

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

*Financial Statements and Supplemental Information  
and Independent Auditors' Report  
for the Year Ended June 30, 2010*

**LORDSBURG PUBLIC HOUSING AUTHORITY**

List of Principal Officials  
For the Year Ended June 30, 2010

**Board of Commissioners**

Frank M. Rodriguez	Chairman of the Board
Eddie Esquivel	Commissioner
Alex V. De La Garza	Commissioner
Elias H. Ruiz Jr.	Commissioner
Ernesto Gallegos	Commissioner
Manuel D. V. Saucedo	Commissioner
Dana M. Arredondo	Commissioner

**Other Officials**

Esperanza B. Tarango	Executive Director
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# LORDBURG PUBLIC HOUSING AUTHORITY

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## 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, each major fund, and the aggregate remaining fund information 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, 2010, which collectively comprise the Lordsburg Public 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 for all major and non-major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010. 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, each major fund, and the aggregate remaining fund information of the Lordsburg Public Housing Authority, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparisons of 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 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, 2010, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the non-major 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 December 13, 2011, 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  
December 13, 2011

**REQUIRED SUPPLEMENTARY INFORMATION**

## **LORDSBURG PUBLIC HOUSING AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010**

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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 \$59,517 (or 2.6 percent) during the fiscal year ended June 30, 2010. 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 \$2,309,724 and \$2,250,207 for 2010 and 2009, respectively.
- The business-type activities revenue increased by \$65,992 (or 9.6 percent) during the fiscal year ended 2010, and were \$753,886 and \$687,894 for 2010 and 2009, respectively.
- The business-type activities expenses of all Housing Authority programs increased by \$40,527 (or 6.2 percent). Total expenses were \$694,370 and \$653,843 for 2010 and 2009, 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":

<p style="text-align: center;"><b>MD&amp;A</b> -Management Discussion and Analysis Pages 4 - 9</p>
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<p style="text-align: center;"><b>Basic Financial Statements</b> -Financial Statements Pages 11 - 13 -Notes to the Financial Statements Pages 18 - 26</p>
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<p style="text-align: center;"><b>Other Required Supplementary Information</b> -Required Supplementary Information Pages 31 - 35</p>
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## 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.

**Restricted Net Assets:** Consists of Net Assets that are restricted for a particular purpose.

**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 Activities** (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 Activities is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a **Statement of Cash Flows** 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.

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>Assets:</b>		
Current and other assets	\$ 394,414	\$ 418,709
Capital assets, net of accumulated depreciation	<u>1,993,339</u>	<u>1,896,669</u>
Total assets	<u>\$ 2,387,753</u>	<u>\$ 2,315,378</u>
<b>Liabilities:</b>		
Current and other liabilities	<u>\$ 78,029</u>	<u>\$ 65,171</u>
<b>Net Assets:</b>		
Invested in capital assets	1,993,339	1,896,669
Restricted	20,909	20,909
Unrestricted	<u>295,476</u>	<u>332,629</u>
Total net assets	<u>2,309,724</u>	<u>2,250,207</u>
Total liabilities and net assets	<u>\$ 2,387,753</u>	<u>\$ 2,315,378</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 Activities

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>Revenues:</b>		
Operating Revenues:		
Tenant revenues	263,844	282,601
Federal subsidy	244,917	216,494
Other revenues	<u>7,349</u>	<u>3,363</u>
<b>Total operating revenues</b>	516,110	502,458
Non-Operating Revenues:		
Interest revenues	1,191	2,963
CFP Grant	<u>236,586</u>	<u>182,473</u>
<b>Total revenues</b>	<u>753,887</u>	<u>687,894</u>
<b>Expenses:</b>		
Operating Expenses:		
Salaries and benefits	197,410	195,068
General expenses	185,887	133,530
Maintenance	46,681	87,031
Insurance	33,687	12,428
Utilities	96,401	94,798
Depreciation	<u>134,304</u>	<u>130,988</u>
<b>Total operating expenses</b>	<u>694,370</u>	<u>653,843</u>
Change in net assets	<u>\$ 59,517</u>	<u>\$ 34,051</u>

HUD Grants increased by \$54,113 (or 29.7 percent); this increase was primarily due to unit months leased.

Total Tenant Revenue decreased by \$18,757 (or 6.6 percent). This was primarily due to a decrease in tenant rents.

The total operating expenses increased by \$40,527 (or 6.2 percent). Administrative salaries increased by \$2,342 (or 1.2 percent) for the year as a result of an increase for cost of living. Other operating expenses increased by \$52,357 (or 39.2 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 \$1,993,339 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 \$96,670 (or 5.1 percent) from the end of last year.

#### Condensed Statement of Capital Assets

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,450,758	2,450,758
Buildings improvements	2,022,509	1,791,535
Machinery and equipment	122,910	129,660
Accumulated depreciation	<u>(2,702,838)</u>	<u>(2,575,284)</u>
	<u>\$ 1,993,339</u>	<u>\$ 1,896,669</u>

The following reconciliation summarizes the change in Capital Assets, which are presented in detail and can be found in Note 4 on page 25 of this report.

#### Change in Capital Assets

Beginning Balance - July 1, 2009	\$ 1,896,669
Current Year Depreciation Expense	(134,304)
Capital Expenditures	<u>230,974</u>
Ending Balance - June 30, 2010	<u>\$ 1,993,339</u>

Current Year Additions are summarized as follows:

Improvements to rental units	<u>\$ 230,974</u>
Total 2010 Additions	<u>\$ 230,974</u>

## 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, 2010**

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**ASSETS**

Current assets:

Cash and cash equivalents - unrestricted	\$ 379,173
Accounts receivable, tenants, net	<u>1,499</u>

Total current assets	380,672
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Non-current assets:

Restricted cash: Cash and cash equivalents -Tenant security deposits	13,742
Capital assets, net	<u>1,993,339</u>

Total non-current assets	<u>2,007,081</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 2,387,753</u></b>
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**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 42,405
Compensated absences	5,462
Due to other governments	<u>15,362</u>

Total current liabilities	63,229
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Current liabilities payable from restricted assets:

Tenant security deposits	<u>14,800</u>
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Total liabilities	78,029
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Net assets:

Invested in capital assets	1,993,339
Restricted	20,909
Unrestricted	<u>295,476</u>

Total net assets	<u>2,309,724</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,387,753</u></b>
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See accompanying notes to financial statements and independent auditors' report.

**LORDBURG PUBLIC HOUSING AUTHORITY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

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Operating revenues:	
Tenant revenues	\$ 263,844
Federal subsidies	244,917
Other revenue	<u>7,349</u>
Total operating revenue	516,110
Operating expenses:	
Salaries and benefits	197,410
General and administrative expenses	185,887
Maintenance	46,681
Insurance	33,687
Utilities	96,401
Depreciation expense	<u>134,304</u>
Total operating expenses	<u>694,370</u>
Operating loss	(178,260)
Non-operating revenues:	
Interest revenue	1,191
CFP Grant	<u>236,586</u>
Total non-operating revenues	<u>237,777</u>
Change in net assets	59,517
Net assets, beginning of year	<u>2,250,207</u>
Net assets, end of year	<u>\$ 2,309,724</u>

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

# LORDBURG PUBLIC HOUSING AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 264,958
Federal grants	244,917
Other income	7,349
Cash payments to suppliers	(318,061)
Cash payments to employees	<u>(197,410)</u>
Net cash provided by operating activities	1,753
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(230,974)</u>
Net cash used in capital and related financing activities	(230,974)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash received from HUD	236,586
Interest received	<u>1,191</u>
Net cash used in non-capital and related financing activities	<u>237,777</u>
Net increase in cash and cash equivalents	8,556
Cash and cash equivalents, beginning of year	<u>384,359</u>
Cash and cash equivalents, end of year	<u>\$ 392,915</u>
Cash and cash equivalents consist of:	
Unrestricted cash and cash equivalents	\$ 379,173
Restricted cash and cash equivalents - tenant security deposits	<u>13,742</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 392,915</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (178,260)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	134,304
Changes in assets and liabilities:	
Accounts receivable, tenants, net	14
Prepaid insurance	11,928
Accounts payable	25,766
Compensated absences	(841)
Due to other governments	7,742
Tenant security deposits	<u>1,100</u>
Total adjustments	<u>180,013</u>
Net cash provided by operating activities	<u>\$ 1,753</u>

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



**LORDBURG PUBLIC HOUSING AUTHORITY**

**STATEMENT OF NET ASSETS - ENTERPRISE FUNDS  
JUNE 30, 2010**

<b>ASSETS</b>	<b>Low Income Housing</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>Current assets:</b>			
Cash and cash equivalents - unrestricted	\$ 379,173	\$ -	\$ 379,173
Accounts receivable, tenants, net	1,499	-	1,499
Due from other funds	-	20,909	20,909
<b>Total current assets</b>	<b>380,672</b>	<b>20,909</b>	<b>401,581</b>
<b>Non-current assets:</b>			
Restricted cash: Cash and cash equivalents - Tenant security deposits	13,742	-	13,742
Capital assets, net	1,993,339	-	1,993,339
<b>Total non-current assets</b>	<b>2,007,081</b>	<b>-</b>	<b>2,007,081</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,387,753</b>	<b>\$ 20,909</b>	<b>\$ 2,408,662</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 42,405	\$ -	\$ 42,405
Compensated absences	5,462	-	5,462
Due to other governments	15,362	-	15,362
Due to other funds	20,909	-	20,909
<b>Total current liabilities</b>	<b>84,138</b>	<b>-</b>	<b>84,138</b>
<b>Current liabilities payable from restricted assets:</b>			
Tenant security deposits	14,800	-	14,800
<b>Total liabilities</b>	<b>98,938</b>	<b>-</b>	<b>98,938</b>
<b>Net assets:</b>			
Invested in capital assets	1,993,339	-	1,993,339
Restricted	-	20,909	20,909
Unrestricted	295,476	-	295,476
<b>Total net assets</b>	<b>2,288,815</b>	<b>20,909</b>	<b>2,309,724</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,387,753</b>	<b>\$ 20,909</b>	<b>\$ 2,408,662</b>

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

**LORDSBURG PUBLIC HOUSING AUTHORITY**

**STATEMENT OF ACTIVITIES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Low Income Housing</b>	<b>Non-Major Funds</b>	<b>Total</b>
Operating revenues:			
Tenant revenues	\$ 263,844	\$ -	\$ 263,844
Federal subsidies	244,917	-	244,917
Other revenue	<u>7,349</u>	<u>-</u>	<u>7,349</u>
Total operating revenue	516,110	-	516,110
Operating expenses:			
Salaries and benefits	197,410	-	197,410
General and administrative expenses	185,887	-	185,887
Maintenance	46,681	-	46,681
Insurance	33,687	-	33,687
Utilities	96,401	-	96,401
Depreciation expense	<u>134,304</u>	<u>-</u>	<u>134,304</u>
Total operating expenses	<u>694,370</u>	<u>-</u>	<u>694,370</u>
Operating loss	(178,260)	-	(178,260)
Non-operating revenues:			
Interest revenue	1,191	-	1,191
CFP Grant	<u>5,612</u>	<u>230,974</u>	<u>236,586</u>
Total non-operating revenues	<u>6,803</u>	<u>230,974</u>	<u>237,777</u>
Transfers:			
Transfer in (out)	<u>230,974</u>	<u>(230,974)</u>	<u>-</u>
Change in net assets	59,517	-	59,517
Net assets, beginning of year	<u>2,229,298</u>	<u>20,909</u>	<u>2,250,207</u>
Net assets, end of year	<u>\$ 2,288,815</u>	<u>\$ 20,909</u>	<u>\$ 2,309,724</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, 2010**

	<b>Low Income Housing</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from tenants	\$ 264,958	\$ -	\$ 264,958
Cash received from HUD	244,917	-	244,917
Other income	7,349	-	7,349
Cash payments to suppliers	(318,061)	-	(318,061)
Cash payments to employees	(197,410)	-	(197,410)
	<u>1,753</u>	<u>-</u>	<u>1,753</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash received from intergovernmental sources	-	236,586	236,586
Interest received	1,191	-	1,191
Transfers in (out)	236,586	(236,586)	-
	<u>237,777</u>	<u>-</u>	<u>237,777</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(230,974)	-	(230,974)
	<u>(230,974)</u>	<u>-</u>	<u>(230,974)</u>
Net increase in cash and cash equivalents	8,556	-	8,556
Cash and cash equivalents, beginning of year	384,359	-	384,359
Cash and cash equivalents, end of year	<u>\$ 392,915</u>	<u>\$ -</u>	<u>\$ 392,915</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 379,173	\$ -	\$ 379,173
Restricted cash and cash equivalents - tenant security deposits	13,742	-	13,742
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 392,915</u>	<u>\$ -</u>	<u>\$ 392,915</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, 2010**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<b>Low Income Housing</b>	<b>Non-Major Funds</b>	<b>Total</b>
Change in operating loss	\$ (178,260)	\$ -	\$ (178,260)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	134,304	-	134,304
Changes in assets and liabilities:			
Accounts receivable, tenants, net	14	-	14
Grant receivable	-	-	-
Accrued interest receivable	-	-	-
Prepaid insurance	11,928	-	11,928
Accounts payable	25,766	-	25,766
Compensated absences	(841)	-	(841)
Due to other governments	7,742	-	7,742
Tenant security deposits	1,100	-	1,100
Total adjustments	<u>180,013</u>	<u>-</u>	<u>180,013</u>
Net cash provided by operating activities	<u>\$ 1,753</u>	<u>\$ -</u>	<u>\$ 1,753</u> (Concluded)

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

## LORDBURG PUBLIC HOUSING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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#### 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. The Housing Authority has the following funds:

**Low Income Housing Fund** - To account for all activities related to the Housing Authority.

**Capital Fund Projects (CFP) Grant** - To account for capital grants and their expenditures.

**Land Fund** - To account for land restricted for the Housing Authority.

**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, 2010.

**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** - In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The Housing Authority incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States



Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Housing Authority incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The

Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Housing Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

## 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 Statues, 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 \$273,268 as of June 30, 2010.

As of June 30, 2010 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:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts:			
General account	\$ 53,556	\$ (9,513)	\$ 44,043
Overnight account	203,219	-	203,219
Tenant security deposit	<u>13,853</u>	<u>(111)</u>	<u>13,742</u>
Total checking accounts	270,628	(9,624)	261,004
 Certificates of deposit	 <u>131,911</u>	 <u>-</u>	 <u>131,911</u>
 Total Housing Authority Accounts	 <u>\$ 402,539</u>	 <u>\$ (9,624)</u>	 <u>\$ 392,915</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, 2010, none of the Housing Authority's bank balance of \$402,539 was exposed to custodial risk as it was collateralized.

	<b>Western Bank</b>
Amount held in bank June 30, 2010	\$ 402,539
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	152,539
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	76,270
 Pledged Securities	 <u>273,268</u>
 Over (Under) Collateralized	 <u>\$ 196,998</u>

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<b>Balance at June 30, 2009</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Balance at June 30, 2010</b>
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	1,791,535	230,974	-	2,022,509
Furniture and equipment	129,660	-	(6,750)	122,910
Total capital assets, being depreciated	<u>4,371,953</u>	<u>230,974</u>	<u>(6,750)</u>	<u>4,596,177</u>
Less accumulated depreciation for:				
Buildings	2,264,627	62,045	-	2,326,672
Improvements	200,114	61,408	-	261,522
Furniture and equipment	110,543	10,851	(6,750)	114,644
Total accumulated depreciation	<u>2,575,284</u>	<u>134,304</u>	<u>(6,750)</u>	<u>2,702,838</u>
Total capital assets, being depreciated, net	<u>1,796,669</u>	<u>96,670</u>	<u>-</u>	<u>1,893,339</u>
Capital assets, net	<u>\$ 1,896,669</u>	<u>\$ 96,670</u>	<u>\$ -</u>	<u>\$ 1,993,339</u>

Depreciation expense for the year ended June 30, 2010 was \$134,304.

**4. EMPLOYEE BENEFITS**

Plan Description. 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](http://www.pera.state.nm.us).

Funding Policy. Plan members are required to contribute 7% (ranges from 4.0% 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, 2010, 2009 and 2008 were \$10,933, \$10,683, and \$7,947, 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, 2010.

**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 2010 was \$244,917.

**7. INTERFUND TRANSFERS**

Interfund transfers during the year ended June 30, 2010 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:

Transfers out	Transfers in	Amount
CFP Grant	Low Income Housing	\$ <u>230.974</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, 2010 were \$33,687. 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**

**LORDBURG PUBLIC HOUSING AUTHORITY**

**COMBINING STATEMENT OF NET ASSETS - NON-MAJOR FUNDS  
JUNE 30, 2010**

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

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

**LORDSBURG PUBLIC HOUSING AUTHORITY**

**COMBINING STATEMENT OF ACTIVITIES - NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<b>CFP Grant</b>	<b>Land Fund</b>	<b>Total</b>
Non-operating revenues:			
CFP Grant	<u>\$ 230,974</u>	<u>\$ -</u>	<u>\$ 230,974</u>
Total non-operating revenues	230,974	-	230,974
Other sources:			
Transfer out	<u>(230,974)</u>	<u>-</u>	<u>(230,974)</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>

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



**LORDSBURG PUBLIC HOUSING AUTHORITY**

**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<b>CFP Grant</b>	<b>Land Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash received from intergovernmental sources	\$ 230,974	\$ -	\$ 230,974
Transfers out	<u>(230,974)</u>	<u>-</u>	<u>(230,974)</u>
Net cash provided by non-capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**LORDBURG PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
LOW INCOME HOUSING FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Rents	\$ 280,000	\$ 280,000	\$ 262,345	\$ (17,655)
Federal subsidy	245,000	245,000	244,917	(83)
CFP Grant	-	-	5,612	5,612
Interest income	5,000	5,000	1,191	(3,809)
Other revenue	2,000	2,000	7,349	5,349
Total revenues	<u>532,000</u>	<u>532,000</u>	<u>521,414</u>	<u>(10,586)</u>
<b>EXPENSES:</b>				
Salaries and employee benefits	200,000	200,000	197,410	2,590
Insurance	25,000	25,000	33,687	(8,687)
Repairs and maintenance	90,000	90,000	46,681	43,319
Utilities	99,300	99,300	96,401	2,899
General expenses	<u>266,200</u>	<u>266,200</u>	<u>143,482</u>	<u>122,718</u>
Total expenses	<u>680,500</u>	<u>680,500</u>	<u>517,661</u>	<u>162,839</u>
Excess (deficiency) of revenues over expenditures	(148,500)	(148,500)	3,753	152,253
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	230,974	230,974
Total other financing sources	-	-	<u>230,974</u>	<u>230,974</u>
Net change in fund balance	(148,500)	(148,500)	234,727	383,227
Fund balance - beginning of the year	<u>2,229,298</u>	<u>2,229,298</u>	<u>2,229,298</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,080,798</u>	<u>\$ 2,080,798</u>	<u>\$ 2,464,025</u>	<u>\$ 383,227</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis				\$ 234,727
Net revenue accruals				1,499
Net expenditure accruals				(42,405)
Depreciation expense				<u>(134,304)</u>
Net change in fund balance GAAP Basis				<u>\$ 59,517</u>

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

**LORDSBURG PUBLIC HOUSING AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR FUNDS - CFP GRANT  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Intergovernmental grants	\$ -	\$ -	\$ 236,586	\$ (236,586)
Total revenues	-	-	236,586	236,586
OTHER FINANCING SOURCES				
Transfers out	-	-	(236,586)	(236,586)
Total other financing sources	-	-	(236,586)	(236,586)
Net change in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis				\$ -
Net change in fund balance GAAP Basis				\$ -

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

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

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS  
AS OF JUNE 30, 2010**

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<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
Torrance CNTIS NM, CUSIP#891400MK6, Maturing 1/15/2013	<u>\$ 273,268</u>	Federal Home Loan Bank of Dallas

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

**LORDBURG PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

<b>Account No.</b>		<b>Rent 14.850</b>	<b>CFP 14.872</b>	<b>Total</b>
	<b>Assets:</b>			
	<b>Current assets:</b>			
111	Cash-unrestricted	\$ 379,173	\$ -	\$ 379,173
114	Cash-tenant security deposits	13,742	-	13,742
100	Total cash	392,915	-	392,915
	<b>Accounts receivable:</b>			
126	Tenants	1,499	-	1,499
142	Prepaid expense and other assets	-	-	-
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	394,414	20,909	415,323
	<b>Fixed assets:</b>			
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	122,910	-	122,910
165	Leasehold improvements	2,022,509	-	2,022,509
166	Accumulated depreciation	(2,702,838)	-	(2,702,838)
160	Total fixed assets, net	1,993,339	-	1,993,339
180	Total non-current assets	1,993,339	-	1,993,339
190	Total assets	\$ 2,387,753	\$ 20,909	\$ 2,408,662
	<b>Liabilities and fund equity:</b>			
	<b>Current liabilities:</b>			
312	Accounts payable <= 90 days	\$ 42,405	\$ -	\$ 42,405
322	Accrued comp. absences -curr portion	5,462	-	5,462
333	Accounts payable - other government	15,362	-	15,362
347	Inter-program due to	20,909	-	20,909
	<b>Liabilities payable from restricted assets:</b>			
341	Tenant security deposits	14,800	-	14,800
310	Total current liabilities	98,938	-	98,938
300	Total liabilities	98,938	-	98,938
	<b>Net assets:</b>			
508.1	Invested in capital assets, net of rel. debt	1,993,339	-	1,993,339
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	295,476	-	295,476
513	Total net assets	2,288,815	20,909	2,309,724
600	Total liabilities and net assets	\$ 2,387,753	\$ 20,909	\$ 2,408,662

**LORDBURG PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

<b>Account No.</b>		<b>Low Rent 14.850</b>	<b>CFP 14.872</b>	<b>Total</b>
<b>REVENUE:</b>				
703	Net tenant rental revenue	\$ 263,844	\$ -	\$ 263,844
705	Total tenant revenue	263,844	-	263,844
706	HUD PHA operating grants	244,917	-	244,917
706.1	Capital grants	5,612	230,974	236,586
711	Investment income - unrestricted	1,191	-	1,191
715	Other revenue	7,349	-	7,349
700	Total revenue	<u>522,913</u>	<u>230,974</u>	<u>753,887</u>
<b>EXPENSES:</b>				
911	Administrative salaries	172,676	-	172,676
912	Auditing and accounting fees	2,477	-	2,477
915	Employee benefit contributions-Adm	24,734	-	24,734
910	Other operating-administrative	183,410	-	183,410
931	Water	44,263	-	44,263
932	Electricity	7,160	-	7,160
933	Gas	44,978	-	44,978
941	Ordinary maintenance and operations-labor	-	-	-
942	Ordinary maintenance and operations-materials	46,681	-	46,681
943	Ordinary maintenance and operations-contract	-	-	-
961	Insurance premiums	33,687	-	33,687
969	Total operating expenses	<u>560,066</u>	<u>-</u>	<u>560,066</u>
970	Excess operating revenue over operating exp.	(37,153)	230,974	193,821
974	Depreciation expense	<u>134,304</u>	<u>-</u>	<u>134,304</u>
900	Total expenses	<u>694,370</u>	<u>-</u>	<u>694,370</u>
100.1	Operating transfers in	230,974	-	230,974
100.2	Operating transfers out	-	(230,974)	(230,974)
101	Total other financing sources (uses)	<u>230,974</u>	<u>(230,974)</u>	<u>-</u>
100	Excess of operating revenue over expenses	59,517	-	59,517
110.3	Beginning net assets	<u>2,229,298</u>	<u>20,909</u>	<u>2,250,207</u>
	Net assets at end of year	<u>\$ 2,288,815</u>	<u>\$ 20,909</u>	<u>\$ 2,309,724</u>



WHITE+  
SAMANIEGO+  
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

416 North Stanton  
Suite 600  
El Paso, Tx 79901  
ph. 915.532.8400  
fax. 915.532.8405  
www.cpawsc.com

**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, 2010, and have issued our report thereon dated December 13, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 09-01 and 09-02.

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 also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and 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.

*White + Gamamiego + Campbell, LLP*

El Paso, Texas  
December 13, 2011



**LORDSBURG PUBLIC HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

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<b>Prior audit findings</b>	<b>Current status</b>
07-04 - Completion of Audit Report	Repeated
09-01 - Timesheets	Repeated
09-02 - Tenant Deposits	Repeated

**LORDSBURG PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

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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, 2010.

**Cause**

The audit was not submitted by the Housing Authority until January 2012.

**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 must implement procedures that would produce a timely audit. Proper accounting controls 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**

**Condition**

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

**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 the supervisor.

**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**

Management will implement procedures to make sure timesheets agree with hours worked and are approved by the supervisor.

**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 \$14,800 but a cash balance of \$13,742 in the tenant security deposits account leaving a balance of \$1,058 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, 2010 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**

Management will implement procedures to correct this finding.

**LORDSBURG PUBLIC HOUSING AUTHORITY**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2010**

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An exit conference was conducted December 13, 2011 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Lordsburg Public Housing Authority

Frank M. Rodriguez  
Theodore Castillo

Chairman  
Finance Office City of Lordsburg

White + Samaniego + Campbell, LLP

Cynthia Morales

In-Charge, Audit Department

**FINANCIAL STATEMENT PREPARATION**

The financial statements of the Lordsburg Public Housing Authority as of, and for the year ended, June 30, 2010 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.