

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

*Financial Statements and Supplemental Information
and Independent Auditors' Report
for the Year Ended June 30, 2012*

LORDSBURG PUBLIC HOUSING AUTHORITY

List of Principal Officials
For the Year Ended June 30, 2012

Board of Commissioners

Frank M. Rodriguez	Chairman of the Board
Eddie Esquivel	Vice Chairman
Alex Delagarza	Commissioner
Manuel D. V. Saucedo	Commissioner
Irene Galvan	Commissioner
Ernesto Gallegos Sr.	Commissioner
Elias Ruiz Jr.	Commissioner

Other Officials

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

LORDSBURG PUBLIC HOUSING AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	12
Statement of Activities	13
Statement of Cash Flows	14
Financial Statements by Fund	15
Notes to Financial Statements	19
Non-Major Funds	29
SUPPLEMENTARY INFORMATION:	
Schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP Budgetary Basis) and actual - Low Income Housing Fund	32
Schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP Budgetary Basis) and actual - CFP Grant	33
Schedule of Collateral Pledged by Depository for Public Funds	34
Supplementary data required by HUD - Financial Data Schedule	35
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
Prior year findings	39
Schedule of findings and questioned costs	40
Exit conference	42



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

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, 2012, 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, 2012. 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, 2012, 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, 2012, 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 November 29, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The accompanying Financial Data Schedule (FDS) on pages 35 and 36, submitted electronically to the United States Department of Housing and Urban Development Real Estate Assessment Center (HUD/REAC), is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Lordsburg Public Housing Authority. The FDS has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas

November 29, 2012

REQUIRED SUPPLEMENTARY INFORMATION

LORDSBURG PUBLIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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 12).

FINANCIAL HIGHLIGHTS

- The Housing Authority's total net assets increased by \$65,718 (or 2.6 percent) during the fiscal year ended June 30, 2012. 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 \$2,597,562 and \$2,531,844 for 2012 and 2011, respectively.
- The business-type activities revenue decreased by \$145,960 (or 18.0 percent) during the fiscal year ended 2012, and were \$666,185 and \$812,145 for 2012 and 2011, respectively.
- The business-type activities expenses of all Housing Authority programs decreased by \$29,728 (or 4.7 percent). Total expenses were \$600,467 and \$630,195 for 2012 and 2011, 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;">MD&A -Management Discussion and Analysis Pages 5 - 10</p>

<p style="text-align: center;">Basic Financial Statements -Financial Statements Pages 12 - 14 -Notes to the Financial Statements Pages 19 - 27</p>

<p style="text-align: center;">Other Required Supplementary Information -Required Supplementary Information Pages 32 - 36</p>
--

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, 2012	June 30, 2011
Assets:		
Current and other assets	\$ 481,098	\$ 388,668
Capital assets, net of accumulated depreciation	<u>2,206,049</u>	<u>2,187,071</u>
Total assets	<u>\$ 2,687,147</u>	<u>\$ 2,575,739</u>
Liabilities:		
Current and other liabilities	<u>\$ 89,585</u>	<u>\$ 43,895</u>
Net Assets:		
Invested in capital assets	2,206,049	2,187,071
Restricted	37,195	20,909
Unrestricted	<u>354,318</u>	<u>323,864</u>
Total net assets	<u>2,597,562</u>	<u>2,531,844</u>
Total liabilities and net assets	<u>\$ 2,687,147</u>	<u>\$ 2,575,739</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 13 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, 2012</u>	<u>June 30, 2011</u>
Revenues:		
Operating Revenues:		
Tenant revenues	\$ 260,836	\$ 273,163
HUD operating grant revenue	227,250	194,795
CFP grant revenue	160,705	341,304
Other revenues	<u>12,481</u>	<u>2,350</u>
Total operating revenues	661,272	811,612
Non-Operating Revenues:		
Interest revenues	1,063	533
Gain on sale of refrigerators	<u>3,850</u>	<u>-</u>
Total revenues	<u>666,185</u>	<u>812,145</u>
Expenses:		
Operating Expenses:		
Salaries and benefits	181,251	197,802
General expenses	116,950	137,098
Maintenance	33,650	33,339
Insurance	22,337	22,476
Utilities	104,552	91,908
Depreciation	<u>141,727</u>	<u>147,572</u>
Total operating expenses	<u>600,467</u>	<u>630,195</u>
Extraordinary item:		
Estimated gain of assets destroyed by cold front	<u>-</u>	<u>40,170</u>
Total extraordinary gain	<u>-</u>	<u>40,170</u>
Change in net assets	<u>\$ 65,718</u>	<u>\$ 222,120</u>

HUD Grants increased by \$32,455 (or 16.7 percent); this decrease was primarily due to unit months leased.

Total Tenant Revenue decreased by \$12,327 (or 4.5 percent). This was primarily due to a decrease in tenant rents.

The total operating expenses decreased by \$29,728 (or 4.7 percent). General expenses decreased by \$20,148 (or 14.7 percent), this is primarily due to an decrease in administrative expenses when compared to the prior fiscal year.

CAPITAL ASSET

Capital Assets

As of year end, the Housing Authority had \$2,206,049 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 \$18,978 (or 0.9 percent) from the end of last year.

Condensed Statement of Capital Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,450,758	2,450,758
Buildings improvements	2,524,519	2,363,813
Machinery and equipment	122,909	122,910
Accumulated depreciation	<u>(2,992,137)</u>	<u>(2,850,410)</u>
	<u>\$ 2,206,049</u>	<u>\$ 2,187,071</u>

The following reconciliation summarizes the change in Capital Assets, which are presented in detail and can be found in Note 3 on page 25 of this report.

Change in Capital Assets

Beginning Balance - July 1, 2011	\$ 2,187,071
Current Year Depreciation Expense	(141,727)
Capital Expenditures	<u>160,705</u>
Ending Balance - June 30, 2012	<u>\$ 2,206,049</u>

Current Year Additions are summarized as follows:

Improvements to rental units	<u>\$ 160,705</u>
Total 2012 Additions	<u>\$ 160,705</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

LORDSBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 453,977
Accounts receivable, tenants, net	<u>6,985</u>

Total current assets	460,962
----------------------	---------

Non-current assets:

Restricted cash:

Cash and cash equivalents -Tenant security deposits	16,286
Cash from sale of refrigerators	3,850
Capital assets, net	<u>2,206,049</u>

Total non-current assets	<u>2,226,185</u>
--------------------------	------------------

TOTAL ASSETS	<u>\$ 2,687,147</u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 55,070
Compensated absences	3,090
Accrued liabilities	<u>17,375</u>

Total current liabilities	75,535
---------------------------	--------

Current liabilities payable from restricted assets:

Tenant security deposits	<u>14,050</u>
--------------------------	---------------

Total liabilities	89,585
-------------------	--------

Net assets:

Invested in capital assets	2,206,049
Restricted	37,195
Unrestricted	<u>354,318</u>

Total net assets	<u>2,597,562</u>
------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,687,147</u>
---	----------------------------

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

LORDSBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Operating revenues:	
Tenant revenues	\$ 260,836
HUD operating grant revenue	227,250
CFP Grant	160,705
Other revenue	<u>12,481</u>
Total operating revenue	661,272
Operating expenses:	
Salaries and benefits	181,251
General and administrative expenses	116,950
Maintenance	33,650
Insurance	22,337
Utilities	104,552
Depreciation expense	<u>141,727</u>
Total operating expenses	<u>600,467</u>
Operating income	60,805
Non-operating revenues:	
Interest revenue	1,063
Gain from sale of refrigerators	<u>3,850</u>
Total non-operating revenues	<u>4,913</u>
Change in net assets	65,718
Net assets, beginning of year	<u>2,531,844</u>
Net assets, end of year	<u>\$ 2,597,562</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, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$ 258,191
Cash received from HUD	387,955
Other income	16,331
Interest received	1,063
Cash payments to suppliers	(228,564)
Cash payments to employees	<u>(184,736)</u>
Net cash provided by operating activities	250,240

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	<u>(160,705)</u>
Net cash used in capital and related financing activities	(160,705)

Net increase in cash and cash equivalents 89,535

Cash and cash equivalents, beginning of year 384,578

Cash and cash equivalents, end of year \$ 474,113

Cash and cash equivalents consist of:

Unrestricted cash and cash equivalents	\$ 453,977
Restricted cash and cash equivalents - tenant security deposits	16,286
Cash from sale of refrigerators	<u>3,850</u>

TOTAL CASH AND CASH EQUIVALENTS \$ 474,113

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income \$ 65,718

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	141,727
Changes in assets and liabilities:	
Accounts receivable, tenants, net	(2,895)
Accounts payable	37,572
Accrued liabilities	13,388
Compensated absences	(5,520)
Tenant security deposits	<u>250</u>
Total adjustments	<u>184,522</u>

Net cash provided by operating activities \$ 250,240

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

LORDBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
JUNE 30, 2012**

ASSETS	Low Income Housing	Non-Major Funds	Total
Current assets:			
Cash and cash equivalents - unrestricted	\$ 453,977	\$ -	\$ 453,977
Accounts receivable, tenants, net	6,985	-	6,985
Due from other funds	-	20,909	20,909
Total current assets	460,962	20,909	481,871
Non-current assets:			
Restricted cash: Cash and cash equivalents - Tenant security deposits	16,286	-	16,286
Cash from sale of refrigerators	3,850	-	3,850
Capital assets, net	2,206,049	-	2,206,049
Total non-current assets	2,226,185	-	2,226,185
TOTAL ASSETS	\$ 2,687,147	\$ 20,909	\$ 2,708,056
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 55,070	\$ -	\$ 55,070
Compensated absences	3,090	-	3,090
Accrued liabilities	17,375	-	17,375
Due to other funds	20,909	-	20,909
Total current liabilities	96,444	-	96,444
Current liabilities payable from restricted assets:			
Tenant security deposits	14,050	-	14,050
Total liabilities	110,494	-	110,494
Net assets:			
Invested in capital assets	2,206,049	-	2,206,049
Restricted	16,286	20,909	37,195
Unrestricted	354,318	-	354,318
Total net assets	2,576,653	20,909	2,597,562
TOTAL LIABILITIES AND NET ASSETS	\$ 2,687,147	\$ 20,909	\$ 2,708,056

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

LORDBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF ACTIVITIES - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Low Income Housing	Non-Major Funds	Total
Operating revenues:			
Tenant revenues	\$ 260,836	\$ -	\$ 260,836
HUD operating grant revenue	227,250	-	227,250
CFP Grant	-	160,705	160,705
Other revenue	12,481	-	12,481
Total operating revenue	500,567	160,705	661,272
Operating expenses:			
Salaries and benefits	181,251	-	181,251
General and administrative expenses	116,950	-	116,950
Maintenance	33,650	-	33,650
Insurance	22,337	-	22,337
Utilities	104,552	-	104,552
Depreciation expense	141,727	-	141,727
Total operating expenses	600,467	-	600,467
Operating income (loss)	(99,900)	160,705	60,805
Non-operating revenues:			
Interest revenue	1,063	-	1,063
Gain on sale of refrigerators	3,850	-	3,850
Total non-operating revenues	4,913	-	4,913
Transfers:			
Transfer in (out)	160,705	(160,705)	-
Change in net assets	65,718	-	65,718
Net assets, beginning of year	2,510,935	20,909	2,531,844
Net assets, end of year	\$ 2,576,653	\$ 20,909	\$ 2,597,562

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, 2012**

	Low Income Housing	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from tenants	\$ 258,191	\$ -	\$ 258,191
Cash received from HUD	227,250	160,705	387,955
Other income	16,331	-	16,331
Interest received	1,063	-	1,063
Cash payments to suppliers	(228,564)	-	(228,564)
Cash payments to employees	(184,736)	-	(184,736)
Net cash provided by operating activities	<u>89,535</u>	<u>160,705</u>	<u>250,240</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfers in (out)	<u>160,705</u>	<u>(160,705)</u>	<u>-</u>
Net cash provided by non-capital and related financing activities	<u>160,705</u>	<u>(160,705)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	<u>(160,705)</u>	<u>-</u>	<u>(160,705)</u>
Net cash used in capital and related financing activities	<u>(160,705)</u>	<u>-</u>	<u>(160,705)</u>
Net increase in cash and cash equivalents	89,535	-	89,535
Cash and cash equivalents, beginning of year	<u>384,578</u>	<u>-</u>	<u>384,578</u>
Cash and cash equivalents, end of year	<u>\$ 474,113</u>	<u>\$ -</u>	<u>\$ 474,113</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 453,977	\$ -	\$ 453,977
Restricted cash and cash equivalents - tenant security deposits	16,286	-	16,286
Cash from sale of refrigerators	<u>3,850</u>	<u>-</u>	<u>3,850</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 474,113</u>	<u>\$ -</u>	<u>\$ 474,113</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, 2012**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>Low Income Housing</u>	<u>Non-Major Funds</u>	<u>Total</u>
Change in net assets	\$ 65,718	\$ -	\$ 65,718
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	141,727	-	141,727
Changes in assets and liabilities:			
Accounts receivable, tenants, net	(2,895)	-	(2,895)
Accounts payable	37,572	-	37,572
Accrued liabilities	13,388	-	13,388
Compensated absences	(5,520)	-	(5,520)
Tenant security deposits	250	-	250
Total adjustments	<u>184,522</u>	<u>-</u>	<u>184,522</u>
Net cash provided by operating activities	<u>\$ 250,240</u>	<u>\$ -</u>	<u>\$ 250,240</u> (Concluded)

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

LORDSBURG PUBLIC HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

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.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Village 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 March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Village 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 December 1, 2012, 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, 2012.

As of June 30, 2012 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	\$ 59,332	\$ (5,102)	\$ 54,230
Overnight account	271,590	(675)	270,915
Tenant security deposit	<u>16,755</u>	<u>(469)</u>	<u>16,286</u>
Total checking accounts	347,677	(6,246)	341,431
Certificates of deposit	<u>132,682</u>	<u>-</u>	<u>132,682</u>
Total Housing Authority Accounts	<u>\$ 480,359</u>	<u>\$ (6,246)</u>	<u>\$ 474,113</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, 2012, none of the Housing Authority's bank balance

of \$480,359 was exposed to custodial risk as it was collateralized.

	Western Bank
Amount held in bank June 30, 2012	\$ 480,359
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	230,359
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	115,179
Pledged Securities	<u>256,010</u>
Over (Under) Collateralized	<u>\$ 140,831</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance at June 30, 2011	Increases	Decreases and Transfers	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	2,363,813	160,705	-	2,524,518
Furniture and equipment	<u>122,910</u>	<u>-</u>	<u>-</u>	<u>122,910</u>
Total capital assets, being depreciated	<u>4,937,481</u>	<u>160,705</u>	<u>-</u>	<u>5,098,186</u>
Less accumulated depreciation for:				
Buildings	2,388,716	62,042	-	2,450,758
Improvements	339,996	78,474	-	418,470
Furniture and equipment	<u>121,698</u>	<u>1,211</u>	<u>-</u>	<u>122,909</u>
Total accumulated depreciation	<u>2,850,410</u>	<u>141,727</u>	<u>-</u>	<u>2,992,137</u>
Total capital assets, being depreciated, net	<u>2,087,071</u>	<u>18,978</u>	<u>-</u>	<u>2,106,049</u>
Capital assets, net	<u>\$ 2,187,071</u>	<u>\$ 18,978</u>	<u>\$ -</u>	<u>\$ 2,206,049</u>

Depreciation expense for the year ended June 30, 2012 was \$141,727.

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, 2012, 2011, and 2010 were \$10,158, \$11,295, and \$10,933, 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, 2012.

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 2012 was \$227,250.

7. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2012 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>\$ 160,705</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, 2012 were \$22,337. 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, 2012**

ASSETS	CFP Grant	Land Fund	Total Non- Major Funds
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>
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, 2012**

	<u>CFP Grant</u>	<u>Land Fund</u>	<u>Total</u>
Non-operating revenues:			
CFP Grant	\$ 160,705	\$ -	\$ 160,705
Total non-operating revenues	160,705	-	160,705
Other sources:			
Transfer out	<u>(160,705)</u>	<u>-</u>	<u>(160,705)</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.

LORDBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>CFP Grant</u>	<u>Land Fund</u>	<u>Total</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash received from intergovernmental sources	\$ 160,705	\$ -	\$ 160,705
Transfers out	<u>(160,705)</u>	<u>-</u>	<u>(160,705)</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, 2012**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Rents	\$ 276,000	\$ 275,000	\$ 264,926	\$ (10,074)
Federal subsidy	190,000	190,000	227,250	37,250
Interest income	5,000	1,000	1,063	63
Other revenue	2,000	5,000	15,566	10,566
Total revenues	<u>473,000</u>	<u>471,000</u>	<u>508,805</u>	<u>37,805</u>
EXPENSES:				
Salaries and employee benefits	222,160	215,000	181,251	33,749
Insurance	25,000	25,000	22,337	2,663
Repairs and maintenance	60,000	35,000	33,650	1,350
Utilities	94,200	98,500	104,552	(6,052)
General expenses	261,700	273,500	116,950	156,550
Total expenses	<u>663,060</u>	<u>647,000</u>	<u>458,740</u>	<u>188,260</u>
Excess (deficiency) of revenues over expenditures	(190,060)	(176,000)	50,065	226,065
OTHER FINANCING SOURCES				
Transfers in	-	-	160,705	160,705
Total other financing sources	-	-	160,705	160,705
Net change in fund balance	(190,060)	(176,000)	210,770	386,770
Fund balance - beginning of the year	<u>2,510,935</u>	<u>2,510,935</u>	<u>2,510,935</u>	-
Fund balance - end of the year	<u>\$ 2,320,875</u>	<u>\$ 2,334,935</u>	<u>\$ 2,721,705</u>	<u>\$ 386,770</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis				\$ 210,770
Net revenue accruals				34,247
Net expenditure accruals				(37,572)
Depreciation expense				<u>(141,727)</u>
Net change in fund balance GAAP Basis				<u>\$ 65,718</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
NON-MAJOR FUNDS - CFP GRANT
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Intergovernmental grants	\$ -	\$ -	\$ 160,705	\$ (160,705)
Total revenues	-	-	160,705	160,705
OTHER FINANCING SOURCES				
Transfers out	-	-	(160,705)	(160,705)
Total other financing sources	-	-	(160,705)	(160,705)
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, 2012**

<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>\$ 256,010</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, 2012**

Account No.	Rent 14.850	CFP 14.872	Total
Assets:			
Current assets:			
111	\$ 453,977	\$ -	\$ 453,977
114	16,286	-	16,286
	3,850	-	3,850
100	<u>474,113</u>	-	<u>474,113</u>
Accounts receivable:			
126	6,985	-	6,985
142	-	-	-
144	-	20,909	20,909
150	<u>481,098</u>	<u>20,909</u>	<u>502,007</u>
Fixed assets:			
161	100,000	-	100,000
162	2,450,758	-	2,450,758
164	122,909	-	122,909
165	2,524,519	-	2,524,519
166	<u>(2,992,137)</u>	<u>-</u>	<u>(2,992,137)</u>
160	<u>2,206,049</u>	<u>-</u>	<u>2,206,049</u>
180	<u>2,206,049</u>	<u>-</u>	<u>2,206,049</u>
190	<u>\$ 2,687,147</u>	<u>\$ 20,909</u>	<u>\$ 2,708,056</u>
Liabilities and fund equity:			
Current liabilities:			
312	\$ 55,070	\$ -	\$ 55,070
322	3,090	-	3,090
333	17,375	-	17,375
347	20,909	-	20,909
Liabilities payable from restricted assets:			
341	14,050	-	14,050
310	<u>110,494</u>	<u>-</u>	<u>110,494</u>
300	<u>110,494</u>	<u>-</u>	<u>110,494</u>
Net assets:			
508.1	2,206,049	-	2,206,049
511.1	16,286	20,909	37,195
512.1	<u>354,318</u>	<u>-</u>	<u>354,318</u>
513	<u>2,576,653</u>	<u>20,909</u>	<u>2,597,562</u>
600	<u>\$ 2,687,147</u>	<u>\$ 20,909</u>	<u>\$ 2,708,056</u>

LORDBURG PUBLIC HOUSING AUTHORITY

**FINANCIAL DATA SCHEDULE
JUNE 30, 2012**

Account No.		Low Rent 14.850	CFP 14.872	Total
REVENUE:				
703	Net tenant rental revenue	<u>\$ 260,836</u>	<u>\$ -</u>	<u>\$ 260,836</u>
705	Total tenant revenue	260,836	-	260,836
706	HUD PHA operating grants	227,250	-	227,250
706.1	Capital grants	-	160,705	160,705
711	Investment income - unrestricted	1,063	-	1,063
715	Other revenue	<u>12,481</u>	<u>-</u>	<u>12,481</u>
700	Total revenue	501,630	160,705	662,335
EXPENSES:				
911	Administrative salaries	158,830	-	158,830
912	Auditing and accounting fees	9,240	-	9,240
915	Employee benefit contributions-Adm	22,421	-	22,421
910	Other operating-administrative	107,710	-	107,710
931	Water	45,550	-	45,550
932	Electricity	7,654	-	7,654
933	Gas	51,348	-	51,348
942	Ordinary maintenance and operations-materials	33,650	-	33,650
961	Insurance premiums	<u>22,337</u>	<u>-</u>	<u>22,337</u>
969	Total operating expenses	<u>458,740</u>	<u>-</u>	<u>458,740</u>
970	Excess operating revenue over operating exp.	42,890	160,705	203,595
974	Depreciation expense	<u>141,727</u>	<u>-</u>	<u>141,727</u>
900	Total expenses	<u>600,467</u>	<u>-</u>	<u>600,467</u>
100.1	Operating transfers in	160,705	-	160,705
100.2	Operating transfers out	-	(160,705)	(160,705)
100.8	Gain on sale of refrigerators	<u>3,850</u>	<u>-</u>	<u>3,850</u>
101	Total other financing sources (uses)	<u>164,555</u>	<u>(160,705)</u>	<u>3,850</u>
100	Excess of operating revenue over expenses	65,718	-	65,718
110.3	Beginning net assets	<u>2,510,935</u>	<u>20,909</u>	<u>2,531,844</u>
	Net assets at end of year	<u>\$ 2,576,653</u>	<u>\$ 20,909</u>	<u>\$ 2,597,562</u>

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

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

We have audited the financial statements of the business-type activities, each major fund, the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the Lordsburg Public Housing Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 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

Management of the Lordsburg Public Housing Authority is responsible for establishing and maintaining effective 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 findings 12-01, 12-02, and 12-03.

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
November 29, 2012

**LORDBURG PUBLIC HOUSING AUTHORITY
PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Prior audit findings	Current status
07-04 - Completion of Audit Report	Resolved
11-01 Data Collection Form Package Not Timely Filed	Resolved
11-02 Lack of Adequate Internal Controls Over Compliance	Resolved

**LORDBURG PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

Current Year Findings:

Journal Entry Testwork (12-01)

CONDITION	During our Journal Entry testwork, we selected six items, with a total amount of \$235,593.16, to test and all six of them did not show proper approval or documentation of approval.
CRITERIA	It is the responsibility of the Housing Authority to keep and file all supporting documentation and approval for all the transactions occurred in order to maintain accountability.
CAUSE	The Housing Authority did not file all the supporting documentation and approval for all journal entries within the fiscal year.
EFFECT	There are journal entries that are not properly approved.
RECOMMENDATION	The Housing Authority should keep supporting documentation and documentation about its approval for all the journal entries entered.
RESPONSE	The Housing Authority's management will adhere to auditors' recommendation.

Cash Deposits (12-02)

CONDITION	A bank account in the name of the Housing Authority, valued at \$3,850, is not declared as public funds with the bank.
CRITERIA	According to NMSA 1978 Section 6-4-2, all monies coming into all agencies shall be considered public monies and be accounted as such.
CAUSE	The Housing Authority did not include several bank accounts as public monies.
EFFECT	One of the Housing Authority's bank accounts are not accounted as public monies.
RECOMMENDATION	The Housing Authority should account for all bank accounts used by the Housing Authority and its department as public funds.
RESPONSE	The Housing Authority's management will adhere to auditors' recommendation.

Sale of Property (12-03)

CONDITION	The Housing Authority did not properly record or have supporting documentaton for the sale of property, estimated at \$3,850.
CRITERIA	All property sold or disposed of should be properly documented and recorded in the accounting records.
CAUSE	The Housing Authority documented the sale of property, but lost the sale receipts prior to recording them in the accounting records.
EFFECT	Due to the lack of supporting documentation for the sale of property, the Housing Authority cannot prevent and detect errors or fraud.
RECOMMENDATION	The Housing Authority document and record all sales of property for the accounting records.
RESPONSE	Management will document all sales of property to ensure that documentation is properly completed and recorded.

LORDBURG PUBLIC HOUSING AUTHORITY

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was conducted December 1, 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
Theodoro Castillo
Robert Arvizo
Belinda Chavez

Mayor
Finance Officer
Housing Authority Executive Director
City Clerk

White + Samaniego + Campbell, LLP

Dahlia Garcia
Jesse Jezbera

Staff, Audit Department
Staff, Audit Department

FINANCIAL STATEMENT PREPARATION

The financial statements of the Lordsburg Public Housing Authority as of, and for the year ended, June 30, 2012 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.

