

Lordsburg Public Housing Authority
Lordsburg, New Mexico

*Financial Statements and Supplemental Information
and Independent Auditors' Report
for the Year Ended June 30, 2011*

LORDSBURG PUBLIC HOUSING AUTHORITY

List of Principal Officials
For the Year Ended June 30, 2011

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

Robert A. Arvizo	Executive Director
------------------	--------------------

LORDBURG 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 Activities	12
Statement of Cash Flows	13
Financial Statements by Fund	14
Notes to Financial Statements	18
Non-Major Funds	28
SUPPLEMENTARY INFORMATION:	
Schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP Budgetary Basis) and actual - Low Income Housing Fund	31
Schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP Budgetary Basis) and actual - CFP Grant	32
Schedule of Collateral Pledged by Depository for Public Funds	33
Supplementary data required by HUD - Financial Data Schedule	34
Schedule of Expenditures of Federal Awards	36
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>	37
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	39
Schedule of findings and questioned costs	41
Exit conference	45

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, 2011, 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, 2011. 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, 2011, 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, 2011, 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 May 30, 2012, 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 budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not required part of the 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

May 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

LORDBURG PUBLIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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 \$222,120 (or 9.6 percent) during the fiscal year ended June 30, 2011. 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 \$2,531,844 and \$2,309,724 for 2011 and 2010, respectively.
- The business-type activities revenue increased by \$294,844 (or 57.0 percent) during the fiscal year ended 2011, and were \$812,145 and \$517,301 for 2011 and 2010, respectively.
- The business-type activities expenses of all Housing Authority programs decreased by \$64,175 (or 9.2 percent). Total expenses were \$630,195 and \$694,370 for 2011 and 2010, 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 18 - 25
Other Required Supplementary Information -Required Supplementary Information Pages 31 - 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.

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.

	June 30, 2011	June 30, 2010
Assets:		
Current and other assets	\$ 388,668	\$ 394,414
Capital assets, net of accumulated depreciation	<u>2,187,071</u>	<u>1,993,339</u>
Total assets	<u>\$ 2,575,739</u>	<u>\$ 2,387,753</u>
Liabilities:		
Current and other liabilities	<u>\$ 43,895</u>	<u>\$ 78,029</u>
Net Assets:		
Invested in capital assets	2,187,071	1,993,339
Restricted	20,909	20,909
Unrestricted	<u>323,864</u>	<u>295,476</u>
Total net assets	<u>2,531,844</u>	<u>2,309,724</u>
Total liabilities and net assets	<u>\$ 2,575,739</u>	<u>\$ 2,387,753</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, 2011</u>	<u>June 30, 2010</u>
Revenues:		
Operating Revenues:		
Tenant revenues	\$ 273,163	\$ 263,844
HUD operating grant revenue	194,795	244,917
CFP grant revenue	341,304	-
Other revenues	<u>2,350</u>	<u>7,349</u>
Total operating revenues	811,612	516,110
Non-Operating Revenues:		
Interest revenues	<u>533</u>	<u>1,191</u>
Total revenues	<u>812,145</u>	<u>517,301</u>
Expenses:		
Operating Expenses:		
Salaries and benefits	197,802	197,410
General expenses	137,098	185,887
Maintenance	33,339	46,681
Insurance	22,476	33,687
Utilities	91,908	96,401
Depreciation	<u>147,572</u>	<u>134,304</u>
Total operating expenses	<u>630,195</u>	<u>694,370</u>
Extraordinary item:		
Estimated gain of assets destroyed by cold front	<u>40,170</u>	<u>-</u>
Total extraordinary gain	<u>40,170</u>	<u>-</u>
Change in net assets	<u>\$ 222,120</u>	<u>\$ (177,069)</u>

HUD Grants decreased by \$50,122 (or 20.5 percent); this decrease was primarily due to unit months leased.

Total Tenant Revenue increased by \$9,319 (or 3.5 percent). This was primarily due to a increase in tenant rents.

The total operating expenses decreased by \$64,175 (or 9.2 percent). Other operating expenses decreased by \$48,789 (or 26.2 percent), this is primarily due to an decrease in general expenses when compared to the prior fiscal year.

CAPITAL ASSET

Capital Assets

As of year end, the Housing Authority had \$2,187,071 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 \$193,732 (or 9.7 percent) from the end of last year.

Condensed Statement of Capital Assets

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,450,758	2,450,758
Buildings improvements	2,363,813	2,022,509
Machinery and equipment	122,910	122,910
Accumulated depreciation	<u>(2,850,410)</u>	<u>(2,702,838)</u>
	<u>\$ 2,187,071</u>	<u>\$ 1,993,339</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, 2010	\$ 1,993,339
Current Year Depreciation Expense	(147,572)
Capital Expenditures	<u>341,304</u>
Ending Balance - June 30, 2011	<u>\$ 2,187,071</u>

Current Year Additions are summarized as follows:

Improvements to rental units	<u>\$ 341,304</u>
Total 2011 Additions	<u>\$ 341,304</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 Mr. Robert Arvizo, 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, 2011

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 370,779
Accounts receivable, tenants, net	<u>4,090</u>

Total current assets 374,869

Non-current assets:

Restricted cash: Cash and cash equivalents -Tenant security deposits	13,799
Capital assets, net	<u>2,187,071</u>

Total non-current assets 2,200,870

TOTAL ASSETS \$ 2,575,739

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 17,498
Compensated absences	8,610
Accrued liabilities	<u>3,987</u>

Total current liabilities 30,095

Current liabilities payable from restricted assets:

Tenant security deposits	<u>13,800</u>
--------------------------	---------------

Total liabilities 43,895

Net assets:

Invested in capital assets	2,187,071
Restricted	20,909
Unrestricted	<u>323,864</u>

Total net assets 2,531,844

TOTAL LIABILITIES AND NET ASSETS \$ 2,575,739

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

LORDBURG PUBLIC HOUSING AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Operating revenues:	
Tenant revenues	\$ 273,163
HUD operating grant revenue	194,795
CFP Grant	341,304
Other revenue	<u>2,350</u>
Total operating revenue	811,612
Operating expenses:	
Salaries and benefits	197,802
General and administrative expenses	137,098
Maintenance	33,339
Insurance	22,476
Utilities	91,908
Depreciation expense	<u>147,572</u>
Total operating expenses	<u>630,195</u>
Operating loss	181,417
Non-operating revenues:	
Interest revenue	<u>533</u>
Total non-operating revenues	<u>533</u>
Extraordinary item:	
Estimated gain of assets destroyed by cold front	<u>40,170</u>
Total extraordinary gain	<u>40,170</u>
Change in net assets	222,120
Net assets, beginning of year	<u>2,309,724</u>
Net assets, end of year	<u>\$ 2,531,844</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from tenants	\$ 269,572
Cash received from HUD	536,099
Other income	42,520
Interest received	533
Cash payments to suppliers	(321,103)
Cash payments to employees	<u>(194,654)</u>
Net cash provided by operating activities	332,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(341,304)</u>
Net cash used in capital and related financing activities	(341,304)
Net decrease in cash and cash equivalents	(8,337)
Cash and cash equivalents, beginning of year	<u>392,915</u>
Cash and cash equivalents, end of year	<u>\$ 384,578</u>
Cash and cash equivalents consist of:	
Unrestricted cash and cash equivalents	\$ 370,779
Restricted cash and cash equivalents - tenant security deposits	<u>13,799</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 384,578</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ 222,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	147,572
Changes in assets and liabilities:	
Accounts receivable, tenants, net	(2,591)
Accounts payable	(24,907)
Accrued liabilities	3,987
Compensated absences	3,148
Due to other governments	(15,362)
Tenant security deposits	<u>(1,000)</u>
Total adjustments	<u>110,847</u>
Net cash provided by operating activities	<u>\$ 332,967</u>

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

LORDBURG PUBLIC HOUSING AUTHORITY

STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

JUNE 30, 2011

ASSETS	Low Income Housing	Non-Major Funds	Total
Current assets:			
Cash and cash equivalents - unrestricted	\$ 370,779	\$ -	\$ 370,779
Accounts receivable, tenants, net	4,090	-	4,090
Due from other funds	-	20,909	20,909
Total current assets	374,869	20,909	395,778
Non-current assets:			
Restricted cash: Cash and cash equivalents -			
Tenant security deposits	13,799	-	13,799
Capital assets, net	2,187,071	-	2,187,071
Total non-current assets	2,200,870	-	2,200,870
TOTAL ASSETS	\$ 2,575,739	\$ 20,909	\$ 2,596,648
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 17,498	\$ -	\$ 17,498
Compensated absences	8,610	-	8,610
Accrued liabilities	3,987	-	3,987
Due to other funds	20,909	-	20,909
Total current liabilities	51,004	-	51,004
Current liabilities payable from restricted assets:			
Tenant security deposits	13,800	-	13,800
Total liabilities	64,804	-	64,804
Net assets:			
Invested in capital assets	2,187,071	-	2,187,071
Restricted	-	20,909	20,909
Unrestricted	323,864	-	323,864
Total net assets	2,510,935	20,909	2,531,844
TOTAL LIABILITIES AND NET ASSETS	\$ 2,575,739	\$ 20,909	\$ 2,596,648

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, 2011

	Low Income Housing	Non-Major Funds	Total
Operating revenues:			
Tenant revenues	\$ 273,163	\$ -	\$ 273,163
HUD operating grant revenue	194,795	-	194,795
CFP Grant	-	341,304	341,304
Other revenue	<u>2,350</u>	<u>-</u>	<u>2,350</u>
Total operating revenue	470,308	341,304	811,612
Operating expenses:			
Salaries and benefits	197,802	-	197,802
General and administrative expenses	137,098	-	137,098
Maintenance	33,339	-	33,339
Insurance	22,476	-	22,476
Utilities	91,908	-	91,908
Depreciation expense	<u>147,572</u>	<u>-</u>	<u>147,572</u>
Total operating expenses	<u>630,195</u>	<u>-</u>	<u>630,195</u>
Operating loss	(159,887)	341,304	181,417
Non-operating revenues:			
Interest revenue	<u>533</u>	<u>-</u>	<u>533</u>
Total non-operating revenues	<u>533</u>	<u>-</u>	<u>533</u>
Transfers:			
Transfer in (out)	<u>341,304</u>	<u>(341,304)</u>	<u>-</u>
Change in net assets before extraordinary item	181,950	-	181,950
Extraordinary item:			
Estimated gain of assets destroyed by cold front	<u>40,170</u>	<u>-</u>	<u>40,170</u>
Change in net assets	<u>222,120</u>	<u>-</u>	<u>222,120</u>
Net assets, beginning of year	<u>2,288,815</u>	<u>20,909</u>	<u>2,309,724</u>
Net assets, end of year	<u>\$ 2,510,935</u>	<u>\$ 20,909</u>	<u>\$ 2,531,844</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, 2011

	Low Income Housing	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from tenants	\$ 269,572	\$ -	\$ 269,572
Cash received from HUD	194,795	341,304	536,099
Other income	42,520	-	42,520
Interest received	533	-	533
Cash payments to suppliers	(321,103)	-	(321,103)
Cash payments to employees	(194,654)	-	(194,654)
Net cash provided by (used in) operating activities	<u>(8,337)</u>	<u>341,304</u>	<u>332,967</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfers in (out)	<u>341,304</u>	<u>(341,304)</u>	<u>-</u>
Net cash provided by non-capital and related financing activities	<u>341,304</u>	<u>(341,304)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	<u>(341,304)</u>	<u>-</u>	<u>(341,304)</u>
Net cash used in capital and related financing activities	<u>(341,304)</u>	<u>-</u>	<u>(341,304)</u>
Net decrease in cash and cash equivalents	(8,337)	-	(8,337)
Cash and cash equivalents, beginning of year	<u>392,915</u>	<u>-</u>	<u>392,915</u>
Cash and cash equivalents, end of year	<u>\$ 384,578</u>	<u>\$ -</u>	<u>\$ 384,578</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 370,779	\$ -	\$ 370,779
Restricted cash and cash equivalents - tenant security deposits	<u>13,799</u>	<u>-</u>	<u>13,799</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 384,578</u>	<u>\$ -</u>	<u>\$ 384,578</u>

(Continued)

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

LORDSBURG PUBLIC HOUSING AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	Low Income Housing	Non-Major Funds	Total
Change in net assets	\$ 222,120	\$ -	\$ 222,120
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	147,572	-	147,572
Changes in assets and liabilities:			
Accounts receivable, tenants, net	(2,591)	-	(2,591)
Accounts payable	(24,907)	-	(24,907)
Accrued liabilities	3,987	-	3,987
Compensated absences	3,148	-	3,148
Due to other governments	(15,362)	-	(15,362)
Tenant security deposits	(1,000)	-	(1,000)
Total adjustments	<u>110,847</u>	<u>-</u>	<u>110,847</u>
Net cash provided by operating activities	<u>\$ 332,967</u>	<u>\$ -</u>	<u>\$ 332,967</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, 2011

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, 2011.

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 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.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. 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.

Subsequent Events - Management has evaluated subsequent events through May 30 , 20 12, the date of the financial statements were available to be issued.

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 \$266,015 as of June 30, 2011.

As of June 30, 2011 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	\$ 55,844	\$ -	\$ 55,844
Overnight account	182,926	-	182,926
Tenant security deposit	<u>13,799</u>	-	<u>13,799</u>
Total checking accounts	252,569	-	252,569
Certificates of deposit	<u>132,009</u>	-	<u>132,009</u>
Total Housing Authority Accounts	<u>\$ 384,578</u>	<u>\$ -</u>	<u>\$ 384,578</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, 2011, none of the Housing Authority's bank balance of \$384,578 was exposed to custodial risk as it was collateralized.

	Western Bank
Amount held in bank June 30, 2011	\$ 384,578
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	134,578
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	67,289
Pledged Securities	<u>266,015</u>
Over (Under) Collateralized	<u>\$ 198,726</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Increases	Decreases and Transfers	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	2,022,509	341,304	-	2,363,813
Furniture and equipment	122,910	-	-	122,910
Total capital assets, being depreciated	<u>4,596,177</u>	<u>341,304</u>	<u>-</u>	<u>4,937,481</u>
Less accumulated depreciation for:				
Buildings	2,326,671	62,045	-	2,388,716
Improvements	261,523	78,473	-	339,996
Furniture and equipment	114,644	7,054	-	121,698
Total accumulated depreciation	<u>2,702,838</u>	<u>147,572</u>	<u>-</u>	<u>2,850,410</u>
Total capital assets, being depreciated, net	<u>1,893,339</u>	<u>193,732</u>	<u>-</u>	<u>2,087,071</u>
Capital assets, net	<u>\$ 1,993,339</u>	<u>\$ 193,732</u>	<u>\$ -</u>	<u>\$ 2,187,071</u>

Depreciation expense for the year ended June 30, 2011 was \$147,572.

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.

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, 2011, 2010, and 2009 were \$11,295, \$10,933, and \$10,683, 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, 2011.

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 2011 was \$194,795.

7. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2011 consisted of transfers out from the CFP Grant 09-01 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>Amount</u>
CFP Grant	Low Income Housing	<u>\$ 341,304</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, 2011 were \$22,476. 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.

10. EXTRAORDINARY ITEM

In February 2011, the region had a cold front which froze all the water and gas lines water damaging pipes and causing water damages to units. The effect of this cold front is presented as an extraordinary item on the statement of activities. The table below shows the effect of the cold front on the Agency's financial statements:

Restoration cost of the units, which was not capitalized	\$	58,852
Insurance proceeds	\$	40,170
Amount of damage to the building, which was written-off and charged to extraordinary loss		-
Extraordinary gain	\$	<u>40,170</u>

NON-MAJOR FUNDS

LORDBURG PUBLIC HOUSING AUTHORITY

COMBINING STATEMENT OF NET ASSETS - NON-MAJOR FUNDS
 JUNE 30, 2011

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

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

LORDBURG PUBLIC HOUSING AUTHORITY

COMBINING STATEMENT OF ACTIVITIES - NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	CFP Grant	Land Fund	Total
Non-operating revenues:			
CFP Grant	\$ 341,304	\$ -	\$ 341,304
Total non-operating revenues	341,304	-	341,304
Other sources:			
Transfer out	(341,304)	-	(341,304)
Change in net assets	-	-	-
Net assets, beginning of year	-	20,909	20,909
Net assets, end of year	\$ -	\$ 20,909	\$ 20,909

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

LORDBURG PUBLIC HOUSING AUTHORITY

COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	CFP Grant	Land Fund	Total
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash received from intergovernmental sources	\$ 341,304	\$ -	\$ 341,304
Transfers out	<u>(341,304)</u>	<u>-</u>	<u>(341,304)</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>

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
 LOW INCOME HOUSING FUND
 FOR THE YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Rents	\$ 276,000	\$ 276,000	\$ 278,308	\$ 2,308
Federal subsidy	190,000	190,000	194,795	4,795
Interest income	5,000	5,000	531	(4,469)
Other revenue	<u>2,000</u>	<u>2,000</u>	<u>42,520</u>	<u>40,520</u>
Total revenues	473,000	473,000	516,154	43,154
EXPENSES:				
Salaries and employee benefits	222,160	222,160	197,802	24,358
Insurance	25,000	25,000	22,476	2,524
Repairs and maintenance	60,000	60,000	33,339	26,661
Utilities	94,200	94,200	91,908	2,292
General expenses	<u>261,700</u>	<u>261,700</u>	<u>137,583</u>	<u>124,117</u>
Total expenses	<u>663,060</u>	<u>663,060</u>	<u>483,108</u>	<u>179,952</u>
Excess (deficiency) of revenues over expenditures	(190,060)	(190,060)	33,046	223,106
OTHER FINANCING SOURCES				
Transfers in	-	-	341,304	341,304
Total other financing sources	-	-	341,304	341,304
Net change in fund balance	(190,060)	(190,060)	374,350	564,410
Fund balance - beginning of the year	<u>2,288,815</u>	<u>2,288,815</u>	<u>2,288,815</u>	-
Fund balance - end of the year	<u>\$ 2,098,755</u>	<u>\$ 2,098,755</u>	<u>\$ 2,663,165</u>	<u>\$ 564,410</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis				\$ 374,350
Net revenue accruals				4,090
Net expenditure accruals				(8,748)
Depreciation expense				<u>(147,572)</u>
Net change in fund balance GAAP Basis				<u>\$ 222,120</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, 2011

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Intergovernmental grants	\$ -	\$ -	\$ 341,304	\$ (341,304)
Total revenues	-	-	341,304	341,304
OTHER FINANCING SOURCES				
Transfers out	-	-	(341,304)	(341,304)
Total other financing sources	-	-	(341,304)	(341,304)
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, 2011

<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>\$ 266,015</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, 2011

Account No.		Rent 14.850	CFP 14.872	Total
	Assets:			
	Current assets:			
111	Cash-unrestricted	\$ 370,779	\$ -	\$ 370,779
114	Cash-tenant security deposits	4,090	-	4,090
100	Total cash	<u>374,869</u>	<u>-</u>	<u>374,869</u>
	Accounts receivable:			
126	Tenants	13,799	-	13,799
142	Prepaid expense and other assets	-	-	-
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	<u>388,668</u>	<u>20,909</u>	<u>409,577</u>
	Fixed assets:			
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	2,363,813	-	2,363,813
166	Accumulated depreciation	<u>(2,850,410)</u>	<u>-</u>	<u>(2,850,410)</u>
160	Total fixed assets, net	<u>2,187,071</u>	<u>-</u>	<u>2,187,071</u>
180	Total non-current assets	<u>2,187,071</u>	<u>-</u>	<u>2,187,071</u>
190	Total assets	<u>\$ 2,575,739</u>	<u>\$ 20,909</u>	<u>\$ 2,596,648</u>
	Liabilities and fund equity:			
	Current liabilities:			
312	Accounts payable <= 90 days	\$ 17,498	\$ -	\$ 17,498
322	Accrued comp. absences -curr portion	8,610	-	8,610
333	Accounts payable - other government	3,987	-	3,987
347	Inter-program due to	20,909	-	20,909
	Liabilities payable from restricted assets:			
341	Tenant security deposits	<u>13,800</u>	<u>-</u>	<u>13,800</u>
310	Total current liabilities	<u>64,804</u>	<u>-</u>	<u>64,804</u>
300	Total liabilities	<u>64,804</u>	<u>-</u>	<u>64,804</u>
	Net assets:			
508.1	Invested in capital assets, net of rel. debt	2,187,071	-	2,187,071
511.1	Restricted net assets	-	20,909	20,909
512.1	Unrestricted net assets	<u>323,864</u>	<u>-</u>	<u>323,864</u>
513	Total net assets	<u>2,510,935</u>	<u>20,909</u>	<u>2,531,844</u>
600	Total liabilities and net assets	<u>\$ 2,575,739</u>	<u>\$ 20,909</u>	<u>\$ 2,596,648</u>

LORDBURG PUBLIC HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
JUNE 30, 2011

Account No.		Low Rent 14.850	CFP 14.872	Total
REVENUE:				
703	Net tenant rental revenue	\$ 273,163	\$ -	\$ 273,163
705	Total tenant revenue	273,163	-	273,163
706	HUD PHA operating grants	194,795	-	194,795
706.1	Capital grants	-	341,304	341,304
711	Investment income - unrestricted	533	-	533
715	Other revenue	2,350	-	2,350
700	Total revenue	470,841	341,304	812,145
EXPENSES:				
911	Administrative salaries	175,160	-	175,160
912	Auditing and accounting fees	9,358	-	9,358
915	Employee benefit contributions-Adm	22,642	-	22,642
910	Other operating-administrative	127,740	-	127,740
931	Water	47,694	-	47,694
932	Electricity	7,289	-	7,289
933	Gas	36,925	-	36,925
942	Ordinary maintenance and operations-materials	33,339	-	33,339
961	Insurance premiums	22,476	-	22,476
969	Total operating expenses	482,623	-	482,623
970	Excess operating revenue over operating exp.	(11,782)	341,304	329,522
974	Depreciation expense	147,572	-	147,572
900	Total expenses	630,195	-	630,195
100.1	Operating transfers in	341,304	-	341,304
100.2	Operating transfers out	-	(341,304)	(341,304)
100.7	Extraordinary gain	40,170	-	40,170
101	Total other financing sources (uses)	381,474	(341,304)	40,170
100	Excess of operating revenue over expenses	222,120	-	222,120
110.3	Beginning net assets	2,288,815	20,909	2,309,724
	Net assets at end of year	\$ 2,510,935	\$ 20,909	\$ 2,531,844

LORDSBURG PUBLIC HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Department of Housing and Urban Development</i>				
Low rent Public Housing	14.850	ECO-0494(1)	\$ 278,309	\$ 278,309
Public Housing Capital Fund Program	14.872	3-35-0026-009-2010	<u>341,304</u>	<u>339,503</u>
Total Expenditures of Federal Awards			<u>\$ 619,613</u>	<u>\$ 617,812</u>

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lordsburg Public Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

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, 2011, and have issued our report thereon dated May 30, 2012. 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. 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 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 & Samaniego & Campbell, LLP
El Paso, Texas
May 30, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited the Lordsburg Public Housing Authority (a component unit of the City of Lordsburg, New Mexico) (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11-01 and 11-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, Authority's members, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
May 30, 2012

LORDSBURG PUBLIC HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance with major programs: Unqualified

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

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

14.872

US Department of Housing and Urban Development
- Public Housing Capital Fund Program

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

Yes No

**LORDBURG PUBLIC HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Prior audit findings	Current status
07-04 - Completion of Audit Report	Repeated
09-01 - Timesheets	Resolved
09-02 - Tenant Deposits	Resolved

**LORDSBURG PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

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, 2011.

Cause

The audit was not submitted by the Housing Authority until June 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.

Federal Awards Findings

11-01 Data Collection Form Package Not Timely Filed

Condition

The Data Collection Form and the reporting package was not submitted to the federal clearing house within nine months after the fiscal year end.

Criteria

OMB Circular A-133.320 requires that the data collection form and the reporting package be submitted within nine months of the fiscal year end for all single audit reports.

Cause

The audit was not completed by the required deadline, as detailed in finding 07-04 above.

Effect

Data used by the federal government Federal regulations have been violated.

Recommendation

We recommend that the Data Collection form be filed timely, if required.

Housing Authority's Response

The recommendation will be adopted.

11-02 Lack of Adequate Internal Controls over Compliance

Condition

Supporting documentation was missing for one disbursement from the CFP program, out of 6 tested. The check was written for \$1,801.

Criteria

The Housing Authority is required to follow the Single Audit requirements stipulated by U.S. Office of Management and Budget (OMB) Circular A-133 when receiving federal funds in excess of \$500,000. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. (OMB) Circular A-133 Compliance Supplement Part I, 1-6.

Cause

Funds were requested from HUD to close the program but funds were not expended. A check was issued in order to transfer the funds from the CFP bank account to the Overnight bank account.

Effect

Lack of adequate internal controls results in an inability to ensure compliance with applicable requirements of Federal programs and could result in reduced funding for programs.

Recommendation

Management should ensure that a comprehensive internal control structure is designed and implemented. The body charged with governance should provide effective oversight of the internal controls.

Housing Authority's Response

The recommendation will be adopted.

LORDSBURG PUBLIC HOUSING AUTHORITY

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2011**

An exit conference was conducted May 25, 2012 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	Mayor
Ernest Gallegos	Councilor
Robert Arvizo	Housing Authority Executive Director
Belinda Chavez	City Clerk

White + Samaniego + Campbell, LLP

Luis Molina	Manager
-------------	---------

FINANCIAL STATEMENT PREPARATION

The financial statements of the Lordsburg Public Housing Authority as of, and for the year ended, June 30, 2011 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.