

**Lordsburg Public Housing Authority
Lordsburg, New Mexico**

*Financial Statements and Supplemental Information
and Independent Auditors' Report
for the Year Ended June 30, 2009*

LORDBURG PUBLIC HOUSING AUTHORITY

List of Principal Officials
For the Year Ended June 30, 2009

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

Other Officials

Esperanza B. Tarango	Executive Director
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LORDSBURG PUBLIC HOUSING AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Financial Statements by Fund	15
Notes to Financial Statements	19
Non-Major Funds	27
SUPPLEMENTARY INFORMATION:	
Schedule of revenues and expenses budget (non-GAAP) and actual (cash basis) - Low Income Housing Fund	30
Schedule of reconciliation between the budgetary basis and GAAP basis revenues and expenses - Low Income Housing Fund	31
Schedule of revenues and expenses budget (non-GAAP) and actual (cash basis) - Non-Major Funds - CFP Grant 08-01	32
Schedule of reconciliation between the budgetary basis and GAAP basis revenues and expenses - Non-Major Fund - CFP Grant 08-01	33
Supplementary data required by HUD - Financial Data Schedule	34
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	36
Summary schedule of prior audit findings	38
Schedule of findings and recommendations	39
Exit conference	41

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor and
Board of Commissioners
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 (a component unit of the City of Lordsburg, New Mexico), as of and for the year ended June 30, 2009, 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 comparison schedules presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Lordsburg Public Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Lordsburg Public Housing Authority, New Mexico and are not intended to present fairly the financial position of the City of Lordsburg, New Mexico and the results of its operations and the cash flows of its proprietary fund types 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 Lordsburg Public Housing Authority, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison 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 respective financial position of each non-major enterprise funds for the Lordsburg Public Housing Authority as of June 30, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the major and non-major enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2009, on our consideration of the Lordsburg Public Housing Authority's internal control over financial reporting and our tests of its compliance with certain provision 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 9 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, and the combining and individual fund financial statements. The accompanying Financial Data Schedule (FDS) on pages 34 and 35, submitted electronically to the United States Department of Housing and Urban Development Real Estate Assessment Center (HUD/REAC), is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Lordsburg Public Housing Authority. The FDS has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 10, 2009

REQUIRED SUPPLEMENTARY INFORMATION

LORDBURG PUBLIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

The Lordsburg Public Housing Authority's ("Housing Authority") Management's Discussion and Analysis is designed to **(a)** assist the reader in focusing on significant financial issues, **(b)** provide an overview of the Housing Authority's financial activity, **(c)** identify changes in the Housing Authority's financial position (it's ability to address the next and subsequent year challenges), and **(d)** identify individual fund issues or concerns.

The Housing Authority is a separate legal entity from the City of Lordsburg and is a component unit of the City. The Housing Authority does not have any fiduciary funds or component units.

This Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Housing Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- The Housing Authority's total net assets increased by \$34,051 (or 1.5 percent) during the fiscal year ended June 30, 2009. Since the Housing Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,250,207 and \$2,216,156 for 2009 and 2008, respectively.
- The business-type activities revenue decreased by \$2,796 (or 0.4 percent) during the fiscal year ended 2009, and were \$687,894 and \$690,690 for 2009 and 2008, respectively.
- The business-type activities expenses of all Housing Authority programs increased by \$11,196 (or 1.7 percent). Total expenses were \$653,843 and \$642,647 for 2009 and 2008 respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Using This Annual Report

The report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A -Management Discussion and Analysis Pages 4 - 9
Basic Financial Statements -Financial Statements Pages 11 - 13 -Notes to the Financial Statements Pages 19 - 25
Other Required Supplementary Information -Required Supplementary Information Pages 30 - 35

Basic Financial Statements

The primary focus of the Housing Authority's basic financial statements is on the Authority as a whole (Housing Authority-Wide). This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Housing Authority's accountability.

The Housing Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. The Housing Authority has the Low Income Housing Fund, the Capital Fund Projects "CFP" and the Land Fund. The financial statements reflect the transactions for these programs.

These statements include a **Statement of Net Assets**, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Housing Authority. The Statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the Housing Authority. Net Assets are reported in two broad categories:

Net Assets, Invested in Capital Assets: This component of the Net Assets consists of all capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets".

The Authority-Wide financial statements also include a **Statement of Revenues, Expenses, and Changes in Net Assets** (similar to an Income Statement). This statement includes operating revenues, such as rental income, operating expenses, such as personnel, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a **Statement of Cash Flow** is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Statement of Net Assets

The Housing Authority implemented the new financial reporting model required by Governmental Accounting Standards Board Statement No. 34 in fiscal year ended June 30, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Public Housing Authority as a whole.

	June 30, 2009	June 30, 2008
Assets:		
Current and other assets	\$ 418,709	\$ 429,512
Capital assets, net of accumulated depreciation	<u>1,896,669</u>	<u>1,845,184</u>
Total assets	<u>\$ 2,315,378</u>	<u>\$ 2,274,696</u>
Liabilities:		
Current and other liabilities	<u>\$ 65,171</u>	<u>\$ 58,540</u>
Net Assets:		
Invested in capital assets	1,896,669	1,845,184
Restricted	20,909	20,909
Unrestricted	<u>332,629</u>	<u>350,063</u>
Total net assets	<u>2,250,207</u>	<u>2,216,156</u>
Total liabilities and net assets	<u>\$ 2,315,378</u>	<u>\$ 2,274,696</u>

The largest portion of the Public Housing Authority's net assets reflects its investment in capital assets (i.e., land, buildings, building improvements and equipment). The Public Housing Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Public Housing Authority's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Public Housing Authority's ongoing obligations to citizens and creditors.

For more detailed information see page 12 for the Statement of Changes in Net Assets.

Major Factors Affecting the Statement of Net Assets

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Housing Authority is engaged only in Business-Type Activities.

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>June 30,2009</u>	<u>June 30,2008</u>
Revenues:		
Operating Revenues:		
Tenant revenues	282,601	300,404
Federal subsidy	216,494	195,748
Other revenues	<u>3,363</u>	<u>2,479</u>
Total operating revenues	<u>502,458</u>	<u>498,631</u>
Non-Operating Revenues:		
Interest revenues	2,963	11,088
CFP Grant	<u>182,473</u>	<u>180,971</u>
Total revenues	<u>687,894</u>	<u>690,690</u>
Expenses:		
Operating Expenses:		
Salaries and benefits	195,068	190,797
Administration	-	9,811
General expenses	133,530	94,829
Maintenance	87,031	73,856
Insurance	12,428	21,861
Utilities	94,798	127,173
Depreciation	<u>130,988</u>	<u>124,320</u>
Total operating expenses	<u>653,843</u>	<u>642,647</u>
Change in net assets	<u>\$ 34,051</u>	<u>\$ 48,043</u>

HUD Operating Grants increased by \$20,746 (or 10.6 percent); this increase was primarily due to unit months leased.

Total Tenant Revenue decreased by \$17,803 (or 5.9 percent). This was primarily due to a decrease in tenant rents.

The total operating expenses increased by \$11,196 (or 1.7 percent). Administrative salaries increased by \$4,271 (or 2.2 percent) for the year as a result of an increase for cost of living. Other operating expenses increased by \$6,925 (or 1.5 percent), this is primarily due to an increase in general expenses when compared to the prior fiscal year.

CAPITAL ASSET

Capital Assets

As of year end, the Housing Authority had \$1,896,669 invested in a variety of capital assets as reflected in the following schedule, net of accumulated depreciation. This represents a net increase (current purchases less depreciation) of \$51,485 (or 2.8 percent) from the end of last year.

Condensed Statement of Changes in Capital Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,450,758	2,450,758
Buildings improvements	1,791,535	1,609,062
Machinery and equipment	129,660	129,660
Accumulated depreciation	<u>(2,575,284)</u>	<u>(2,444,296)</u>
	<u>\$ 1,896,669</u>	<u>\$ 1,845,184</u>

The following reconciliation summarizes the change in Capital Assets, which are presented in detail and can be found in Note 4 on page 24 of this report.

Change in Capital Assets

Beginning Balance - July 1, 2008	\$ 1,845,184
Current Year Depreciation Expense	(130,988)
Capital Expenditures	<u>182,473</u>
Ending Balance - June 30, 2009	<u>\$ 1,896,669</u>

Current Year Additions are summarized as follows:

Improvements to rental units	<u>\$ 182,473</u>
Total 2009 Additions	<u>\$ 182,473</u>

Budget Variances

Significant variances between final budgeted amounts and actual budget results are as follows:

	Budgeted Amount	Actual	Variance
Revenues over expenses	<u>\$ (23,500)</u>	<u>\$ 165,039</u>	<u>\$ 188,539</u>

The Housing Authority's actual revenues received from HUD exceeded budgeted by \$155,333, and tenant rents received were \$2,601 more than budgeted. In addition, budgeted expenses decreased \$13,141.

ECONOMIC FACTORS

Significant economic factors affecting the Housing Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ms. Esperanza Tarango, Executive Director, Lordsburg Public Housing Authority, 1001 Avenida Del Sol, Lordsburg, New Mexico, 88045. The intent of this report was designed to present to the users a general overview of the Housing Authority's finances and to demonstrate the Housing Authority's accountability.

BASIC FINANCIAL STATEMENTS

LORDBURG PUBLIC HOUSING AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 370,881
Accounts receivable, tenants, net	1,513
Prepaid insurance	11,928
Due from other funds	<u>20,909</u>

Total current assets 405,231

Non-current assets:

Restricted cash: Cash and cash equivalents - Tenant security deposits	13,478
Capital assets, net	<u>1,896,669</u>

Total non-current assets 1,910,147

TOTAL ASSETS **\$ 2,315,378**

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 16,639
Compensated absences	6,303
Due to other governments	7,620
Due to other funds	<u>20,909</u>

Total current liabilities 51,471

Current liabilities payable from restricted assets:

Tenant security deposits	<u>13,700</u>
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Total liabilities 65,171

Net assets:

Invested in capital assets	1,896,669
Restricted	20,909
Unrestricted	<u>332,629</u>

Total net assets 2,250,207

TOTAL LIABILITIES AND NET ASSETS **\$ 2,315,378**

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

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

Operating revenues:	
Tenant revenues	\$ 282,601
Federal subsidies	216,494
Other revenue	<u>3,363</u>
Total operating revenue	<u>502,458</u>
Operating expenses:	
Salaries and benefits	195,068
General and administrative expenses	133,530
Maintenance	87,031
Insurance	12,428
Utilities	94,798
Depreciation expense	<u>130,988</u>
Total operating expenses	<u>653,843</u>
Operating income (loss)	(151,385)
Non-operating revenues:	
Interest revenue	2,963
CFP Grant	<u>182,473</u>
Total non-operating revenues	<u>185,436</u>
Change in net assets	34,051
Net assets, beginning of year	<u>2,216,156</u>
Net assets, end of year	<u>\$ 2,250,207</u>

See accompanying notes to financial statements and independent auditors' report.

LORDSBURG PUBLIC HOUSING AUTHORITY

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$ 296,079
Cash received from HUD	398,967
Interest received	2,963
Cash payments to suppliers	(335,140)
Cash payments to employees	<u>(195,068)</u>

Net cash provided by operating activities 167,801

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	<u>(182,473)</u>
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Net cash used in capital and related financing activities (182,473)

Net decrease in cash and cash equivalents (14,672)

Cash and cash equivalents, beginning of year 399,031

Cash and cash equivalents, end of year \$ 384,359

Cash and cash equivalents consist of:

Unrestricted cash and cash equivalents	\$ 370,881
Restricted cash and cash equivalents - tenant security deposits	<u>13,478</u>

TOTAL CASH AND CASH EQUIVALENTS \$ 384,359

(Continued)

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

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

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

Change in net assets	\$ 34,051
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	130,988
Changes in assets and liabilities:	
Accounts receivable, tenants, net	(19)
Grant receivable	7,984
Accrued interest receivable	94
Prepaid insurance	(11,928)
Accounts payable	(4,785)
Compensated absences	4,146
Due to other governments	7,620
Tenant security deposits	<u>(350)</u>
Total adjustments	<u>133,750</u>
Net cash provided by operating activities	<u>\$ 167,801</u> (Concluded)

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
JUNE 30, 2009**

ASSETS	Low Income Housing	Non-Major Funds	Total
Current assets:			
Cash and cash equivalents - unrestricted	\$ 370,881	\$ -	\$ 370,881
Accounts receivable, tenants, net	1,513	-	1,513
Prepaid insurance	11,928	-	11,928
Due from other funds	-	20,909	20,909
	<u>384,322</u>	<u>20,909</u>	<u>405,231</u>
Total current assets			
Non-current assets:			
Restricted cash: Cash and cash equivalents -			
Tenant security deposits	13,478	-	13,478
Capital assets, net	1,896,669	-	1,896,669
	<u>1,910,147</u>	<u>-</u>	<u>1,910,147</u>
Total non-current assets			
TOTAL ASSETS	<u>\$ 2,294,469</u>	<u>\$ 20,909</u>	<u>\$ 2,315,378</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 16,639	\$ -	\$ 16,639
Compensated absences	6,303	-	6,303
Due to other governments	7,620	-	7,620
Due to other funds	20,909	-	20,909
	<u>51,471</u>	<u>-</u>	<u>51,471</u>
Total current liabilities			
Current liabilities payable from restricted assets:			
Tenant security deposits	13,700	-	13,700
	<u>13,700</u>	<u>-</u>	<u>13,700</u>
Total liabilities			
	65,171	-	65,171
Net assets:			
Invested in capital assets	1,896,669	-	1,896,669
Restricted	-	20,909	20,909
Unrestricted	332,629	-	332,629
	<u>2,229,298</u>	<u>20,909</u>	<u>2,250,207</u>
Total net assets			
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,294,469</u>	<u>\$ 20,909</u>	<u>\$ 2,315,378</u>

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

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

	Low Income Housing	Non-Major Funds	Total
Operating revenues:			
Tenant revenues	\$ 282,601	\$ -	\$ 282,601
Federal subsidies	216,494	-	216,494
Other revenue	<u>3,363</u>	<u>-</u>	<u>3,363</u>
Total operating revenue	<u>502,458</u>	<u>-</u>	<u>502,458</u>
Operating expenses:			
Salaries and benefits	195,068	-	195,068
General and administrative expenses	133,530	-	133,530
Maintenance	87,031	-	87,031
Insurance	12,428	-	12,428
Utilities	94,798	-	94,798
Depreciation expense	<u>130,988</u>	<u>-</u>	<u>130,988</u>
Total operating expenses	<u>653,843</u>	<u>-</u>	<u>653,843</u>
Operating income (loss)	(151,385)	-	(151,385)
Non-operating revenues:			
Interest revenue	2,963	-	2,963
CFP Grant	<u>-</u>	<u>182,473</u>	<u>182,473</u>
Total non-operating revenues	<u>2,963</u>	<u>182,473</u>	<u>185,436</u>
Transfers:			
Transfer in (out)	<u>182,473</u>	<u>(182,473)</u>	<u>-</u>
Change in net assets	34,051	-	34,051
Net assets, beginning of year	<u>2,195,247</u>	<u>20,909</u>	<u>2,216,156</u>
Net assets, end of year	<u>\$ 2,229,298</u>	<u>\$ 20,909</u>	<u>\$ 2,250,207</u>

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

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

	Low Income Housing	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from tenants	\$ 296,079	\$ -	\$ 296,079
Cash received from HUD	216,494	-	216,494
Interest received	2,963	-	2,963
Cash payments to suppliers	(335,140)	-	(335,140)
Cash payments to employees	<u>(195,068)</u>	<u>-</u>	<u>(195,068)</u>
Net cash used in operating activities	<u>(14,672)</u>	<u>-</u>	<u>(14,672)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash received from intergovernmental sources	-	182,473	182,473
Transfers in (out)	<u>182,473</u>	<u>(182,473)</u>	<u>-</u>
Net cash provided by non-capital and related financing activities	<u>182,473</u>	<u>-</u>	<u>182,473</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	<u>(182,473)</u>	<u>-</u>	<u>(182,473)</u>
Net cash used in capital and related financing activities	<u>(182,473)</u>	<u>-</u>	<u>(182,473)</u>
Net decrease in cash and cash equivalents	(14,672)	-	(14,672)
Cash and cash equivalents, beginning of year	<u>399,031</u>	<u>-</u>	<u>399,031</u>
Cash and cash equivalents, end of year	<u>\$ 384,359</u>	<u>\$ -</u>	<u>\$ 384,359</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 370,881	\$ -	\$ 370,881
Restricted cash and cash equivalents - tenant security deposits	<u>13,478</u>	<u>-</u>	<u>13,478</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 384,359</u>	<u>\$ -</u>	<u>\$ 384,359</u>

(Continued)

See accompanying notes to financial statements and independent auditors' report.

LORDBURG PUBLIC HOUSING AUTHORITY

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

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Low Income Housing	Non-Major Funds	Total
Change in operating income	\$ (148,422)	\$ -	\$ (148,422)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	130,988	-	130,988
Changes in assets and liabilities:			
Accounts receivable, tenants, net	(19)	-	(19)
Grant receivable	7,984	-	7,984
Accrued interest receivable	94	-	94
Prepaid insurance	(11,928)	-	(11,928)
Accounts payable	(4,785)	-	(4,785)
Compensated absences	4,146	-	4,146
Due to other governments	7,620	-	7,620
Tenant security deposits	(350)	-	(350)
Total adjustments	<u>133,750</u>	<u>-</u>	<u>133,750</u>
Net cash used in operating activities	<u>\$ (14,672)</u>	<u>\$ -</u>	<u>\$ (14,672)</u> (Concluded)

See accompanying notes to financial statements and independent auditors' report.

LORDSBURG PUBLIC HOUSING AUTHORITY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Housing Authority and HUD - The Lordsburg Public Housing Authority (the "Housing Authority") is organized under the laws of the State of New Mexico for the purpose of engaging in the development, acquisition, leasing, and administration of Low-Rent Housing Programs. The Housing Authority's sole operating asset is a 100-unit apartment project. In addition, the Housing Authority operates in a heavily regulated environment. The operations of the Housing Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to the United States Department of Housing and Urban Development ("HUD"). Such administrative directives, rules and regulations are subject to change by all act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

HUD has the direct responsibility for administering the Low-Rent Housing Program under the United States Housing Act of 1937 as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition, construction, and/or leasing of housing units and to make annual contributions ("subsidies") to the local housing authorities for the purpose of maintaining the low-rent character of the local housing projects.

Reporting Entity - The Housing Authority is a component unit of the City of Lordsburg, New Mexico (the "City") and it is a separate legal entity of the City. The Housing Authority has no component units.

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

The Annual Contribution Contract (authorizing agreements for funding between the Housing Authority and HUD) is signed by the Executive Director.

Basis for Presentation - The accompanying financial statements have been prepared in accordance with a new reporting model defined by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments.

Since the Housing Authority was reported as an enterprise fund in previous fiscal years, GASB 34 did not significantly change the financial reporting for the accompanying financial statements. The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Development and Modernization - Substantially all additions to land, structures, and equipment are accomplished through modernization or development programs. Modernization programs replace or materially upgrade deteriorated portions of the Housing Authority's housing units. Funding is provided through the Capital Fund Program (CFP) Grant. Development programs are to acquire additional housing units for the public housing program by amending existing annual contribution contracts.

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

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

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

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

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

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

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

Statutes authorize the Housing Authority to invest in Certificates of Deposit, repurchase agreements, passbook, bankers' acceptances, and other available investments.

For presentation in the financial statements, investments with an original maturity of three months or less, at the time they are purchased by the Housing Authority, are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which are based on quoted market prices.

Receivables - Accounts receivables pertain to amounts due from customers for rental of dwellings. The Housing Authority considers receivables to be fully collectible; accordingly no allowance for uncollectible accounts is required.

Capital Assets - Capital assets which include property and equipment in service is recorded at cost. Expenditures of land, structures, and equipment that substantially increase the useful lives of existing assets, are capitalized at cost. The Housing Authority records depreciation of property and equipment in service on the straight-line method at amounts estimated to amortize costs of assets over their estimated useful lives. At the time of retirement of the assets, the allowance for depreciation is charged with the original cost of the asset and the cost of removal.

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

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

Buildings	39.5 years
Improvements	20 - 39.5 years
Furniture and equipment	3 - 5 years

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

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

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

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

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

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

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

New governmental accounting standards - GASB has issued Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations". This statement was issued in November 2006 and is effective for Phase III governments in fiscal year 2008.

GASB has issued Statement No. 50 "Pension Disclosures - an amendment of GASB Statements No.25 and No. 27". This statement was issued in May 2007 and is effective for Phase III governments in fiscal year 2008.

GASB has issued Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". This statement was issued in June 2007 and is effective for Phase III governments in fiscal year 2010.

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

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

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

2. CASH AND CASH EQUIVALENTS

New Mexico State Statutes authorize the Housing Authority to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the uninsured deposits.

The Housing Authority maintains cash in one financial institution, Western Bank in Lordsburg, New Mexico ("Western Bank"). Collateral is held in safekeeping also at the Western Bank in the form of Pledge Securities with a fair market value of \$274,350 as of June 30, 2009.

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

	Per Institution	Reconciling Items	Per Financial Statement
Checking accounts:			
General account	\$ 48,828	\$ (14,229)	\$ 34,599
Overnight account	204,534	-	204,534
Tenant security deposit	13,992	(514)	13,478
Total checking accounts	<u>267,354</u>	<u>(14,743)</u>	<u>252,611</u>
 Certificates of deposit	 <u>131,748</u>	 <u>-</u>	 <u>131,748</u>
 Total Housing Authority Accounts	 <u>\$ 399,102</u>	 <u>\$ (14,743)</u>	 <u>\$ 384,359</u>

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that, in the event of a bank failure the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. Bank balances in excess of the federal depository insurance were collateralized with pledged securities at the Western Bank in an amount exceeding 50% of total Housing Authority deposits. As of June 30, 2009, none of the Housing Authority's bank balance of \$384,359 was exposed to custodial risk as it was collateralized.

3. CAPITAL ASSETS

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

	<u>Balance at June 30, 2008</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Balance at June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	1,609,062	182,473	-	1,791,535
Furniture and equipment	<u>129,660</u>	<u>-</u>	<u>-</u>	<u>129,660</u>
Total capital assets, being depreciated	<u>4,189,480</u>	<u>182,473</u>	<u>-</u>	<u>4,371,953</u>
Less accumulated depreciation for:				
Buildings	2,202,582	62,045	-	2,264,627
Improvements	150,255	49,859	-	200,114
Furniture and equipment	<u>91,459</u>	<u>19,084</u>	<u>-</u>	<u>110,543</u>
Total accumulated depreciation	<u>2,444,296</u>	<u>130,988</u>	<u>-</u>	<u>2,575,284</u>
Total capital assets, being depreciated, net	<u>1,745,184</u>	<u>51,485</u>	<u>-</u>	<u>1,796,669</u>
Capital assets, net	<u>\$1,845,184</u>	<u>\$ 51,485</u>	<u>\$ -</u>	<u>\$1,896,669</u>

Depreciation expense for the year ended June 30, 2009 was \$130,988.

4. EMPLOYEE BENEFITS

Substantially all of the Housing Authority'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 Employees 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Housing Authority is required to contribute 7% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Housing Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Housing Authority's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$10,683, \$7,947, and \$6,899, respectively, which equal the amount of the required contributions for each fiscal year.

5. POST EMPLOYMENT HEALTH CARE BENEFITS

The Lordsburg Public Housing Authority did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2009.

6. OPERATING SUBSIDIES

The Housing Authority receives operating subsidy funding from HUD under the Performance Funding System and the amount is calculated on HUD Form 52723. After the end of each year, the amount of utilities, rent shortfall, and targeted investment income estimated for the initial operating subsidy calculation are adjusted to actual. Total HUD subsidy received during fiscal year 2009 was \$216,494.

7. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2009 consisted of transfers out from the CFP Grant 08-01 fund to be used for general purposes in the Low Income Fund and were as follows:

<u>Transfers out</u>	<u>Transfers In</u>
	<u>Low Income Housing</u>
CFP Grant 08-01	\$ <u>182,473</u>

8. RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers compensation; and natural disasters. The Public Housing Authority insures itself against these losses. Total premiums paid for the year ended June 30, 2009 were \$8,374. The LPHA is a member and is insured through the State of New Mexico self-insurance program.

9. ECONOMIC DEPENDENCY

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

NON-MAJOR FUNDS

LORDSBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF NET ASSETS - NON-MAJOR FUNDS
JUNE 30, 2009**

ASSETS	CFP	Land Fund	Total Non-
	Grant 08-01		Major Funds
Current assets:			
Due from other funds	\$ -	\$ 20,909	\$ 20,909
Total current assets	-	20,909	20,909
TOTAL ASSETS	\$ -	\$ 20,909	\$ 20,909
 LIABILITIES AND NET ASSETS			
Net assets:			
Restricted	-	20,909	20,909
Total net assets	-	20,909	20,909
TOTAL LIABILITIES AND NET ASSETS	\$ -	\$ 20,909	\$ 20,909

LORDSBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	CFP		
	Grant 08-01	Land Fund	Total
Non-operating revenues:			
CFP Grant	<u>182,473</u>	<u>-</u>	<u>182,473</u>
Total non-operating revenues	<u>182,473</u>	<u>-</u>	<u>182,473</u>
Transfers:			
Transfer out	<u>(182,473)</u>	<u>-</u>	<u>(182,473)</u>
Change in net assets	-	-	-
Net assets, beginning of year	<u>-</u>	<u>20,909</u>	<u>20,909</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 20,909</u>	<u>\$ 20,909</u>

LORDBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	CFP		
	<u>Grant 08-01</u>	<u>Land Fund</u>	<u>Total</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash received from intergovernmental sources	182,473	-	182,473
Transfers in (out)	<u>(182,473)</u>	<u>-</u>	<u>(182,473)</u>
Net cash provided by non-capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LORDBURG PUBLIC HOUSING AUTHORITY

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

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Rents	\$ 280,000	\$ 280,000	\$ 282,601	\$ 2,601
HUD subsidy	245,000	245,000	216,494	(28,506)
Other revenue	2,000	2,000	3,363	1,363
Total revenues	527,000	527,000	502,458	(24,542)
EXPENSES:				
Salaries and employee benefits	202,000	202,000	195,068	6,932
Insurance	25,000	25,000	12,428	12,572
Repairs and maintenance	90,000	90,000	87,031	2,969
Utilities	99,300	99,300	94,798	4,502
General expenses	139,200	139,200	133,530	5,670
Total expenses	555,500	555,500	522,855	32,645
Operating revenues over expenses	(28,500)	(28,500)	(20,397)	8,103
NON-OPERATING REVENUE:				
Interest revenue	5,000	5,000	2,963	(2,037)
Total non-operating revenue	5,000	5,000	2,963	(2,037)
Revenues over expenses	\$ (23,500)	\$ (23,500)	\$ (17,434)	\$ 6,066

LORDBURG PUBLIC HOUSING AUTHORITY

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

Excess revenues and other sources over expenses:	
GAAP basis	\$ (148,422)
Expenses not included in budget:	
Depreciation expense	<u>130,988</u>
Excess of revenues over expenses and other sources, Non-GAAP budgetary basis	<u>\$ (17,434)</u>

LORDSBURG PUBLIC HOUSING AUTHORITY

**SCHEDULE OF REVENUES AND EXPENSES BUDGET
NON-MAJOR FUNDS - CFP GRANT 08-01
(NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
NON-OPERATING REVENUE:				
HUD grant	<u>\$ 182,473</u>	<u>\$ 182,473</u>	<u>\$ 182,473</u>	<u>\$ -</u>
Total non-operating revenue	<u>182,473</u>	<u>182,473</u>	<u>182,473</u>	<u>-</u>
Revenues over expenses	<u>\$ 182,473</u>	<u>\$ 182,473</u>	<u>\$ 182,473</u>	<u>\$ -</u>

LORDBURG PUBLIC HOUSING AUTHORITY

**SCHEDULE OF RECONCILIATION BETWEEN THE BUDGETARY
NON-MAJOR FUNDS - CFP GRANT 08-01
BASIS AND GAAP BASIS REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

Excess revenues and other sources over expenses: GAAP basis	\$ -
Transfers not included in budget: Transfer out	<u>182,473</u>
Excess of revenues over expenses and other sources, Non-GAAP budgetary basis	<u>\$ 182,473</u>

LORDBURG PUBLIC HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
JUNE 30, 2009

Account No.		Rent 14.850	CFP 14.872	Total
	Assets:			
	Current assets:			
111	Cash-unrestricted	\$ 370,881	\$ -	\$ 370,881
114	Cash-tenant security deposits	13,478	-	13,478
100	Total cash	384,359	-	384,359
	Accounts receivable:			
126	Tenants	1,513	-	1,513
142	Prepaid expense and other assets	11,928	-	11,928
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	397,800	20,909	418,709
	Fixed assets:			
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	129,660	-	129,660
165	Leasehold improvements	1,791,534	-	1,791,534
166	Accumulated depreciation	(2,575,283)	-	(2,575,283)
160	Total fixed assets, net	1,896,669	-	1,896,669
180	Total non-current assets	1,896,669	-	1,896,669
190	Total assets	\$ 2,294,469	\$ 20,909	\$ 2,315,378
	Liabilities and fund equity:			
	Current liabilities:			
312	Accounts payable <= 90 days	\$ 16,639	\$ -	\$ 16,639
322	Accrued comp. absences -curr portion	6,303	-	6,303
333	Accounts payable - other government	7,620	-	7,620
347	Inter-program due to	20,909	-	20,909
	Liabilities payable from restricted assets:			
341	Tenant security deposits	13,700	-	13,700
310	Total current liabilities	65,171	-	65,171
300	Total liabilities	65,171	-	65,171
	Net assets:			
508.1	Invested in capital assets, net of rel. debt	1,896,669	-	1,896,669
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	332,629	-	332,629
513	Total net assets	2,229,298	20,909	2,250,207
600	Total liabilities and net assets	\$ 2,294,469	\$ 20,909	\$ 2,315,378

LORDSBURG PUBLIC HOUSING AUTHORITY

**FINANCIAL DATA SCHEDULE
JUNE 30, 2009**

Account No.		Low Rent 14.850	CFP 14.872	Total
REVENUE:				
703	Net tenant rental revenue	\$ 282,601	\$ -	\$ 282,601
705	Total tenant revenue	282,601	-	282,601
706	HUD PHA operating grants	216,494	-	216,494
706.1	Capital grants	-	182,473	182,473
711	Investment income - unrestricted	2,963	-	2,963
715	Other revenue	<u>3,363</u>	<u>-</u>	<u>3,363</u>
700	Total revenue	505,421	182,473	687,894
EXPENSES:				
911	Administrative salaries	94,912	-	94,912
912	Auditing and accounting fees	21,793	-	21,793
915	Employee benefit contributions-Adm	23,713	-	23,713
910	Other operating-administrative	107,326	-	107,326
931	Water	41,705	-	41,705
932	Electricity	6,722	-	6,722
933	Gas	46,371	-	46,371
941	Ordinary maintenance and operations-labor	76,443	-	76,443
942	Ordinary maintenance and operations-materials	87,031	-	87,031
943	Ordinary maintenance and operations-contract	4,411	-	4,411
961	Insurance premiums	<u>12,428</u>	<u>-</u>	<u>12,428</u>
969	Total operating expenses	<u>522,855</u>	<u>-</u>	<u>522,855</u>
970	Excess operating revenue over operating exp.	(17,434)	182,473	165,039
974	Depreciation expense	<u>130,988</u>	<u>-</u>	<u>130,988</u>
900	Total expenses	<u>653,843</u>	<u>-</u>	<u>653,843</u>
100.1	Operating transfers in	182,473	-	182,473
100.2	Operating transfers out	-	<u>(182,473)</u>	<u>(182,473)</u>
101	Total other financing sources (uses)	<u>182,473</u>	<u>(182,473)</u>	<u>-</u>
100	Excess of operating revenue over expenses	34,051	-	34,051
110.3	Beginning net assets	<u>2,195,247</u>	<u>20,909</u>	<u>2,216,156</u>
	Net assets at end of year	<u>\$ 2,229,298</u>	<u>\$ 20,909</u>	<u>\$ 2,250,207</u>

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

Mr. Hector H. Balderas
New Mexico State Auditor
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, the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the Lordsburg Public Housing Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lordsburg Public Housing Authority's internal control over financial reporting, as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lordsburg Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lordsburg Public Housing 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Lordsburg Public Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Lordsburg Public Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Lordsburg Public Housing Authority's internal control. 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 09-01 and 09-02.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lordsburg Public Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 07-04.

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

This report is intended solely for the information and use of management, the Board of Commissioners others within the agency, the City of Lordsburg, New Mexico, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas
November 10, 2009

**LORDBURG PUBLIC HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Prior audit findings

Current status

06-01- Failure to Maintain Net Assets in Accordance with GASB
07-01- Failure to Distribute Interest Earned on Restricted Funds
07-02- Failure to Distribute Interest Earned on Security Deposits
07-03- Failure to Apply GAAP
07-04- Completion of Audit Report

Resolved
Resolved
Resolved
Resolved
Repeated

**LORDSBURG PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2009**

Current Year Findings:

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.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Auditor contract calls for this audit report to be delivered by December 1, 2009.

Cause

The audit was not submitted to the Housing Authority until January 8, 2009. Prior audit workpapers were not furnished by prior auditor on a timely manner.

Effect

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

Recommendation

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

Housing Authority's Response

The Lordsburg Public Housing Authority has implemented procedures and provided the sufficient information to current auditors to finish audit on time.

09-01 Timesheets do not agree to the number of hours paid on payroll summary and are not signed by employees.

Condition

During the course of the audit, we noted various errors in payroll procedures. Of the six timesheet tested, there were four instances where the total number or hours paid did not agree to the total number of hours per timesheet tested and all six of them were not signed by the employees.

Criteria

In accordance with the City of Lordsburg Personnel Policies section 4-18 preparation of payroll time sheets, time sheets are to be completed by all employees. The time sheet shall include: employee name, employee number, department, pay period hours to be compensated broken down on a daily basis into hours worked, holiday time, sick leave, compensatory time, annual leave, leave without pay, etc., employee signature, and department head signature.

Cause

Management did not ensure that the number of hours worked agreed to total number of hours paid or that timesheets were signed by employees.

Effect

The Lordsburg Public Housing Authority may have overpaid/underpaid its employees.

Recommendation

We recommend that management closely review the timesheets and compare them to the payroll summary.

Housing Authority's Response

Timesheets will be signed by the Housing Authority's employees certifying that the number of hours worked are the same as the number of hours indicated in the timesheets beginning on pay period ending December 11, 2009.

09-02 Tenant Deposits**Condition**

Good accounting practices state that an entity should hold sufficient cash balances at any time to cover deposit liabilities. The Housing Authority holds a tenant liability of \$13,700 but a cash balance of \$13,478 in the tenant security deposits account leaving a balance of \$222 not covered by cash on hand.

Criteria

The Housing Authority did not maintain cash balances at a level above their tenant deposits at June 30, 2009 in the Low Income Housing Program.

Cause

The Housing Authority does not have controls in place to ensure that a sufficient cash balance is maintained to ensure having more cash than tenant deposits.

Effect

In the event of a large loss of tenants, the authority would not have sufficient cash to pay back the tenant deposit liability. The Housing Authority would have to use funds from another program, which would be against program guidelines, to pay back the tenant liability.

Recommendation

Management must ensure that sufficient cash balances in the tenant security deposits account exist at all times to cover the Housing Authority's tenant deposit liability.

Housing Authority's Response

As of December 7, 2009 the difference was corrected and there are sufficient funds in the Security Deposits cash account to cover the tenant liability.

LORDSBURG PUBLIC HOUSING AUTHORITY

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

An exit conference was conducted November 10, 2009 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Lordsburg Public Housing Authority

Esperanza Tarango
Robert Arbizio
Arthur Clark Smith

Executive Director
Finance Officer
Mayor of the City of Lordsburg

White + Samaniego + Campbell, LLP

Cynthia Morales

In-Charge Auditor

FINANCIAL STATEMENT PREPARATION

The financial statements of the Lordsburg Public Housing Authority as of, and for the year ended, June 30, 2009 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Housing Authority personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.