

Lordsburg Public Housing Authority
Lordsburg, New Mexico

*Financial Statements and Supplemental Information
and Independent Auditors' Report
for the Year Ended June 30, 2013*

LORDBURG PUBLIC HOUSING AUTHORITY

List of Principal Officials
For the Year Ended June 30, 2013

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

Sandra Kolean	Executive Director
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LORDSBURG PUBLIC HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Lordsburg Public Housing Authority (a component unit of the City of Lordsburg, New Mexico), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Lordsburg Public Housing Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Lordsburg Public Housing Authority's non-major enterprise funds and budgetary comparisons for the major capital project funds, permanent funds and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Lordsburg Public Housing Authority, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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, and internal service fund of Lordsburg Public Housing Authority as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, permanent funds and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 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 inquires of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on Lordsburg Public Housing Authority's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and were derived from and relate

directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

As discussed in Note 1, the financial statements present only the Lordsburg Public Housing Authority 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014 on our consideration of Lordsburg Public Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lordsburg Public Housing Authority's internal control over financial reporting and compliance.



El Paso, Texas
April 25, 2014

REQUIRED SUPPLEMENTARY INFORMATION

LORDBURG PUBLIC HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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 position decreased by \$46,092 (or 1.8 percent) during the fiscal year ended June 30, 2013. Since the Housing Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$2,551,470 and \$2,597,562 for 2013 and 2012, respectively.
- The business-type activities revenue decreased by \$186,069 (or 27.9 percent) during the fiscal year ended 2013, and were \$480,116 and \$666,185 for 2013 and 2012, respectively.
- The business-type activities expenses of all Housing Authority programs decreased by \$74,259 (or 12.4 percent). Total expenses were \$526,208 and \$600,467 for 2013 and 2012, 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 5 - 9
Basic Financial Statements -Financial Statements Pages 11 -Notes to the Financial Statements Pages 15 - 23
Other Required Supplementary Information -Required Supplementary Information Pages 25 - 32

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 Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Housing Authority. The Statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as Net Assets. 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 Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the Housing Authority. Net Position is reported in two broad categories:

Net Investment in Capital Assets: This component of the Net Position 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 Position: Consists of Net Position that are restricted for a particular purpose.

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Position 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 Position", 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 Position

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 position may be observed and used to discuss the changing financial position of the Public Housing Authority as a whole.

	June 30, 2013	June 30, 2012
Assets:		
Current and other assets	\$ 570,024	\$ 481,098
Capital assets, net of accumulated depreciation	<u>2,119,540</u>	<u>2,206,049</u>
Total assets	<u>\$ 2,689,564</u>	<u>\$ 2,687,147</u>
Liabilities:		
Current and other liabilities	<u>\$ 138,094</u>	<u>\$ 89,585</u>
Net Position:		
Net investment in capital assets	2,119,540	2,206,049
Restricted	37,659	37,195
Unrestricted	<u>394,271</u>	<u>354,318</u>
Total net position	<u>2,551,470</u>	<u>2,597,562</u>
Total liabilities and net position	<u>\$ 2,689,564</u>	<u>\$ 2,687,147</u>

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

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

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, 2013</u>	<u>June 30, 2012</u>
Revenues:		
Operating Revenues:		
Tenant revenues	\$ 239,307	\$ 260,836
HUD operating grant revenue	216,170	227,250
CFP grant revenue	19,571	160,705
Other revenues	<u>4,576</u>	<u>12,481</u>
Total operating revenues	479,624	661,272
Non-Operating Revenues:		
Interest revenues	492	1,063
Gain on sale of refrigerators	<u>-</u>	<u>3,850</u>
Total revenues	480,116	666,185
Expenses:		
Operating Expenses:		
Salaries and benefits	174,158	181,251
General expenses	96,919	116,950
Maintenance	46,200	33,650
Insurance	7,397	22,337
Utilities	115,025	104,552
Depreciation	<u>86,509</u>	<u>141,727</u>
Total operating expenses	<u>526,208</u>	<u>600,467</u>
 Change in net position	 <u>\$ (46,092)</u>	 <u>\$ 65,718</u>

HUD Grants decreased by \$11,080 (or 4.9 percent); this decrease was primarily due to unit months leased.

Total Tenant Revenue decreased by \$21,529 (or 8.3 percent). This was primarily a result of residents qualifying for lower monthly rent since tenant rent is based on individual income.

The total operating expenses decreased by \$74,259 (or 12.4 percent). General expenses decreased by \$20,031 (or 17.1 percent), this is primarily due to a decrease in administrative expenses when compared to the prior fiscal year.

CAPITAL ASSETS

Capital Assets

As of year end, the Housing Authority had \$2,119,540 invested in a variety of capital assets as reflected in the following schedule, net of accumulated depreciation. This represents a net decrease (current purchases less depreciation) of \$86,509 (or 3.9 percent) from the end of last year.

Condensed Statement of Capital Assets

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,450,758	2,450,758
Buildings improvements	2,524,519	2,524,519
Machinery and equipment	122,909	122,909
Accumulated depreciation	<u>(3,078,646)</u>	<u>(2,992,137)</u>
	<u>\$ 2,119,540</u>	<u>\$ 2,206,049</u>

The following reconciliation summarizes the change in Capital Assets, which are presented in detail and can be found in Note 3 on page 21 of this report.

Change in Capital Assets

Beginning Balance - July 1, 2012	\$ 2,206,049
Current Year Depreciation Expense	<u>(86,509)</u>
Ending Balance - June 30, 2013	<u>\$ 2,119,540</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 Sandra Kolean, 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 POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

ASSETS	Low Income Housing	Non-Major Funds	Total
Current assets:			
Cash and cash equivalents - unrestricted	\$ 357,988	\$ -	\$ 357,988
Grants receivable	168,248	-	168,248
Accounts receivable, tenants, net	6,129	-	6,129
Due from other funds	<u>-</u>	<u>20,909</u>	<u>20,909</u>
Total current assets	532,365	20,909	553,274
Non-current assets:			
Restricted cash:			
Cash and cash equivalents - tenant security deposits	16,750	-	16,750
Capital assets, net	<u>2,119,540</u>	<u>-</u>	<u>2,119,540</u>
Total non-current assets	<u>2,136,290</u>	<u>-</u>	<u>2,136,290</u>
TOTAL ASSETS	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Bank overdraft	\$ 12,964	\$ -	\$ 12,964
Accounts payable	50,538	-	50,538
Compensated absences	4,841	-	4,841
Accrued liabilities	14,921	-	14,921
CFP	19,571	-	19,571
Due to other funds	<u>20,909</u>	<u>-</u>	<u>20,909</u>
Total current liabilities	123,744	-	123,744
Current liabilities payable from restricted assets:			
Tenant security deposits	<u>14,350</u>	<u>-</u>	<u>14,350</u>
Total liabilities	138,094	-	138,094
Net position:			
Net investment in capital assets	2,119,540	-	2,119,540
Restricted	16,750	20,909	37,659
Unrestricted	<u>394,271</u>	<u>-</u>	<u>394,271</u>
Total net position	<u>2,530,561</u>	<u>20,909</u>	<u>2,551,470</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>

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

LORDBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Low Income Housing	Non-Major Funds	Total
Operating revenues:			
Tenant revenues	\$ 239,307	\$ -	\$ 239,307
HUD operating grant revenue	216,170	-	216,170
CFP grant	-	19,571	19,571
Other revenue	<u>4,576</u>	<u>-</u>	<u>4,576</u>
Total operating revenue	460,053	19,571	479,624
Operating expenses:			
Salaries and benefits	174,158	-	174,158
General and administrative expenses	96,919	-	96,919
Maintenance	46,200	-	46,200
Insurance	7,397	-	7,397
Utilities	115,025	-	115,025
Depreciation expense	<u>86,509</u>	<u>-</u>	<u>86,509</u>
Total operating expenses	<u>526,208</u>	<u>-</u>	<u>526,208</u>
Operating income (loss)	(66,155)	19,571	(46,584)
Non-operating revenues:			
Interest revenue	<u>492</u>	<u>-</u>	<u>492</u>
Total non-operating revenues	<u>492</u>	<u>-</u>	<u>492</u>
Transfers:			
Transfer in (out)	<u>19,571</u>	<u>(19,571)</u>	<u>-</u>
Change in net position	<u>(46,092)</u>	<u>-</u>	<u>(46,092)</u>
Net position, beginning of year	<u>2,576,653</u>	<u>20,909</u>	<u>2,597,562</u>
Net position, end of year	<u>\$ 2,530,561</u>	<u>\$ 20,909</u>	<u>\$ 2,551,470</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, 2013**

	Low Income Housing	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from tenants	\$ 231,350	\$ -	\$ 231,350
Other income	4,084	-	4,084
Grant income	-	19,571	19,571
Cash payments to suppliers	(242,092)	-	(242,092)
Cash payments to employees	<u>(125,744)</u>	<u>-</u>	<u>(125,744)</u>
Net cash provided by (used in) operating activities	(132,402)	19,571	(112,831)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfers in (out)	<u>19,571</u>	<u>(19,571)</u>	<u>-</u>
Net cash provided by (used in) non-capital and related financing activities	19,571	(19,571)	-
CASH FLOWS FROM INVESTING AND RELATED FINANCING ACTIVITIES:			
Investment income	<u>492</u>	<u>-</u>	<u>492</u>
Net cash provided by investing and related financing activities	<u>492</u>	<u>-</u>	<u>492</u>
Net decrease in cash and cash equivalents	(112,339)	-	(112,339)
Cash and cash equivalents, beginning of year	<u>474,113</u>	<u>-</u>	<u>474,113</u>
Cash and cash equivalents, end of year	<u>\$ 361,774</u>	<u>\$ -</u>	<u>\$ 361,774</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 357,988	\$ -	\$ 357,988
Bank overdraft	(12,964)	-	(12,964)
Restricted cash and cash equivalents - tenant security deposits	<u>16,750</u>	<u>-</u>	<u>16,750</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 361,774</u>	<u>\$ -</u>	<u>\$ 361,774</u>

(Continued)

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

LORDBURG PUBLIC HOUSING AUTHORITY

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	Low Income Housing	Non-Major Funds	Total
Operating income (loss)	\$ (66,155)	\$ 19,571	\$ (46,584)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	86,509	-	86,509
Changes in assets and liabilities:			
Accounts receivable, tenants, net	856	-	856
Grant receivable	(168,248)	-	(168,248)
Accounts payable	(4,532)	-	(4,532)
Accrued liabilities	(2,454)	-	(2,454)
Compensated absences	1,751	-	1,751
Due to other governments	19,571	-	19,571
Tenant security deposits	300	-	300
Total adjustments	<u>(66,247)</u>	<u>-</u>	<u>(66,247)</u>
Net cash used in operating activities	<u>\$ (132,402)</u>	<u>\$ 19,571</u>	<u>\$ (112,831)</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, 2013

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 position (net total position) is segregated into net investments 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 position 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, 2013.

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 Position - Net position represents the difference between assets and liabilities. Net investment 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 investments in capital assets, net of related debt excludes unspent debt proceeds. Net position is 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 position are available.

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.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension

Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. 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 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City 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 April 25, 2014, the date of the financial statements were available to be issued.

Eliminations and Reclassifications - In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds will be eliminated or reclassified. Eliminations will be made in the statement of net position to minimize the "grossing-up" effect on assets and liabilities within the top level financial statements. As a result, amounts reported in the funds as interfund receivables and payables will be eliminated. Eliminations will also be made in the statement of activities to remove the "doubling-up" effect.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. CASH AND CASH EQUIVALENTS

New Mexico State Statutes authorize the Housing Authority to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State 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 \$482,490 as of June 30, 2013.

As of June 30, 2013 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:			
Petty cash	\$ 130	\$ -	\$ 130
Temporary account	3,875	-	3,875
General account	9,865	(22,829)	(12,964)
Overnight account	103,315	-	103,315
Tenant security deposit	<u>17,275</u>	<u>(525)</u>	<u>16,750</u>
Total checking accounts	134,460	(23,354)	111,106
 Certificates of deposit	 <u>250,668</u>	 <u>-</u>	 <u>250,668</u>
 Total Housing Authority Accounts	 <u>\$ 385,128</u>	 <u>\$ (23,354)</u>	 <u>\$ 361,774</u>

The overdraft amount of \$12,964 in the General Account is a result of checks that have been issued, but have not cleared the bank as of June 30, 2013.

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, 2013, none of the Housing Authority's bank balance of \$385,128 was exposed to custodial risk as it was collateralized.

Western Bank	
Amount held in bank June 30, 2013	\$ 385,128
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	135,128
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	67,564
Pledged Securities	<u>482,490</u>
Over (Under) Collateralized	<u>\$ 414,926</u>

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance at June 30, 2012</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	2,524,519	-	-	2,524,519
Furniture and equipment	<u>122,909</u>	<u>-</u>	<u>-</u>	<u>122,909</u>
Total capital assets, being depreciated	5,098,186	-	-	5,098,186
Less accumulated depreciation for:				
Buildings	2,450,759	-	-	2,450,759
Improvements	418,469	86,509	-	504,978
Furniture and equipment	<u>122,909</u>	<u>-</u>	<u>-</u>	<u>122,909</u>
Total accumulated depreciation	<u>2,992,137</u>	<u>86,509</u>	<u>-</u>	<u>3,078,646</u>
Total capital assets, being depreciated, net	<u>2,106,049</u>	<u>(86,509)</u>	<u>-</u>	<u>2,019,540</u>
Capital assets, net	<u>\$ 2,206,049</u>	<u>\$ (86,509)</u>	<u>\$ -</u>	<u>\$ 2,119,540</u>

Depreciation expense for the year ended June 30, 2013 was \$86,509.

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 3.8% 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, 2013, 2012, and 2011 were \$9,221, \$10,158, and \$11,295, 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, 2013.

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 2013 was \$216,170.

7. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2013 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>\$ 19,571</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, 2013 were \$7,397. 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 POSITION - NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

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 POSITION			
Net position:			
Restricted	<u>\$ -</u>	<u>\$ 20,909</u>	<u>\$ 20,909</u>
Total net position	<u>-</u>	<u>20,909</u>	<u>20,909</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 20,909</u>	<u>\$ 20,909</u>

LORDSBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF ACTIVITIES - NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	CFP Grant	Land Fund	Total
Operating revenues:			
CFP grant	<u>\$ 19,571</u>	<u>\$ -</u>	<u>\$ 19,571</u>
Total operating revenues	19,571	-	19,571
Transfers:			
Transfer out	<u>(19,571)</u>	<u>-</u>	<u>(19,571)</u>
Change in net position	-	-	-
Net position, beginning of year	<u>-</u>	<u>20,909</u>	<u>20,909</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 20,909</u>	<u>\$ 20,909</u>

LORDBURG PUBLIC HOUSING AUTHORITY

**COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	CFP Grant	Land Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Grant income	<u>19,571</u>	<u>-</u>	<u>19,571</u>
Net cash provided by operating activities	19,571	-	19,571
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfers out	<u>(19,571)</u>	<u>-</u>	<u>(19,571)</u>
Net cash used in non-capital and related financing activities	(19,571)	-	(19,571)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Rents	\$ 275,000	\$ 275,000	\$ 239,307	\$ (35,693)
Federal subsidy	190,000	190,000	216,170	26,170
Interest income	1,000	1,000	492	(508)
Other revenue	5,000	5,000	4,576	(424)
Total revenues	<u>471,000</u>	<u>471,000</u>	<u>460,545</u>	<u>(10,455)</u>
EXPENSES:				
Salaries and employee benefits	215,000	215,000	174,158	40,842
Insurance	25,000	25,000	7,397	17,603
Repairs and maintenance	35,000	35,000	46,200	(11,200)
Utilities	98,500	98,500	115,025	(16,525)
General expenses	<u>273,500</u>	<u>273,500</u>	<u>96,919</u>	<u>176,581</u>
Total expenses	<u>647,000</u>	<u>647,000</u>	<u>439,699</u>	<u>207,301</u>
Excess (deficiency) of revenues over expenditures	(176,000)	(176,000)	20,846	196,846
OTHER FINANCING SOURCES				
Transfers in	-	-	19,571	19,571
Total other financing sources	-	-	19,571	19,571
Net change in fund balance	(176,000)	(176,000)	40,417	216,417
Fund balance - beginning of the year	<u>2,576,653</u>	<u>2,576,653</u>	<u>2,576,653</u>	-
Fund balance - end of the year	<u>\$ 2,400,653</u>	<u>\$ 2,400,653</u>	<u>\$ 2,617,070</u>	<u>\$ 216,417</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis				\$ 40,417
Net revenue accruals				-
Net expenditure accruals				-
Depreciation expense				<u>(86,509)</u>
Net change in fund balance GAAP Basis				<u>\$ (46,092)</u>

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, 2013**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Intergovernmental grants	\$ -	\$ -	\$ 19,571	\$ (19,571)
Total revenues	-	-	19,571	19,571
OTHER FINANCING SOURCES				
Transfers out	-	-	(19,571)	(19,571)
Total other financing sources	-	-	(19,571)	(19,571)
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, 2013**

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location of Safekeeper</u>
Clovis NM Muni Sch Dist 1 CUSIP#189414HT5, Maturing 8/01/2017	<u>\$ 482,490</u>	Western Bank in Lordsburg, NM

LORDBURG PUBLIC HOUSING AUTHORITY

**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Account No.		Rent 14.850	CFP 14.872	Total
	Assets:			
	Current assets:			
111	Cash-unrestricted	\$ 357,988	\$ -	\$ 357,988
114	Cash-tenant security deposits	<u>16,750</u>	<u>-</u>	<u>16,750</u>
100	Total cash	374,738	-	374,738
	Accounts receivable:			
126	Tenants	6,129	-	6,129
124	Grants Receivable	<u>168,248</u>	<u>-</u>	<u>168,248</u>
144	Inter-Program due from	<u>-</u>	<u>20,909</u>	<u>20,909</u>
150	Total current assets	549,115	20,909	570,024
	Fixed assets:			
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	122,909	-	122,909
165	Leasehold improvements	2,524,519	-	2,524,519
166	Accumulated depreciation	<u>(3,078,646)</u>	<u>-</u>	<u>(3,078,646)</u>
160	Total fixed assets, net	<u>2,119,540</u>	<u>-</u>	<u>2,119,540</u>
180	Total non-current assets	<u>2,119,540</u>	<u>-</u>	<u>2,119,540</u>
190	Total assets	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>
	Liabilities and fund equity:			
	Current liabilities:			
311	Bank Overdraft	\$ 12,964	\$ -	\$ 12,964
312	Accounts payable <= 90 days	50,538	-	50,538
322	Accrued comp. absences -curr portion	4,841	-	4,841
333	Accounts payable - other government	14,921	-	14,921
340	CFP	19,571	-	19,571
347	Inter-program due to	20,909	-	20,909
	Liabilities payable from restricted assets:			
341	Tenant security deposits	<u>14,350</u>	<u>-</u>	<u>14,350</u>
310	Total current liabilities	<u>138,094</u>	<u>-</u>	<u>138,094</u>
300	Total liabilities	138,094	-	138,094
	Net position:			
508.1	Net investment in capital assets	2,119,540	-	2,119,540
511.1	Restricted net position	16,750	20,909	37,659
512.1	Unrestricted net position	<u>394,271</u>	<u>-</u>	<u>394,271</u>
513	Total net position	<u>2,530,561</u>	<u>20,909</u>	<u>2,551,470</u>
600	Total liabilities and net position	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>

LORDBURG PUBLIC HOUSING AUTHORITY

**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Account No.		Low Rent 14.850	CFP 14.872	Total
REVENUE:				
703	Net tenant rental revenue	\$ 239,307	\$ -	\$ 239,307
705	Total tenant revenue	239,307	-	239,307
706	HUD PHA operating grants	216,170	-	216,170
706.1	Capital grants	-	19,571	19,571
711	Investment income - unrestricted	492	-	492
715	Other revenue	4,576	-	4,576
700	Total revenue	460,545	19,571	480,116
EXPENSES:				
911	Administrative salaries	152,972	-	152,972
912	Auditing and accounting fees	7,208	-	7,208
915	Employee benefit contributions-Adm	21,186	-	21,186
910	Other operating-administrative	89,711	-	89,711
931	Water	43,916	-	43,916
932	Electricity	8,559	-	8,559
933	Gas	62,550	-	62,550
942	Ordinary maintenance and operations-materials	46,200	-	46,200
961	Insurance premiums	7,397	-	7,397
969	Total operating expenses	439,699	-	439,699
970	Excess operating revenue over operating exp.	20,846	19,571	40,417
974	Depreciation expense	86,509	-	86,509
900	Total expenses	526,208	-	526,208
100.1	Operating transfers in	19,571	-	19,571
100.2	Operating transfers out	-	(19,571)	(19,571)
101	Total other financing sources (uses)	19,571	(19,571)	-
100	Excess of operating revenue over expenses	(46,092)	-	(46,092)
110.3	Beginning net position	2,576,653	20,909	2,597,562
	Net position at end of year	\$ 2,530,561	\$ 20,909	\$ 2,551,470

**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, in accordance with the 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, the financial statements of the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Lordsburg Public Housing Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lordsburg Public Housing Authority's basic financial statements, and the combining and individual funds and related budgetary comparisons of Lordsburg Public Housing Authority, presented as supplemental information, and have issued our report thereon dated April 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Lordsburg Public Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lordsburg Public Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Public Housing Authority's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material

weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. 13-01 and 13-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lordsburg Public Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 13-01 and 13-02.

Lordsburg Public Housing Authority's Responses to Findings

Lordsburg Public Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Lordsburg Public Housing Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



El Paso, Texas

April 25, 2014

**LORDBURG PUBLIC HOUSING AUTHORITY
PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Prior audit findings	Current status
12-01 Journal Entry Testwork	Resolved
12-02 Cash Deposits	Resolved
12-03 Sale of Property	Resolved

**LORDSBURG PUBLIC HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Current Year Findings:

Completion of Audit Report (13-01)-Significant Deficiency

CONDITION	The audit report was submitted to the State Auditor after December 1, 2013 due to items requested not being provided in a timely manner.
CRITERIA	As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2013.
CAUSE	The Housing Authority did not comply with auditor's request in providing items selected for sampling in a timely manner, therefore the audit is reported late by the New Mexico State Auditor's Office.
EFFECT	Violation of the State Auditor's Rule SAO 2.2.2.9, A (4). 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 is able to produce financial information for the auditor that has been properly reconciled.
RESPONSE	The Housing Authority will work closely with auditors to make sure requested items are provided in a timely manner so that audit reports are submitted on the required deadline.

Deficiencies in Internal Control Over Cash and Expenses (13-02)-Significant Deficiency

CONDITION	During audit testing of cash, several checks were identified totaling \$10,960 that were written over a year ago and have not been cashed. In discussing with management, there has been no follow up on outstanding checks. Management has decided they should be written off. As a result, cash had been understated.
CRITERIA	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
CAUSE	The Housing Authority did not follow up on outstanding checks written over a year ago.
EFFECT	There is an increase risk of error or fraud due to lack of internal controls in place. This can result in fraud, waste, or abuse of cash and unreliable financial information.
RECOMMENDATION	The Housing Authority should implement financial reporting controls that provide assurance that internally generated financial information is accurate. Bank accounts and accounts payable balances should be reconciled every month to avoid having outstanding checks.
RESPONSE	Management will implement financial reporting controls to ensure the accuracy and completeness of financial activity.

LORDSBURG PUBLIC HOUSING AUTHORITY

EXIT CONFERENCE FOR THE YEAR ENDED JUNE 30, 2013

An exit conference was conducted May 09, 2014 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Lordsburg Public Housing Authority

Arthur Clark Smith
Patricia De Naranjo
Sandra Kolean
Jeannie Palacios

Mayor
Finance Officer
Housing Authority Executive Director
City Clerk

White + Samaniego + Campbell, LLP

Roxie Samaniego
Jesse Jezbera
Nancy Escobar

Partner
Senior, 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, 2013 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.