Par Value	Market Value
Western Bank	FHLMC 2594 OR	6/15/2032	31393PZR8	\$ 712,883	\$ 701,438
Total				<u>\$ 712,883</u>	<u>\$ 701,438</u>

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

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Schedule of Grant Expenditures
June 30, 2008

	<u>Federal Grants</u>
HUD Subsidy	\$ 195,748
U.S. Department of Housing and Urban Development, CFP Grant #NM02P034501-07	165,712
U.S. Department of Housing and Urban Development, CFP Grant #NM02P034501-06	15,259
Total Grant	<u>\$ 376,719</u>

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

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30, 2008

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund	Other Federal Program 1	Total
111	Cash-Unrestricted	\$ 399,031			\$ 399,031
112	Cash-Restricted-Modernization				
114	Cash-Tenant Security Deposits				
100	Total Cash	399,031			399,031
122	Accts Receivable – HUD Other	7,984			7,984
125	Accts Receivable – Miscellaneous	94			94
126	Accts Receivable – Tenants – Rents	1,494			1,494
126.1	Allowance for Doubtful Accts-Rents				
126.2	Allowance for Doubtful Accts -Other				
120	Total Receivables, net of allowances	9,572			9,572
144	Interprogram Due From		20,909		20,909
150	Total Current Assets	408,603	20,909		429,512
161	Land	100,000			100,000
162	Buildings	2,450,758			2,450,758
164	Furniture, Equipment & Machinery	129,660			129,660
165	Leasehold Improvements	1,609,061			1,609,061
166	Accumulated Depreciation	(2,444,295)			(2,444,295)
160	Total Fixed Assets, Net of Acc. Dep.	1,845,184			1,845,184
180	Total Non-Current Assets	1,845,184			1,845,184
190	Total Assets	2,253,787	20,909		2,274,696
312	Accounts Payable <= 90 Days	21,424			21,424
321	Accrued Wage/Payroll Taxes Payable				
322	Accrued Compensated Absences-Cur.	2,157			2,157
333	Accounts Payable-Other Govt.				
341	Tenant Security Deposits	14,050			14,050
347	Interprogram Due To	20,909			20,909
310	Total Current Liabilities	58,540			58,540
350	Total Non-Current Liabilities				
300	Total Liabilities	58,540			58,540
508	Total Contributed Capital				
508.1	Invested in Capital Assets, Net of Rel.	1,845,184			1,845,184
511	Total Reserved Fund Balance				
511.1	Restricted Net Assets		20,909		20,909
512.1	Unrestricted Net Assets	350,063			350,063
513	Total Equity/Net Assets	2,195,247	20,909		2,216,156
600	Total Liabilities and Equity/Net Assets	\$ 2,253,787	\$ 20,909		\$ 2,274,696

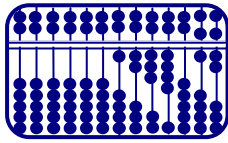
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Financial Assessment Submission
June 30, 2008

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Capital Fund	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	300,404			300,404
705	Total Tenant Revenue	300,404			300,404
706	HUD PHA Operating Grants	195,748			195,748
706.1	Capital Grants		180,971		180,971
711	Investment Income-Unrestricted	11,057		31	11,088
713	Proceeds from Disposition of Assets Held for Sale				
713.1	Cost of Sale of Assets				
715	Other Revenue	2,479			2,479
720	Investment Income-Restricted				
700	Total Revenue	509,688	181,002		690,690
911	Administrative Salaries	90,771			90,771
912	Auditing Fees	5,148			5,148
914	Compensated Absences	2,157			2,157
915	Employee Benefit Contributions-Adm	24,853			24,853
916	Other Operating –Administrative	51,881			51,881
931	Water	48,353			48,353
932	Electricity	6,428			6,428
933	Gas	54,212			54,212
938	Other Utilities Expense	18,180			18,180
941	Ordinary Maintenance and Ops-Labor	73,017			73,017
942	Ordinary Maintenance and Ops-Mat.	59,120	798		59,918
943	Ordinary Maintenance and Ops-Cont.	61,548			61,548
961	Insurance Premiums	21,861			21,861
964	Bad Debt-Tenant Rents				
969	Total Operating Expenses	517,529	798		518,327
970	Excess Operating Revenue over Operating Expenses		180,204		180,204
974	Depreciation Expense	124,320			124,320
900	Total Expenses	641,849	798		642,647
1001	Operating Transfers In	180,971			180,971
1002	Operating Transfers Out		(180,971)		(180,971)
1010	Total Other Financing Sources (Uses)	180,971	(180,971)		
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(132,161)	180,204		48,043
1102	Debt Principal Payments – Enterprise				
1103	Beginning Equity	2,146,437	21,676		2,168,113
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors				
1120	Unit Months Available	1,200			1,200
1121	Number of Unit Months Leased	1,140			1,140

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

COMPLIANCE SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

**COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL
OVER COMPLIANCE FOR HUD-ASSISTED PROGRAMS**

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners
Lordsburg Public Housing Authority
Lordsburg, New Mexico

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information, the budgetary comparisons for the general fund and the combining and individual funds presented as supplemental information of the Lordsburg Public Housing Authority (LPHA) as of and for the year-ended June 30, 2008, and have issued our report thereon dated April 7, 2009. We have also audited the LPHA's compliance with requirements applicable to major HUD-assisted programs and have issue our reports thereon dated April 7, 2009.

We conducted our audits 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 the Consolidated Audit Guide for Audits of HUD Programs. (the "Guide"), issued by the U.S Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the LPHA complied with laws and regulations, noncompliance with which would be material to a HUD-assisted program.

The management of the LPHA is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the LPHA's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the LPHA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LPHA's internal control over financial reporting and internal control over compliance.

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 or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the entity's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The deficiencies are described in the accompanying schedule of findings and responses as required to be reported under *Government Auditing Standards* and are items 08-01, 08-02, 08-03, 08-04, and 08-05.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies as defined above or material weaknesses as defined below and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849

As part of obtaining reasonable assurance about whether the LPHA'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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the paragraph above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected by the LPHA's internal control. We did not consider any of the significant deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

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

This report is intended solely for the information and use of the Department of Housing and Urban Development, Board of Commissioners, management, Federal and State Awarding agencies, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Marcus, Fairall, Bristol & Co. LLP". The signature is written in a cursive, flowing style.

Marcus, Fairall, Bristol, & Co., L.L.P.
El Paso, Texas
April 7, 2009

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Schedule of Findings and Responses
June 30, 2008

Current Year Reportable Findings and Questioned Costs – Financial Statement Findings:

Finding 06-01 Failure to Maintain Net Assets in Accordance with GASB.

Condition – The fee accountant is not maintaining the net assets in accordance with GASB 34. The accounts used in place of net assets were as follows: Retained Earnings, \$6,457.

Cause – Two sets of transactions were posted to the Retained Earnings account instead of being posted to the Unrestricted Net Assets account.

Criteria – GASB 34, ¶429 and 430, and SAS 112 require that proprietary funds use a classified format in which current and non-current assets, liabilities, restricted assets and unrestricted assets should be distinguished based on the guidance in ARB 43.

Effect – The financial reports prepared by the fee accountant were not prepared in a classified format in which current and non-current assets, liabilities, restricted assets and unrestricted assets could be distinguished in accordance with compliance with GASB 34 or SAS 112.

Recommendation – We suggest that management and the fee accountant work together to make sure that no transactions be posted to the Retained Earnings account, but instead be posted to either the Restricted Net Assets account or the Unrestricted Net Assets Account, depending on the circumstances of the transaction.

Response – The software program has been updated. The fee accountant shall on a monthly report post all adjusting entries within the books. The Finance Officer has been scheduled for training to comply with the requirements for posting adjusting journal entries pertaining to GASB 34.

Finding 07-01 Failure to Distribute Interest Earned on Restricted Funds

Condition – The interest earned on the restricted land funds account in the amount of \$31 was transferred into an unrestricted funds general operating account.

Cause – The funds in a restricted fund were commingled with unrestricted funds in a general operating account.

Criteria – The agreement for the land that was donated to the LPHA restricts the use of funds in this account. The money is not to be transferred into a bank account that is used for day to day operations. The interest earned in this account has to be maintained separately in this account and is also not to be transferred into a bank account that is interest-bearing and is used to general operations. (Sec 47-8-18, NMSA 1978)

Effect – The combining of restricted funds with unrestricted funds violates the terms of the agreement for the donated land.

Recommendation – We suggest that the money transferred into the general operating account be transferred back into a restricted account. Also, an estimate should be made of the interest that would have been earned from the time the account was transferred until the end of the fiscal year. This amount of money should also be deposited into the restricted account.

Response – This money is to be transferred to a non-interest bearing restricted account. Any interest that was earned up until the time of the transfer will be carried over into the new account and will be paid to the tenants upon termination of their residency.

Finding 07-02 Failure to Distribute Interest Earned on Security Deposits

Condition – Funds of \$14,050 of the security deposit account were commingled with funds transferred into an interest-bearing savings account which is available for general operations. Interest was earned in the amount of \$3,402. The portion attributable to security deposit trust was not accounted for in the security deposit liability

STATE OF NEW MEXICO
LORDBURG PUBLIC HOUSING AUTHORITY
Schedule of Findings and Responses
June 30, 2008

Current Year Reportable Findings and Questioned Costs – Financial Statement Findings (continued)

Finding 07-02 Failure to Distribute Interest Earned on Security Deposits continued

account. The interest earnings were kept in the low-income housing fund which permitted these funds to be used in general operations.

Cause – The Board of Trustees ordered the transfer of funds from the security deposit trust account to an interest-bearing savings account which was available for general operations.

Criteria – The owner shall be required to pay annually to the residents an interest amount equal to the passbook interest permitted to savings and loan associations in this state by the federal home loan bank board on such deposits. (Section 47-8-18, NMSA 1978)

Effect – Interest was earned in the amount of \$3,402. The portion attributable to security deposit trust was not accounted for in the security deposit liability account. The interest earnings were kept in the low-income housing fund which permitted these funds to be used for operations. This is a violation of proper procedures for accounting for a restricted trust account.

Recommendation – We recommend the interest on these funds be properly accounted for in the liability of the security deposits which will permit the interest to be paid to the tenants upon termination. Also, the amount transferred to the general operations account should be transferred back into a security deposit account. An estimate should be made of the interest that would have been earned from the time the money was transferred into the general operations account through the end of the fiscal year. That amount should also be transferred into the security deposit account. There should be a separate account for the security deposits and the related interest earned on the security deposits amount.

Response – The Finance Officer drafted a spreadsheet to render interest to residents as earned permitting the interest to be paid upon termination of tenancy. These funds are now currently in an interest bearing account with Western Bank and will be transferred into a non-interest bearing account.

Finding 07-03 Failure to Apply GAAP

Condition

The LPHA did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information. During the course of the audit we noted several accounting errors in the general ledger. The fixed asset schedule did not reflect the correct depreciation expense for the year and several accounts were not reconciled. Accounts payable did not reconcile by \$6,482. Bank reconciliations were not prepared on a timely basis.

Criteria

Key employees or management should be trained in GAAP principles in recording the PHA's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112). New Mexico State Statute Section 6-6-3 provides that every local body shall keep all of the books, records, and accounts, including subsidiary ledgers, timely, completely, and accurately.

Cause

Key employees need the qualifications and training to apply GAAP principles in preparing the LPHA's financial statements.

Effect

The key employees were not able to apply GAAP principles when recording transactions and in preparing the LPHA's financial statements. Due to this problem the employees could not provide complete, accurate, and timely information.

**STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Schedule of Findings and Responses
June 30, 2008**

Current Year Reportable Findings and Questioned Costs – Financial Statement Findings (continued)

Finding 07-03 Failure to Apply GAAP continued

Recommendation

We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.

Response- The Finance Officer has registered to attend State Auditors Training in May 2009 regarding financial audit and protocol pertaining to the principles in preparing the financial statements

Finding 07-04 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on May 5, 2009.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2008.

Cause

The audit was not submitted to the LPHA until April 7, 2009. Additional time was needed by the auditor to assemble the necessary financial information.

Effect

Violation of the State Auditor’s Rule. Audited financial information is not available for the LPHA to use and distribute as necessary.

Recommendation

The LPHA, along with the auditor, must implement procedures that would produce a timely audit. Proper accounting control must be established where the LPHA staff is able to produce financial information for the auditor that has been properly reconciled.

Response- The Finance Officer shall be monitored on a monthly basis as per the reports and reconciliations. The fee accountant shall work diligently with the Finance Officer.

Current Year Reportable Findings and Questioned Costs – Federal Award Findings

There are no Federal Award findings.

STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS

06-01 – Failure to Maintain Net Assets in Accordance with GASB	Repeated
07-01 – Failure to Distribute Interest Earned on Restricted Funds	Repeated
07-02 – Failure to Distribute Interest Earned on Security Deposits	Repeated
07-03 – Failure to Apply GAAP	Repeated
07-04 – Completion of Audit Report	Repeated
07-05 – Pledged Collateral Outside of New Mexico	Corrected

STATE OF NEW MEXICO
LORDSBURG PUBLIC HOUSING AUTHORITY
Exit Conference
June 30, 2008

EXIT CONFERENCE

As exit conference was held on April 7, 2009, with Jack Fairall, CPA, of Marcus, Fairall, Bristol + Co., LLP with the following LPHA officials:

Honorable Chairman-Arthur C. Smith
Executive Director-Esperanza B. Tarango
Finance Officer-Robert A. Arvizo

COMPILATION OF FINANCIAL STATEMENTS

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol, + Co., LLP. However, the contents of the financial statements remain the responsibility of management.