

**Housing Authority of the City of  
Sunland Park, New Mexico**

*Project No. NM075-001-03J  
Financial Statements and Supplemental Information  
and Independent Auditors' Report  
for the Year Ended June 30, 2011*

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

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

Councilors

Christian Lira	Councilor
Carmen Rodriguez	Councilor
Annette Diaz	Councilor
Daniel Salinas	Councilor
Jessica Avila	Councilor
Daniel Salinas	Mayor Pro-Team

Other Officials

Martin Resendiz	Mayor-City of Sunland Park
Jaime Aguilera	City Administrator
Helen B Gonzalez	Finance Director-City of Sunland Park
Elizabeth Gamez	City Clerk
Concepcion Medina	Public Housing Manager

# HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

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## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor and  
City Council  
Housing Authority of the City of Sunland Park, New Mexico  
Sunland Park, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Sunland Park, New Mexico (a component unit of the City of Sunland Park, New Mexico), as of and for the year ended June 30, 2011, which collectively comprises the Housing Authority of the City of Sunland Park, New Mexico's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons of the enterprise fund presented as supplementary information in the accompanying individual fund financial statements for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Sunland Park, New Mexico'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 opinion.

As discussed in Note 1, the financial statements present only the Housing Authority of the City of Sunland Park, New Mexico and are not intended to present fairly the financial position of the City of Sunland Park, New Mexico, as of June 30, 2011, and the changes in its financial position and cash flows for the year then ended 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 of the Housing Authority of the City of Sunland Park, New Mexico, as of June 30, 2011, and the respective changes in its net assets, and cash flows thereof and the respective budgetary comparisons 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, budgetary comparisons for

the enterprise fund of the Housing Authority of the City of Sunland Park, New Mexico for the year then ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 21, 2011, on our consideration of the Housing Authority of the City of Sunland Park, New Mexico's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule (FDS) on pages 28 and 29, 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 Housing Authority of the City of Sunland Park, New Mexico. 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, CP

El Paso, Texas  
December 21, 2011

**REQUIRED SUPPLEMENTARY INFORMATION**

## HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

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The City of Sunland Park 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 component unit of the City of Sunland Park (the "City") and is governed by its City Council. The Housing Authority is funded and monitored by the U.S. Housing and Urban Department and the Real Estate Assessment Center ("REAC").

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 10).

#### FINANCIAL HIGHLIGHTS

- The Housing Authority's total net assets increased by \$50,245 (or 1.7 percent) during the fiscal year ended June 30, 2011. Since the Housing Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,926,157 and \$2,875,912 for 2011 and 2010, respectively.
- The business-type activities revenue decreased by \$(33,657) (or (10.6) percent) during the fiscal year ended 2011, and were \$283,270 and \$316,927 for 2011 and 2010, respectively.
- The business-type activities expenses of all Housing Authority programs increased by \$29,472 (or 12.3 percent). Total expenses were \$268,721 and \$239,249 for 2011 and 2010 respectively.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Using This Annual Report

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

<b>MD&amp;A</b> -Management Discussion and Analysis Pages 4 - 9
<b>Basic Financial Statements</b> -Financial Statements Pages 10 - 13 -Notes to the Financial Statements Pages 14 - 25
<b>Other Required Supplementary Information</b> -Required Supplementary Information Pages 26 - 29

## 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 Public Housing Operating Fund, Tenant Deposit Fund, and the Capital Fund Projects "CFP". The financial statements reflect the transactions for these programs.

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

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

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

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

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



expense.

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

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

### **Statement of Net Assets**

The City implemented the new financial reporting model required by Governmental Accounting Standards Board Statement No. 34 in fiscal year ended June 30, 2006. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Public Housing Authority as a whole.

	June 30, 2011	June 30, 2010
Assets:		
Current and other assets	\$ 540,433	\$ 492,033
Capital assets, net of accumulated depreciation	<u>2,418,320</u>	<u>2,444,671</u>
Total assets	<u>\$ 2,958,753</u>	<u>\$ 2,936,704</u>
Liabilities:		
Current and other liabilities	<u>\$ 32,596</u>	<u>\$ 60,792</u>
Net Assets:		
Invested in capital assets	2,418,320	2,444,671
Unrestricted	<u>507,837</u>	<u>431,241</u>
Total net assets, restated	<u>2,926,157</u>	<u>2,875,912</u>
Total liabilities and net assets	<u>\$ 2,958,753</u>	<u>\$ 2,936,704</u>

The largest portion of the Public Housing Authority's net assets reflects its investment in capital assets (i.e., land, land improvements, buildings, equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The Public Housing Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Public Housing Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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 11 for the Statement of Changes in Net Assets.

**Major Factors Affecting the Statement of Net Assets**

**Change in Unrestricted Net Assets**

Net assets, beginning balance as previously reported	\$ 2,875,912
Restatement	<u>35,696</u>
Net assets, beginning balance restated	\$ 2,911,608
Results of Operations	<u>14,549</u>
Ending Balance - June 30, 2011	<u>\$ 2,926,157</u>

While the result of operations is a significant measure of the Housing Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**Major Factors Affecting the Statement of Net Assets**

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

**Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenues:</b>		
Operating Revenues:		
Grants	\$ 182,742	\$ 208,904
Tenant revenues	94,039	102,524
Other revenues	1,606	-
Non-Operating Revenues:		
Interest revenues	4,883	5,499
Transfers in	-	-
<b>Total revenues</b>	<u>283,270</u>	<u>316,927</u>
<b>Expenses:</b>		
Operating Expenses:		
Administrative salaries	99,573	97,897
Utility costs	18,220	20,059
General operating	54,839	44,990
Depreciation	<u>96,089</u>	<u>76,303</u>
<b>Total operating expenses</b>	<u>268,721</u>	<u>239,249</u>
Non-operating expenses		
Loss on disposal of assets	-	-
<b>Total expenses</b>	<u>268,721</u>	<u>239,249</u>
Change in net assets	<u>\$ 14,549</u>	<u>\$ 77,678</u>

HUD PHA Operating Grants decreased by \$(26,162) (or (12.5) percent); this decrease was primarily due to unit months leased.

Total Tenant Revenue decreased by \$(8,485) (or (8.3) percent). This was primarily due to decreased tenant rents.

The total operating expenses increased by \$29,472 (or 12.3 percent). Administrative salaries increased by \$1,676 (or 1.7 percent) for the year as a result of an increase for administrative overhead. Other operating expenses increased by \$27,796 (or 16.17 percent), this is primarily due to an increase in utilities expenses when compared to the prior fiscal year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of year end, the Housing Authority had \$2,418,320 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 \$(26,351) (or (1.1) percent) from the end of last year.

#### Condensed Statement of Changes in Capital Assets

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Land	\$ 150,000	\$ 150,000
Buildings and improvements	3,193,152	3,123,414
Equipment and appliances	77,273	77,273
Accumulated depreciation	<u>(1,002,105)</u>	<u>(906,016)</u>
	<u>\$ 2,418,320</u>	<u>\$ 2,444,671</u>

The following reconciliation summarizes the change in Capital Assets, which are presented in detail and can be found in Note 4 on page 22 of this report.

#### Change in Capital Assets

Beginning Balance - July 1, 2010	\$ 2,444,671
Current Year Depreciation Expense	(96,089)
Capital Expenditures	<u>69,738</u>
Ending Balance - June 30, 2011	<u>\$ 2,418,320</u>

### Long-Term Liabilities and Debt

The Public Housing Authority's at this time does not have any long-term debt; as of June 30, 2011, the Public Housing Authority's long-term liabilities are comprised of accrued compensated absences of \$19,721.

Additional information on the Public Housing Authority's liabilities can be found in Note 6 on page 22 of this report.

**Budget Variances**

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

	Budgeted Amount	Actual	Variance
Revenues over expenses	\$ (40,246)	\$ 40,900	\$ 81,146

The Housing Authority's actual revenues received from HUD exceeded budgeted by \$(4,858), while tenant rents were \$10,039 more than budgeted.

**SUPPLEMENTARY INFORMATION**

The City provides all accounting services, including the preparation of budgets and budgetary revisions, monthly financial reports, and all REAC required submissions.

**ECONOMIC FACTORS**

Significant economic factors affecting the Housing Authority are as follows:

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

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Ms. Concha Medina, Housing Authority Manager, City of Sunland Park Housing Authority, 100 Villa Del Rio Loop, Sunland Park, New Mexico 88063. 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**

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 322,899
Investments	206,537
Accounts receivable, Tenants-Net	<u>2,576</u>
Total current assets	532,012
Noncurrent assets:	
Restricted cash: Cash and cash equivalents -Tenant security deposits	8,421
Capital assets:	
Land	150,000
Building and improvements	3,193,152
Equipment and appliances	<u>77,273</u>
	3,420,425
Less accumulated depreciation	<u>(1,002,105)</u>
Total capital assets (net of accumulated depreciation)	<u>2,418,320</u>
Total noncurrent assets	<u>2,426,741</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,958,753</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	\$ 2,558
Accrued liabilities and other expenses	4,693
Accrued compensated absences	1,972
Due to other governments	<u>80</u>
Total current liabilities	9,303
Current liabilities payable from restricted assets:	
Tenant security deposits	<u>5,544</u>
Total current liabilities	14,847
Noncurrent liabilities:	
Long-term portion of accrued compensated absences	<u>17,749</u>
Total liabilities	<u>32,596</u>
Net assets:	
Invested in capital assets	2,418,320
Unrestricted	<u>507,837</u>
Total net assets	<u>2,926,157</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,958,753</u></b>

See accompanying notes to financial statements and independent auditors' report

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

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Operating Revenues	
Tenant revenues	\$ 94,039
HUD operating grant revenue	182,742
Other revenue	<u>1,606</u>
Total operating revenue	<u>278,387</u>
Operating expenses	
Salaries and benefits	99,573
Operating expenses	73,059
Depreciation expense	<u>96,089</u>
Total operating expenses	<u>268,721</u>
Operating income	9,666
Non-operating revenues/expenses	
Interest revenue	<u>4,883</u>
Change in net assets	14,549
Net assets, beginning of year, as previously reported	<u>2,875,912</u>
Restatement	35,696
Net assets, beginning of year, as restated	<u>2,911,608</u>
Net assets, end of year	<u>\$ 2,926,157</u>

See accompanying notes to financial statements and independent auditors' report

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from tenants	\$ 94,039
Cash received from HUD	182,742
Cash payments to suppliers for goods and services	(66,930)
Cash payments to employees for services	<u>(99,573)</u>
Net cash provided by operating activities	<u>110,278</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Process from related government	<u>1,586</u>
Net cash provided by non-capital and financing activities	1,586
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(69,738)</u>
Net cash used in capital and related financing activities	(69,738)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES:</b>	
Interest received	4,883
Purchase of investments, net	<u>(467)</u>
Net cash provided by investing activities	4,416
Net increase in cash and cash equivalents	46,542
Cash and cash equivalents, beginning of year	<u>284,778</u>
Cash and cash equivalents, end of year	<u>\$ 331,320</u>
Cash and cash equivalents consist of:	
Unrestricted cash and cash equivalents	\$ 322,899
Restricted cash and cash equivalents -Tenants deposits	<u>8,421</u>
<b>Total cash and cash equivalents</b>	<u>\$ 331,320</u>

See accompanying notes to financial statements and independent auditors' report



HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

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

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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES

Operating income	\$	14,549
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		96,089
Changes in assets and liabilities:		
Accounts receivable, Tenants-Net		(1,391)
Accounts payable		2,304
Accrued liabilities and other expenses		<u>(1,273)</u>
Total adjustments		<u>95,729</u>
Net cash provided by operating activities	\$	<u>110,278</u>

See accompanying notes to financial statements and independent auditors' report

## HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Housing Authority and HUD**-The Housing Authority of the City of Sunland Park, New Mexico (the "Public 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 Public Housing Authority's sole operating asset is a 40-unit apartment project. The Public Housing Authority's operations are concentrated in the public housing real estate market. In addition, the Public Housing Authority operates in a heavily regulated environment. The operations of the Public 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 Public Housing Authority is governed by the City of Sunland Park, New Mexico (the "City") and its separate business type activity financial statements which are included in the City's basic financial statements. The Public Housing Authority has no component units.

The financial statements include those activities and functions related to the Public Housing Authority which are controlled by or dependent upon its governing body, the City Council of the City of Sunland Park, New Mexico ("City Council"). 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 City Council has been engaged with the governance of the Public Housing Authority until the Board of Commissioners is again established.

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

**Basis for Presentation**-The accompanying financial statements have been prepared in accordance with a 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 Public 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 Public 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 Housing Authority of the City of Sunland Park, New Mexico 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 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 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 Public Housing Authority's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

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

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

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

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

Statutes authorize the Public 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 Public 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.

**Accounts Receivable Tenants-Net**-Accounts receivable tenants-net pertain to amounts due from customers for rental of dwellings. The Public Housing Authority evaluates receivables for collectibility and records an allowance for doubtful accounts based on expected defaults. At June 30, 2011 the allowance for doubtful accounts is \$-.

**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 Public 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 Public 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 and improvements	3 - 40 years
Equipment and appliances	3 - 10 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 Public Housing Authority assets at June 30, 2011.

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

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

**Taxes**-The Public 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 Public 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 Public Housing Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Authority incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant

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

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

**Subsequent Events** - Management has evaluated subsequent events through December 21, 2011, the date of the financial statements were available to be issued.

**2. CASH AND CASH EQUIVALENTS**

New Mexico State Statutes authorize the Public 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 Public Housing Authority maintains cash in one financial institution, Wells Fargo, N.A. in Sunland Park, New Mexico ("Wells Fargo"). Collateral is held in safekeeping at the Federal Home Loan Bank of Dallas ("Bank") in the form of an Irrevocable Standby Letter of Credit ("LOC"). The LOC was offered in favor of the City for a sum not exceeding \$3,900,000 on the account of Wells Fargo. The Public Housing Authority's deposits, as a component unit of the City, are included with the City. The schedule of pledged collateral to secure the deposits of the Public Housing Authority as of June 30, 2011 is disclosed in the City's audit report.

As of June 30, 2011 the amount of cash reported on the financial statements differs from the amount on deposit with the banking institution because of transactions in transit and outstanding checks. Cash, cash equivalents, and certificates of deposit consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts:			
Operating account	\$ 335,735	\$ (4,415)	\$ 331,320
 Total Housing Authority Accounts	 \$ 335,735	 \$ (4,415)	 \$ 331,320

**Custodial Credit Risk-Deposits-**Custodial credit risk is the risk that, in the event of a bank failure the Public Housing Authority's deposits may not be returned to it. The Public 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 an LOC pledged to the City of Sunland Park, New Mexico in an amount exceeding 50% of total City and Public Housing Authority deposits. The LOC is held by the Federal Home Loan Bank of Dallas. As of June 30, 2011, none of the Public Housing Authority's bank balance of \$331,320 was exposed to custodial risk as it was both insured and collateralized.

	<b>Wells Fargo Bank</b>
Checking account	\$ 335,735
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 85,735</u>



**3. INVESTMENTS**

As of June 30, 2011, the City had the following investments:

<b>Investments</b>	<b>Weighted Average Maturity</b>	<b>Fair Value</b>
New Mexico State LGIP Fund (Pool-4101)	36 days	\$205,941
New Mexico State LGIP Fund (Pool-4102)	36 days	<u>596</u>
		<u>\$206,537</u>

The investments are valued at fair value based on quoted market prices as of June 30, 2011.

The State Treasurer Local Government Investment Pool ("LGIP") is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978.

The pool does not have unit shares. Per Section 6-10-10-.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the LGIP is voluntary.

**Interest Rate Risk**-In accordance with state law, the Public Housing Authority does not purchase any investments with maturities greater than two years.

**Credit Risk**-In accordance with state law, investments in LGIPs must be rated at least AAA by at least one nationally recognized rating service.

**Investment Policy**-The Public Housing Authority's investment policy allows for investments in Obligations of the United States, its agencies and instrumentalities; certificates of deposits issued by state or national banks domiciled in the state of New Mexico, fully collateralized direct repurchase agreements with defined termination dates; money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have dollar weighted average stated maturity of 90 days or less, rated AAA by at least one nationally recognized rating service and seek to maintain a net assets value of \$1 per share; and local government investment pools as allowed by the New Mexico Public Funds Investment Act.

**4. CAPITAL ASSETS**

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

	Balance at June 30, 2010	Increases	Decreases and Transfers	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>
Capital assets, being depreciated:				
Buildings and improvements	3,123,414	69,738	-	3,193,152
Equipment and appliances	<u>77,273</u>	<u>-</u>	<u>-</u>	<u>77,273</u>
Total capital assets, being depreciated	<u>3,200,687</u>	<u>69,738</u>	<u>-</u>	<u>3,270,425</u>
Less accumulated depreciation for:				
Buildings and improvements	837,980	92,089	-	930,069
Equipment and appliances	<u>68,036</u>	<u>4,000</u>	<u>-</u>	<u>72,036</u>
Total accumulated depreciation	<u>906,016</u>	<u>96,089</u>	<u>-</u>	<u>1,002,105</u>
Total capital assets, being depreciated, net	<u>2,294,671</u>	<u>(26,351)</u>	<u>-</u>	<u>2,268,320</u>
Capital assets, net	<u>\$2,444,671</u>	<u>\$ (26,351)</u>	<u>\$ -</u>	<u>\$2,418,320</u>

Depreciation expense for the year ended June 30, 2011 was \$96,089.

**5. ACCRUED LIABILITIES AND OTHER EXPENSES**

Accrued liabilities and other expenses are as follows at June 30, 2011:

Salaries and payroll taxes	<u>\$ 4,693</u>
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**6. LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended June 30, 2011, were as follows:

	2010	Increase	Decreases	2011	Due Within One Year
Compensated absences	<u>\$ 18,789</u>	<u>\$ 9,757</u>	<u>\$ 8,825</u>	<u>\$ 19,721</u>	<u>\$ 1,972</u>

**7. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description.* Substantially all of the Public Housing Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7% (ranges from 4.00% 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 Public 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 Public 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 Public Housing Authority's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$3,971, \$5,169, and \$5,134, respectively, which equal the amount of the required contributions for each fiscal year.

**8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The Public Housing Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for

healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2012	1.834%	.917%
2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 01/01/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

## 9. OPERATING SUBSIDIES

The Public 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. If the estimated utility expenses are higher than actual, the difference is returned to HUD. If the actual investment income is more than targeted investment income, the difference is also returned to HUD. If there is a rent shortfall, HUD will increase the amount due to the Public Housing Authority.

**10. RISK MANAGEMENT**

The Public 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 through the City of Sunland Park's New Mexico Self Insurers Fund. Total premiums paid for the year ended June 30, 2011 were \$5,105.

**11. ECONOMIC DEPENDENCY**

Substantially all revenues of the Public 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 Public 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.

**12. RELATED PARTIES**

The Public Housing Authority is governed by the City of Sunland Park, New Mexico (the "City") and its separate business type activity financial statements which are included in the City's basic financial statements. The Public Housing Authority has no component units. The City provides payroll and accounting services to the Public Housing Authority of Sunland Park, New Mexico. The City charged the Public Housing Authority \$20,000 for administration fees in 2011. As of June 30, 2011 there is a balance due to the City of \$80.

**13. RESTATEMENT**

Certain errors resulting in an overstatement of previously reported due to other governments were discovered during current year. Accordingly, an adjustment of \$35,696 was made during fiscal year ending June 30, 2011 to decrease due to other governments as of the beginning of the year. A corresponding entry was made to increase previously reported net assets by \$35,696.

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**SCHEDULE OF REVENUES AND EXPENSES BUDGET  
(NON-GAAP) AND ACTUAL (CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Variance
<b>REVENUES:</b>				
Rents	\$ 84,000	\$ 84,000	\$ 94,039	\$ 10,039
HUD subsidy	187,600	187,600	182,742	(4,858)
Other revenue	-	-	1,606	1,606
<b>Total Revenues</b>	<b>271,600</b>	<b>271,600</b>	<b>278,387</b>	<b>6,787</b>
<b>EXPENSES:</b>				
Salaries and employee benefits	100,494	100,494	99,573	921
Office supplies	5,372	5,372	2,606	2,766
Insurance	5,105	5,105	5,105	-
Audit expense	7,300	7,300	4,367	2,933
Printing and publishing	500	500	358	142
Repair and maintenance	47,000	47,000	13,117	33,883
Postage	500	500	185	315
Professional services	2,000	2,000	970	1,030
Dues and subscriptions	2,754	2,754	2,208	546
Telephone	3,500	3,500	3,551	(51)
Utilities	39,000	39,000	18,220	20,780
Fuel	2,000	2,000	862	1,138
Travel	1,900	1,900	340	1,560
Capital outlay	70,000	70,000	69,738	262
Administrative overhead	20,000	20,000	20,000	-
Rental deposit refund	800	800	-	800
Other uses	3,621	3,621	1,170	2,451
<b>Total expenses</b>	<b>311,846</b>	<b>311,846</b>	<b>242,370</b>	<b>69,476</b>
<b>Operating revenues over expenses</b>	<b>(40,246)</b>	<b>(40,246)</b>	<b>36,017</b>	<b>76,263</b>
<b>NONOPERATING REVENUE:</b>				
Interest revenue	-	-	4,883	4,883
<b>Total nonoperating revenue</b>	<b>-</b>	<b>-</b>	<b>4,883</b>	<b>4,883</b>
<b>Expenses over revenues</b>	<b>\$ (40,246)</b>	<b>\$ (40,246)</b>	<b>\$ 40,900</b>	<b>\$ 81,146</b>

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**SCHEDULE OF RECONCILIATION BETWEEN THE BUDGETARY  
BASIS AND GAAP BASIS REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011**

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Excess revenues and other sources over expenses GAAP basis	\$ 14,549
(Increase) decrease:	
Depreciation expense	96,089
Capital Outlay	<u>(69,738)</u>
Excess of expenses over revenues and other sources, Non-GAAP budgetary basis	<u>\$ 40,900</u>

HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

FINANCIAL DATA SCHEDULE  
JUNE 30, 2011

Account No.		Low Rent 14.850	CFP 14.872	Total
	Current Assets:			
111	Cash	\$ 322,899	\$ -	\$ 322,899
	Accounts receivable -			
126	Tenant dwelling rent	2,576	-	2,576
131	Current investments	<u>206,537</u>	<u>-</u>	<u>206,537</u>
150	Total current assets	532,012	-	532,012
	Restricted Assets:			
114	Tenant security deposit	8,421	-	8,421
	Property, plant and equipment:			
161	Land	150,000	-	150,000
162	Building and improvements	2,555,715	637,437	3,193,152
163	Furniture, equipment & machinery - dwelling	-	77,273	77,273
166	Accumulated Depreciation	<u>(842,563)</u>	<u>(159,543)</u>	<u>(1,002,106)</u>
190	Total Assets	<u>\$ 2,403,585</u>	<u>\$ 555,167</u>	<u>\$ 2,958,752</u>
	Liabilities and Fund Equity:			
	Current Liabilities:			
312	Accounts payable <= 90 days	\$ 2,558	\$ -	\$ 2,558
312	Accrued wages	4,693	-	4,693
322	Accrued compensated absences - current portion	1,972	-	1,972
333	Accounts payable - other government	80	-	80
	Liabilities payable from restricted assets:			
341	Tenant security deposits	5,544	-	5,544
	Other long-term liabilities:			
354	Accrued compensated absences - long-term portion	<u>17,749</u>	<u>-</u>	<u>17,749</u>
300	Total Liabilities	32,596	-	32,596
	Net Assets:			
508.1	Invested in capital assets, net of related debt	1,863,152	555,167	2,418,319
512.1	Unrestricted net assets	<u>507,837</u>	<u>-</u>	<u>507,837</u>
600	Total Liabilities and Net Assets	<u>\$ 2,403,585</u>	<u>\$ 555,167</u>	<u>\$ 2,958,752</u>



HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO

FINANCIAL DATA SCHEDULE  
JUNE 30, 2011

Account No.		Low Rent 14.850	CFP 14.872	Total
<b>REVENUE:</b>				
703	Net tenant rental revenue	\$ 94,039	\$ -	\$ 94,039
705	Total tenant revenue	94,039	-	94,039
706	HUD PHA operating grants	113,004	69,738	182,742
711	Investment income - unrestricted	4,883	-	4,883
715	Other revenue	1,606	-	1,606
700	Total Revenue	<u>213,532</u>	<u>69,738</u>	<u>283,270</u>
<b>EXPENSES:</b>				
911	Administrative salaries	85,401	-	85,401
915	Employee benefits contributions - administrative	14,172	-	14,172
916	Other operating - administrative	54,839	-	54,839
938	Other utilities expense	18,220	-	18,220
974	Depreciation expense	74,874	21,216	96,090
900	Total Expenses	<u>247,506</u>	<u>21,216</u>	<u>268,722</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
1001	Operating transfers in	-	-	-
1002	Operating transfers out	-	-	-
1010	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1000	Excess of operating revenue over expenses	(33,974)	48,522	14,548
	Net assets at beginning of year, restated	<u>2,404,963</u>	<u>506,645</u>	<u>2,911,608</u>
	Net assets at end of year	<u>\$ 2,370,989</u>	<u>\$ 555,167</u>	<u>\$ 2,926,156</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 and City Council  
Housing Authority of the City of Sunland Park, New Mexico  
Sunland Park, New Mexico

We have audited the financial statements of the business-type activities and the budgetary comparison presented as supplementary of the Housing Authority of the City of Sunland Park, New Mexico, (a component unit of the City of Sunland Park, New Mexico), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Sunland Park, New Mexico'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 Housing Authority of the City of Sunland Park, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sunland Park, New Mexico's internal control over financial reporting.

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 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Sunland Park, New Mexico'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We also noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as findings 11-01.

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

This report is intended solely for the information and use of the City Council, management, others within the Organization, U.S. Department of Housing and Urban Development, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*White & Samaniego & Campbell, LP*

El Paso, Texas  
December 21, 2011

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

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**CURRENT YEAR AUDIT FINDINGS**

**Late Audit Report (11-01)**

<b>CONDITION</b>	The 2011 audit report for the Housing Authority was delivered to the Office of the State Auditor after the December 1 due date. The audit report was submitted to the Office of the State Auditor on December 2011.
<b>CRITERIA</b>	State regulation 2.2.2.9 NMAC requires that the audit reports for municipalities and special districts be submitted by December 1, and that late audits be reported as findings in the next audit report.
<b>EFFECT</b>	Delays on the submission of the audit report could have an impact on State of New Mexico appropriations as the Legislature begins their session in January of each calendar year. Further, users of the financial statements such as legislators, creditors, state and federal grantors, etc., do not have timely audit reports and financial statements for their review.
<b>CAUSE</b>	The City of Sunland Park did not request an approved contract in a timely manner.
<b>RECOMMENDATION</b>	It is recommended that the Housing Authority adhere to the New Mexico State Audit rule governing audits and ensure that an auditor is selected on a timely basis. The conversion from cash basis to the accrual basis, reconciliation's of general ledger accounts to subsidiary ledgers should be performed during the fiscal year to allow for timely, accurate closing and to eliminate end-of-year audit adjustments as much as possible.
<b>RESPONSE</b>	The audit report was late due to fact that the approval of the contract was late and late submission of the previous financial statements. The Housing Authority is diligently working to ensure that all audits are submitted and deadlines are adhered to.

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**STATUS OF PRIOR YEAR FINDINGS**

**None**

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

**FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2011**

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The financial statements of Housing Authority of the City of Sunland Park, as of, and for the year ended June 30, 2011 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible City's personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

**HOUSING AUTHORITY OF THE CITY OF SUNLAND PARK, NEW MEXICO**

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

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An exit conference was conducted January 31, 2012 in a closed meeting of the City of Sunland Park Councilors pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Sunland Park

Jaime Aguilera  
Helen B Gonzalez  
Daniel Salinas  
Concepcion Medina

City Administrator  
Finance Director  
Mayor Pro-Team  
Public Housing Manager

White + Samaniego + Campbell, LLP

Roxie Samaniego  
Luis Molina

Partner In-Charge  
Supervisor

