

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY**

**A COMPONENT UNIT OF  
SOCORRO COUNTY – NEW MEXICO**

**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007**

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
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JUNE 30, 2007

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STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
OFFICIAL ROSTER  
JUNE 30, 2007

**Board of Commissioners**

Lonnie Marquez	Chairperson
Marcel Abeyta	Vice-Chair
Leo Cordova	Commissioner
Ron Lopez	Commissioner
Lencho Vega	Commissioner

**Administrative**

MaryAnn Chavez	Executive Director
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**FINANCIAL SECTION**

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Mr. Hector Balderas, State Auditor,  
and  
Members of the Board of Commissioners  
Socorro County Housing Authority  
Socorro, New Mexico

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Socorro County Housing Authority, a component unit of Socorro County, Socorro, New Mexico, (the "Authority") as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements for each of the Authority's non major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Socorro County Housing Authority, a component unit of Socorro County, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof and 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

INDEPENDENT AUDITORS' REPORT, continued

statements referred to above present fairly, in all material respects, the respective financial position of each non-major enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements of the Authority as of June 30, 2007, and the respective changes in financial position and cash flows, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2009, on our consideration of the 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* and should be considered in assessing the results of our audit.

The Socorro County Housing Authority has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Our Audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "Supporting Schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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.



February 20, 2009  
Beckham & Penner, P.C.  
Certified Public Accountants



**BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF ASSETS  
June 30, 2007

	<u>Business Type Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 283,549
Accounts receivable, net	10,962
Prepaid expenses	4,467
Capital assets:	
Land	31,518
Other capital assets, net of depreciation	<u>85,674</u>
Total assets	<u>\$ 416,170</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 19,873
Accrued interest payable	348
Accrued salaries and benefits	-
Accrued compensated absences	2,632
Note payable:	
Payable within one year	4,352
Payable in more than one year	47,831
Total liabilities	<u>75,036</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	65,009
Unrestricted	276,125
Total net assets	<u>341,134</u>
Total liabilities and net assets	<u>\$ 416,170</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Business-type activities:				
Housing Services	\$ 1,492,588	125,970	1,503,768	-
	<u>1,492,588</u>	<u>125,970</u>	<u>1,503,768</u>	<u>-</u>
General revenues:				
Interest on investments				680
Return of HAP funds to HUD				<u>(129,805)</u>
Change in net assets				8,025
Net assets at beginning of year				<u>333,109</u>
Net assets at end of year				\$ <u><u>341,134</u></u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	14.871 Section 8 Housing	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 177,834	105,715	283,549
Accounts receivable, net	-	10,962	10,962
Prepaid expenses	4,467	-	4,467
Due from other funds	67,414	-	67,414
Total current assets	<u>249,715</u>	<u>116,677</u>	<u>366,392</u>
Capital assets:			
Land	31,518	-	31,518
Buildings and improvements	126,071	-	126,071
Vehicles	35,567	-	35,567
Equipment	29,741	-	29,741
Total capital assets	<u>222,897</u>	<u>-</u>	<u>222,897</u>
Less accumulated depreciation	<u>(105,705)</u>	<u>-</u>	<u>(105,705)</u>
Net capital assets	<u>117,192</u>	<u>-</u>	<u>117,192</u>
Total assets	<u>\$ 366,907</u>	<u>116,677</u>	<u>483,584</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 13,603	6,270	19,873
Accrued interest payable	348	-	348
Accrued salaries and benefits	-	-	-
Accrued compensated absences	2,632	-	2,632
Due to other funds	-	67,414	67,414
Current portion of note payable	4,352	-	4,352
Total current liabilities	<u>20,935</u>	<u>73,684</u>	<u>94,619</u>
Noncurrent Liabilities			
Long-term portion of note payable	<u>47,831</u>	<u>-</u>	<u>47,831</u>
Total noncurrent liabilities	<u>47,831</u>	<u>-</u>	<u>47,831</u>
Total liabilities	<u>68,766</u>	<u>73,684</u>	<u>142,450</u>
Net Assets:			
Invested in capital assets, net of related debt	65,009	-	65,009
Unrestricted	<u>233,132</u>	<u>42,993</u>	<u>276,125</u>
Total net assets	<u>298,141</u>	<u>42,993</u>	<u>341,134</u>
Total liabilities and net assets	<u>\$ 366,907</u>	<u>116,677</u>	<u>483,584</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF REVENUES, EXPENSES AND  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	United States Department of Housing and Urban Development		Totals
	14.871 Section 8 Housing	Nonmajor Proprietary Funds	
Operating revenues:			
Charges for services	\$ 125,970	-	125,970
Operating grants	1,321,325	182,943	1,504,268
Total operating revenues	<u>1,447,295</u>	<u>182,943</u>	<u>1,630,238</u>
Operating expenses:			
Wages & Benefits	133,263	22,955	156,218
Administrative	91,545	13,261	104,806
Rents & Tenant Assistance	1,066,803	44,262	1,111,065
Home Rehab Costs	-	104,508	104,508
Depreciation	13,172	-	13,172
Total operating expenses	<u>1,304,783</u>	<u>184,986</u>	<u>1,489,769</u>
Net operating income (loss)	<u>142,512</u>	<u>(2,043)</u>	<u>140,469</u>
Nonoperating revenues (expenses):			
Return of HAP funds to HUD	(129,805)	-	(129,805)
Interest income	641	39	680
Interest expense	(3,319)	-	(3,319)
Total nonoperating revenues (expenses)	<u>(132,483)</u>	<u>39</u>	<u>(132,444)</u>
Income (loss) before transfers	10,029	(2,004)	8,025
Transfers in	-	15,530	15,530
Transfers out	<u>(15,530)</u>	<u>-</u>	<u>(15,530)</u>
Change in net assets	(5,501)	13,526	8,025
Net assets, at beginning of year	<u>303,642</u>	<u>29,467</u>	<u>333,109</u>
Net assets, at end of year	<u>\$ 298,141</u>	<u>42,993</u>	<u>341,134</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	United States Department of Housing and Urban Development		
	14.871	Nonmajor	
	Section 8	Proprietary	
	Housing	Funds	Totals
Cash flows from operating activities:			
Cash received from customers/tenants	\$ 125,970	-	125,970
Cash received from grantors for operating purposes	1,346,625	171,981	1,518,606
Cash paid to and on behalf of employees	(147,749)	(22,955)	(170,704)
Cash paid to vendors for goods and services	(1,171,591)	(155,761)	(1,327,352)
Net cash flows from operating activities	<u>153,255</u>	<u>(6,735)</u>	<u>146,520</u>
Cash flows from noncapital financing activities:			
Cash transfers between funds	(15,530)	15,530	-
Due from other funds	(42,517)	32,507	(10,010)
Due to other funds	(12,585)	22,595	10,010
Net cash flows from noncapital financing activities	<u>(70,632)</u>	<u>70,632</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment (capital assets)	(5,713)	-	(5,713)
Tenant deposits	(18,946)	-	(18,946)
Return of HAP funds to HUD	(129,805)	-	(129,805)
Principal payments on notes payable	(5,468)	-	(5,468)
Interest payments on notes payable	(3,319)	-	(3,319)
Net cash flows from capital and related financing activities	<u>(163,251)</u>	<u>-</u>	<u>(163,251)</u>
Cash flows from investing activities:			
Investment income received	641	39	680
Net cash flows from investing activities	<u>641</u>	<u>39</u>	<u>680</u>
Net increase (decrease) in cash and cash equivalents	(79,987)	63,936	(16,051)
Cash and cash equivalents, at beginning of year	<u>257,821</u>	<u>41,779</u>	<u>299,600</u>
Cash and cash equivalents, end of year	<u>\$ 177,834</u>	<u>105,715</u>	<u>283,549</u>
Noncash Capital and related financing activities:			
Transfer of capital assets	<u>\$ -</u>	<u>-</u>	<u>-</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF CASH FLOWS, continued  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2007

	<u>United States Department of Housing and Urban Development</u>		<u>Totals</u>
	<u>14.871 Section 8 Housing</u>	<u>Nonmajor Proprietary Funds</u>	
<b><u>Reconciliation Of Operating Income (loss) To Net Cash Flows From Operating Activities</u></b>			
Net operating income (loss)	\$ 142,512	(2,043)	140,469
Adjustment to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	13,172	-	13,172
(Increase) decrease in assets:			
Account receivable	25,300	(10,962)	14,338
Prepaid expenses	(4,467)	-	(4,467)
Increase (decrease) in liabilities:			
Accounts payable	(9,124)	6,270	(2,854)
Accrued Interest	348	-	348
Accrued salaries and benefits	(14,868)	-	(14,868)
Accrued compensated absences	382	-	382
Other current liabilities	-	-	-
Cash flows from operating activities	<u>\$ 153,255</u>	<u>(6,735)</u>	<u>146,520</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT 5

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Socorro County Housing Authority (the "Authority") was organized under New Mexico Statutes, to provide a conduit for housing funds for disadvantaged New Mexicans. The Authority is a political subdivision of the state of New Mexico and a component unit of Socorro County, New Mexico.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the County's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

This summary of significant accounting policies of Socorro County Housing Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on, before, and after November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provided the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**A. PROGRAM OF THE AUTHORITY**

The primary purpose of the Socorro County Housing Authority is to manage the Section 8 Housing Choice Vouchers program provided by the Department of Housing and Urban Development (HUD) to aid low income families in obtaining decent, safe, and sanitary rental housing. The program provides housing assistance payments to participating owners on behalf of eligible tenants. Housing assistance payments are generally the difference between the local payment standard and 30 percent of the family's adjusted income.

**B. FINANCIAL REPORTING ENTITY**

The Socorro County Housing Authority's basic financial statements include the accounts of all of its operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB #14 and #39. There was no component units of Socorro County Housing Authority during the year ended June 30, 2007.

**C. BASIS OF PRESENTATION**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Authority's funds are grouped into a single fund type (proprietary funds) and include the following individual funds.

Major Fund:

Section 8 Housing Choice Vouchers (Sec 8)

Non-Major Funds:

Tenant Based Rental Assistance (TBRA)  
Shelter Plus Care (Shelter)  
Family Self-Sufficiency (FSS)  
Homeless Prevention (Homeless)  
Safe Roof  
Home Rehab

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. BASIS OF ACCOUNTING**

**GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements as are component units that are fiduciary in nature.

Socorro County Housing Authority does not have any governmental, internal service or fiduciary funds.

The statement of net assets and the statement of activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

All proprietary funds are also accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets.

Proprietary fund-type operating statements present increase (e.g. revenues) and decreases (e.g. expenses) in total net assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. FUND FINANCIAL STATEMENTS**

Major individual enterprise funds are reported as separate columns in the fund financial statements.

Non-major funds are combined and reported in a single column in the fund financial statements. The fund financial statements do not exclude interfund activity.

The Authority reports the following major funds:  
Section 8 Housing Choice Voucher (Sec 8)

The Authority reports the following combined non-major funds:  
Tenant Based Rental Assistance (TBRA)  
Shelter Plus Care (Shelter)  
Family Self-Sufficiency (FSS)  
Homeless Prevention (Homeless)  
Safe Roof  
Home Rehab

**F. REVENUE AND EXPENSE RECOGNITION**

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds principal ongoing operations. The principal operating revenues of the Authority's funds are from HUD operating grants. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are treated as non-operating revenues and expenses.

Grants and similar items (including revenues associated with the HUD programs) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. CASH AND CASH EQUIVALENTS

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

H. CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Infrastructure is capitalized. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Construction period interest is capitalized.

The Authority does not develop any "internal use" software. Software purchased with computer hardware is capitalized. Software purchased separately with a cost greater than \$5,000 is also capitalized.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Vehicles and Equipment	5-7 years
Building	40 years

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**I. UNPAID COMPENSATED ABSENCES**

Accrued compensated absences of the Proprietary Funds are recorded on the Statement of Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave.

**J. OPERATING REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non capital financing, and excludes investing activities.

**K. INTERFUND ACTIVITIES**

Interfund activity may occur as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are eliminated in the Government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

During the year ended June 30, 2007, the Authority had interfund transfers. The details of interfund receivables/payables are shown in Note 3 D and G.

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

L. EXPENDITURES OF RESTRICTED SOURCES

It is the Authority's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

M. MANAGEMENT ESTIMATES AND ASSUMPTIONS

The accompanying financial statements include estimates and assumptions by management that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. EQUITY CLASSIFICATIONS

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt:

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets:

Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. There weren't any restricted net assets at June 30, 2007.

c. Unrestricted net assets:

All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."



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NOTES TO FINANCIAL STATEMENTS  
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**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a federally funded Housing Authority, the Authority is subject to various federal contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over its resources follows:

**A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

The Authority is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the Housing Authority may be invested in:

1. Fully collateralized certificates of deposit that are FDIC insured.
2. Securities of the United States, its agencies or instrumentalities
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions.
4. Securities that are guaranteed by the United States or the State of New Mexico.
5. Revenue bonds that are underwritten by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

The maximum authorized maturity for these securities will be one year or less.

During the year ended June 30, 2007 the Housing Authority had complied with its investment policy and all deposits were insured.

If the Authority is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is not less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the Authority may invest its money with the New Mexico State Treasurer's short-term investment pool for a period no greater than 181 days, or in banks, savings and loans or credit unions. The State Treasurer's short-term investment pool shall be invested as provided for state funds under Section 6-10-10 NMSA 1978.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

B. REVENUE RESTRICTIONS

The Housing Authority has various restrictions placed over its revenue sources by the U.S. Housing and Urban Development Department. The primary restricted revenue sources include:

<u>Revenue Sources:</u>	<u>Legal Restriction of Use</u>
U.S. Department of Housing and Urban Development; Section 8 Housing Choice Voucher Program and other HUD Grants and Awards.	Program objectives and administrative costs within the allowable amounts contained in the grants.

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

A. CASH AND INVESTMENTS-COLLATERALIZATION

The Authority's policies regarding deposits of cash are discussed in notes 1G and 2A. The table presented below is designed to disclose the level of custodial credit risk assumed by the Authority based upon how its deposits were insured or secured with collateral at June 30, 2007.

Total of deposits in bank	\$ 289,880
Less FDIC Coverage	<u>(100,000)</u>
Uninsured public funds	189,880
Pledged Collateral held by the pledging bank's Trust department or agent not in the Authority's name	<u>259,655</u>
Uninsured and uncollateralized	\$ <u>(69,775)</u>

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JUNE 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

A. CASH AND INVESTMENTS-COLLATERALIZATION, continued

The amount above identified as uninsured (\$ 69,775) is subject to custodial credit risk. This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. This amount is, however, collateralized by Wells Fargo Bank with securities held by its agent and under the name of Wells Fargo Bank. All of the Authority's funds are on deposit with Wells Fargo Bank.

The various bank account balances were collateralized as shown in the following schedule:

<u>Wells Fargo Bank</u>	
Demand deposits (per bank)	\$ 289,880
Less FDIC Insurance:	
Demand deposits	<u>(100,000)</u>
Net uninsured balances	<u>189,880</u>
Required collateralization	
@ 50% of uninsured, per statute	94,940
Pledge Collateral held by pledging banks trust department but not in the Authority's name	
	<u>259,655</u>
Pledge Collateral (over) under the requirement	
	\$ <u>(164,715)</u>

The Authority did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2007, and was therefore, not subject to investment risk as described in that publication.

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NOTES TO FINANCIAL STATEMENTS  
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3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

**B. ACCOUNTS RECEIVABLE**

All accounts receivable are considered collectible by management and no allowance for doubtful accounts is deemed necessary. The Authority's Accounts Receivable at June 30, 2007, are as follows:

HUD – Shelter Plus Care	\$ 7,052
HUD – TBRA	2,980
HUD – Home Rehab	<u>930</u>
Total	<u>\$ 10,962</u>

**C. PREPAID EXPENSES**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**D. INTERFUND RECEIVABLES AND PAYABLES**

The Authority had the following interfund receivable/payable balances at June 30, 2007:

	<u>Receivable Due From</u>	<u>Payable Due To</u>
Section 8 Housing Choice Vouchers:		
Due from Home Rehab	39,407	
Due from Shelter Plus Care	28,007	
Shelter Plus Care:		
Due to Section 8		28,007
Home Rehab:		
Due to Section 8	<u>          </u>	<u>39,407</u>
Total	<u>\$ 67,414</u>	<u>\$ 67,414</u>

The receivables and payables were made for temporary cash needs that are expected to be repaid currently.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

E. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance at</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2007</u>
Capital Assets:				
Not being depreciated				
Land	\$ 31,518	\$ -	\$ -	\$ 31,518
	<u>31,518</u>	<u>-</u>	<u>-</u>	<u>31,518</u>
Being depreciated:				
Buildings and Improvements	126,071	-	-	126,071
Vehicles	35,567	-	-	35,567
Equipment	24,028	5,713	-	29,741
	<u>185,666</u>	<u>5,713</u>	<u>-</u>	<u>191,379</u>
Less accumulated depreciation:				
Buildings and Improvements	(58,944)	(3,152)	-	(62,096)
Vehicles	(23,941)	(5,081)	-	(29,022)
Equipment	(9,648)	(4,939)	-	(14,587)
	<u>(92,533)</u>	<u>(13,172)</u>	<u>-</u>	<u>(105,705)</u>
Total capital assets being depreciated, net	<u>93,133</u>	<u>(7,459)</u>	<u>-</u>	<u>85,674</u>
Capital assets, net	<u>\$ 124,651</u>	<u>\$ (7,459)</u>	<u>\$ -</u>	<u>\$ 117,192</u>

All depreciation expense is charged to the Section 8 function in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS  
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3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

F. ACCOUNTS PAYABLE

Accounts payable are for normal operating expenses. A schedule of accounts payable by fund at June 30, 2007, is as follows:

Major Fund:	
Section 8 Housing Choice Vouchers	\$ <u>13,603</u>
Non-major Funds:	
Tenant Based Rental Assistance	\$ 2,155
Home Rehab	<u>4,115</u>
Total Non-major funds	\$ <u>6,270</u>
Total Accounts Payable	<u>\$ 19,873</u>

G. TRANSFERS

During the fiscal year ended June 30, 2007 the Section 8 Housing Choice Vouchers Fund transferred \$15,530 to the Tenant Based Rental Assistance Fund to cover the prior year deficit fund balance in the TBRA fund for Section 8 expenses paid out of TBRA.

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

4. OTHER NOTES

A. ANNUAL AND SICK LEAVE

It is the Authority's policy to grant annual leave and sick leave to Authority employees in accordance with the following schedule:

	<u>Per Pay Period</u>	
	<u>Annual Leave</u>	<u>Sick Leave</u>
All Employees	4 hours	4 hours
Paid upon termination	yes	no

Unused annual leave for any year may be carried over with prior approval to the following year, but if not taken by the end of that year, it is lost. The maximum amount of unused annual leave cannot exceed 104 hours. The unused annual leave is paid on termination. Unused sick leave may be carried over and accumulated up to a maximum of 720 hours. Unused sick leave is not paid on termination. Unpaid annual leave at June 30, 2007 totaled \$2,632 (at June 30, 2006, the amount was \$2,250). All of the unpaid annual leave is considered current. During the year, annual leave increased \$6,021 and decreased by \$5,639. Compensated absences amounts are accounted for in the Section 8 fund.

The following schedule details the changes in compensated absences during the year ended June 30, 2007.

	Balance June 30, <u>2006</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June 30, <u>2007</u>	Current <u>Portion</u>
Compensated Absences	\$ 2,250	6,021	(5,639)	2,632	2,632

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**4. OTHER NOTES, continued**

**B. NOTES PAYABLE**

The following schedule details the changes in Notes Payable during the year ended June 30, 2007.

	Balance June 30, <u>2006</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June 30, <u>2007</u>	Current <u>Portion</u>
Note Payable-Mortgage	\$ 57,651	-	(5,468)	52,183	4,352

The Authority purchased an office building on March 6, 1996. The mortgage is held by The Wells Fargo Bank. The original mortgage was for \$85,000. The original note was for ten years with a balloon. The mortgage was renewed in 2006 for an additional ten years. The note bears interest at 8%, requires monthly payments of \$703.04 and matures on 06/01/2016. The note is second by the office building. A schedule of annual payments follows:

Fiscal Year <u>Ending</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
6/30/2008	\$ 8,436	\$ 4,084	\$ 4,352	\$ 47,831
6/30/2009	8,436	3,706	4,730	43,101
6/30/2010	8,436	3,309	5,127	37,974
6/30/2011	8,436	2,876	5,560	32,414
6/30/2012	8,436	2,415	6,021	26,393
6/30/2013	8,436	1,901	6,535	19,858
6/30/2014	8,436	1,352	7,084	12,774
6/30/2015	8,436	754	7,682	5,092
6/30/2016	5,240	148	5,092	-
Total	<u>\$ 72,728</u>	<u>\$ 20,545</u>	<u>\$ 52,183</u>	

**C. ECONOMIC DEPENDENCY**

Most revenues of the Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority's continued compliance with grant provisions and the continuance of the grant programs by the United States Department of Housing and Urban Development.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**4. OTHER NOTES, continued**

**D. RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property, injury to staff or others, errors and omissions and natural disasters. The Housing Authority insures itself against these losses through commercial insurance carriers.

The New Mexico Tort Claims Act limits the Housing Authority's risk for torts.

**E. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
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NON MAJOR PROPRIETARY FUNDS  
JUNE 30, 2007**

**NON MAJOR PROPRIETARY FUNDS**

**TENANT BASED RENTAL ASSISTANCE (TBRA) –**

To account for the Home Investment Partnerships Tenant Based Rental Assistance Program contract number 06-01-SOC-TBA-001 provided through the New Mexico Mortgage Finance Authority (MFA) by the U.S. Department of Housing and Urban Development (HUD) pursuant to the Title II National Affordable Housing Act of 1990 as amended and federal regulations at 24 CFR part 92 “Home Investment Partnerships Programs”. TBRA funds provide affordable housing opportunities for the benefit of low income citizens within the jurisdiction of Socorro County Housing Authority. This is an annual contract for an amount of \$16,500.

**SHELTER PLUS CARE –**

To account for the Shelter Plus Care Program funds provided by the U.S. Department of Housing and Urban Development (HUD) grant number NM02C501001 pursuant to subtitle F of Title IV of the McKinney-Vento Homeless Assistance Act 42 U.S.C. 11301 and federal regulations at 24 CFR 582. The grant is a five year grant for a total of \$295,980. The program is designed to link rental assistance to supportive services for hard-to-serve homeless person with disabilities.

**FAMILY SELF – SUFFICIENCY (FSS) –**

To account for the Family Self-Sufficiency/Homeownership Coordinator Award Number NM077FSF001 and number NM077FSF002 provided by the U.S. Department of Housing and Urban Development. Each award is for a twelve month period in the amount of \$22,841 and \$23,069 respectively. The award is for funding a coordinator salary and administrative expenses to facilitate the program objectives that encourage communities to develop local strategies to help voucher families obtain employment that will lead to economic independence and self-sufficiency.

**HOMELESS PREVENTION –**

To account for a \$7,000 grant award from HUD Emergency Shelter Program through the New Mexico Mortgage Finance Authority (MFA) for the Homeless Prevention Program to Provide basic support in an effort to address the needs of homeless individuals and families.

**SAFE ROOF –**

To account for a \$5,500 grant award from the New Mexico Mortgage Finance Authority (MFA) to provide support to eligible individuals and families for a safe home.

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NON MAJOR PROPRIETARY FUNDS  
JUNE 30, 2007**

**NON MAJOR PROPRIETARY FUNDS, continued**

**HOME REHAB –**

To account for several grants through the New Mexico Mortgage Finance Authority (MFA) for the Home Investment Partnerships Owner-Occupied Rehabilitation Program provided by the U.S. Department of Housing and Urban Development (HUD) under the Home Program pursuant to the Title II National Affordable Housing Act of 1990 and the federal regulations at 24 CFR Part 92 “Home Investment Partnership Program”. Home Rehab Funds provide affordable housing opportunities for the benefit of low income citizens within the jurisdiction of the Socorro County Housing Authority.

STATE OF NEW MEXICO  
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 SOCORRO, NEW MEXICO  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS - Nonmajor Funds  
 June 30, 2007

	TBRA	Shelter	FSS	Homeless	Safe Roof	Home Rehab	Totals Nonmajor Proprietary Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ (825)	20,955	-	-	-	85,585	105,715
Accounts receivable, net	2,980	7,052	-	-	-	930	10,962
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 2,155	28,007	-	-	-	86,515	116,677
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 2,155	-	-	-	-	4,115	6,270
Due to other funds	-	28,007	-	-	-	39,407	67,414
Total liabilities	2,155	28,007	-	-	-	43,522	73,684
Net Assets:							
Unrestricted	-	-	-	-	-	42,993	42,993
Total net assets	-	-	-	-	-	42,993	42,993
Total liabilities and net assets	\$ 2,155	28,007	-	-	-	86,515	116,677

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
STATEMENT OF REVENUES, EXPENSES AND  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS - Nonmajor Funds  
For the Year Ended June 30, 2007

	TBRA	Shelter Plus	FSS	Homeless	Safe Roof	Home Rehab	Totals Nonmajor Proprietary Funds
Operating revenues:							
Operating grants	\$ 12,693	28,038	22,955	7,000	5,500	106,757	182,943
Total operating revenues	<u>12,693</u>	<u>28,038</u>	<u>22,955</u>	<u>7,000</u>	<u>5,500</u>	<u>106,757</u>	<u>182,943</u>
Operating expenses:							
Wages & Benefits	-	-	22,955	-	-	-	22,955
Administrative	1,154	2,315	-	-	500	9,292	13,261
Rents & Tenant Assistant	11,539	25,723	-	7,000	-	-	44,262
Home Rehab Costs	-	-	-	-	5,000	99,508	104,508
Total operating expenses	<u>12,693</u>	<u>28,038</u>	<u>22,955</u>	<u>7,000</u>	<u>5,500</u>	<u>108,800</u>	<u>184,986</u>
Net operating income (loss)	-	-	-	-	-	(2,043)	(2,043)
Nonoperating revenues:							
Interest income	-	-	-	-	-	39	39
Total nonoperating revenues	-	-	-	-	-	39	39
Income (loss) before transfers	-	-	-	-	-	(2,004)	(2,004)
Transfers in	15,530	-	-	-	-	-	15,530
Transfers out	-	-	-	-	-	-	-
Change in net assets	15,530	-	-	-	-	(2,004)	13,526
Net assets, beginning of year	(15,530)	-	-	-	-	44,997	29,467
Net assets, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,993</u>	<u>42,993</u>

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 SOCORRO COUNTY HOUSING AUTHORITY  
 A Component Unit of Socorro County  
 SOCORRO, NEW MEXICO  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - Nonmajor Funds  
 For the Year Ended June 30, 2007

	TBRA	Shelter	FSS	Homeless	Safe Roof	Home Rehab	TOTALS Nonmajor Proprietary Funds
Cash flows from operating activities:							
Cash received from grantors for operating purposes	\$ 9,713	20,986	22,955	7,000	5,500	105,827	171,981
Cash paid to and on behalf of employees	-	-	(22,955)	-	-	-	(22,955)
Cash paid to vendors for goods and services	(10,538)	(28,038)	-	(7,000)	(5,500)	(104,685)	(155,761)
Net cash flows from operating activities	(825)	(7,052)	-	-	-	1,142	(6,735)
Cash flows from noncapital financing activities:							
Transfers In (Out)	15,530	-	-	-	-	-	15,530
Due from other funds	-	28,007	-	-	-	4,500	32,507
Due to other funds	(15,530)	-	-	-	-	38,125	22,595
Net cash flows from noncapital financing activities	-	28,007	-	-	-	42,625	70,632
Cash flows from capital and related financing activities:							
Purchase of property and equipment (capital assets)	-	-	-	-	-	-	-
Cash received from grantors for capital acquisitions	-	-	-	-	-	-	-
Net cash flows from capital and related financing activities	-	-	-	-	-	-	-
Cash flows from investing activities:							
Investment income received	-	-	-	-	-	39	39
Net cash flows from investing activities	-	-	-	-	-	39	39
Net increase (decrease) in cash and cash equivalents	(825)	20,955	-	-	-	43,806	63,936
Cash and cash equivalents, at beginning of year	-	-	-	-	-	41,779	41,779
Cash and cash equivalents, end of year	\$ (825)	20,955	-	-	-	85,585	105,715
Noncash Capital and related financing activities:							
Transfer of capital assets	\$ -	-	-	-	-	-	-

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 SOCORRO COUNTY HOUSING AUTHORITY  
 A Component Unit of Socorro County  
 SOCORRO, NEW MEXICO  
 STATEMENT OF CASH FLOWS, continued  
 PROPRIETARY FUNDS - Nonmajor Funds  
 For the Year Ended June 30, 2007

Reconciliation Of Operating Income (loss)  
To Net Cash Flows From Operating Activities

	TBRA	Shelter	FSS	Homeless	Safe Roof	Home Rehab	Totals Nonmajor Proprietary Funds
Net operating income (loss)	\$ -	-	-	-	-	(2,043)	(2,043)
Adjustment to reconcile operating income (loss) to cash flows from operating activities:							
Depreciation	-	-	-	-	-	-	-
(Increase) decrease in assets:							
Account receivable	(2,980)	(7,052)	-	-	-	(930)	(10,962)
Prepaid expenses	-	-	-	-	-	-	-
Increase (decrease) in liabilities:							
Accounts payable	2,155	-	-	-	-	4,115	6,270
Accrued salaries and benefits	-	-	-	-	-	-	-
Accrued compensated absences	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-
Cash flows from operating activities	\$ (825)	(7,052)	-	-	-	1,142	(6,735)

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements



## **SUPPORTING SCHEDULES**

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2007

	<u>Security Number</u>	<u>CUSIP Number</u>	<u>Fair-Market Value</u>	<u>Maturity Date</u>
<u>Wells Fargo Bank</u>				
FNCL 6%	872463	31409JJG6	\$ 125,894	06/01/36
FNCL 6%	919547	31412ATC8	<u>133,761</u>	07/01/37
Total			<u>\$ 259,655</u>	

The collateral is held by Wells Fargo Bank Trust Department for the Socorro County Housing Authority.

SEE INDEPENDENT AUDITORS' REPORT  
The Accompanying Notes Are An Integral Part of These Financial Statements

SCHEDULE I

**STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF BANK RECONCILIATION  
JUNE 30, 2007**

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA, 1978, as interpreted by the State Auditor Rule 2.2.2 NMAC.

<u>Bank Name</u>	<u>Acct Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo Bank	1	\$ 166,709	\$ -	\$ 6,361	\$ 160,348
Wells Fargo Bank	1	20,955	-	-	20,955
Wells Fargo Bank	1	94	-	-	94
Wells Fargo Bank	1	85,585	-	-	85,585
Wells Fargo Bank	2	16,537	-	-	16,537
Total Cash in Bank		<u>\$ 289,880</u>	<u>\$ -</u>	<u>\$ 6,361</u>	283,519
Cash on Hand					30
Total Cash					<u>\$ 283,549</u>

Account types:

- 1 Demand deposit
- 2 Negotiable Order of Withdrawal (NOW)

Cash Reported in Statement of Net Assets:

Cash and Cash Equivalents	\$ 283,549
Temporarily Restricted Assets:	
Cash and Cash Equivalents	-
Total	<u>\$ 283,549</u>

Cash Reported in Financial Statements by Fund:

Major Funds:

Section 8 Housing Choice Voucher Program \$ 177,834

Non-major funds:

Tenant Based Rental Assistance \$ (825)

Shelter Plus Care 20,955

Home Rehab 85,585

Total Non-major Funds 105,715

Total \$ 283,549

SEE INDEPENDENT AUDITORS' REPORT

The Accompanying Notes Are An Integral Part of These Financial Statements

SCHEDULE II

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
Financial Data Schedule  
For the Year Ended June 30, 2007

Line Item No.	Section 8 Choice Voucher Program	Tenant Based Rental Assistance Program	Shelter Care Plus Program	Family Self Sufficiency Program	Homeless Prevention Program	Safe Roof Program	Home Rehabilitation Program	Total
111	Cash - Unrestricted							
113	Cash - Restricted							
100	Total Cash	(825)	20,955	14,871	14,231	14,239	85,585	283,549
125	Accounts Receivable - Miscellaneous		7,052				930	10,962
126.1	Allowance for Doubtful Accounts							
120	Total Receivables, Net of Allowance for Doubtful Accounts	2,980	7,052				930	10,962
142	Prepaid Expenses and Other Assets							
144	Interprogram Due From							
150	Total Current Assets	2,155	28,007	14,871	14,231	14,239	86,515	366,392
161	Land							31,518
162	Buildings							126,071
164	Furniture, Equipment & Machinery							65,308
166	Accumulated Depreciation							(105,705)
160	Total Fixed Assets, Net of Accumulated Depreciation							117,192
180	Total Non Current Assets							117,192
190	Total Assets	2,155	28,007	14,871	14,231	14,239	86,515	483,584
312	Accounts Payable ≤ 90 Days							
321	Accrued Wage/Payroll Taxes Payable							
322	Accrued Compensated Absences - Current Portion							
325	Accrued Interest Payable							
347	Interprogram Due To		28,007				39,407	67,414
348	Loan Liability - Current							4,352
310	Total Current Liabilities	2,155	28,007				43,522	94,619
352	Long Term Debt, Net of Current - Operating Borrowings							47,831
350	Total Noncurrent Liabilities							47,831
300	Total Liabilities	2,155	28,007				43,522	142,450
508.1	Invested in Capital Assets, Net of Related Debt							65,009
512.1	Unrestricted Net Assets							276,125
513	Total Equity/Net Assets							341,134
600	Total Liabilities and Equity/Net Assets	2,155	28,007				86,515	483,584

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A Component Unit of Socorro County  
SOCORRO, NEW MEXICO  
Financial Data Schedule  
For the Year Ended June 30, 2007

Line Item No.	Section 8 Choice Voucher Program	Tenant Based Rental Assistance Program	Shelter Care Plus Program	Family Self Sufficiency Program	Homeless Prevention Program	Safe Roof Program	Home Rehabilitation Program	Total
70600	HUD PHA Operating Grants	\$ 12,693	\$ 28,038	\$ 22,955	\$ 7,000	\$ 5,500	\$ 106,757	\$ 1,504,268
71100	Investment Income - Unrestricted	-	-	-	-	-	39	680
71500	Other Revenue	125,970	-	-	-	-	-	125,970
70000	Total Revenue	1,447,936	28,038	22,955	7,000	5,500	106,796	1,630,918
91100	Administrative Salaries	121,963	-	22,955	-	-	-	144,918
91200	Audit Fees	5,062	-	-	-	-	-	5,062
91400	Advertising and Marketing	471	-	-	-	-	-	471
91500	Employee Benefit Contributions - Administrative	11,300	-	-	-	-	-	11,300
91600	Office Expenses	22,594	-	-	-	-	-	22,594
91700	Legal	2,000	-	-	-	-	-	2,000
91800	Travel	5,887	-	-	-	-	-	5,887
91900	Other Administrative Operating Costs	38,094	2,315	-	-	500	9,292	51,355
93100	Water	167	-	-	-	-	-	167
93200	Electricity	1,209	-	-	-	-	-	1,209
94200	Ordinary Maintenance and Operations - Materials and Other	1,085	-	-	-	-	-	1,085
94300	Ordinary Maintenance and Operations Contracts	1,985	-	-	-	5,000	99,508	106,493
96120	Liability Insurance	4,917	-	-	-	-	-	4,917
96130	Workmen's Compensation	8,074	-	-	-	-	-	8,074
96710	Interest on Mortgage Payable	3,319	-	-	-	-	-	3,319
96900	Total Operating Expenses	228,127	2,315	22,955	-	5,500	108,800	368,851
97000	Excess Operating Revenue Over Operating Expenses	1,219,809	25,723	-	7,000	-	(2,004)	1,262,067
97300	Housing Assistance Payments	1,066,803	25,723	-	7,000	-	-	1,111,065
97400	Depreciation Expense	13,172	-	-	-	-	-	13,172
90000	Total Expenses	1,308,102	28,038	22,955	7,000	5,500	108,800	1,493,088
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	139,834	-	-	-	-	(2,004)	137,830
10010	Operating Transfers In	-	-	-	-	-	-	15,530
10020	Operating Transfers Out	(15,530)	-	-	-	-	-	(15,530)
10030	Return of HAP funds to HUD	(129,805)	-	-	-	-	-	(129,805)
11030	Beginning Equity	303,642	(15,530)	-	-	-	44,997	333,109
	Ending Equity	\$ 298,141	\$ -	\$ -	\$ -	\$ -	\$ 42,993	\$ 341,134

**COMPLIANCE SECTION**

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

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**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 Balderas, State Auditor,  
and  
Members of the Board of Commissioners  
Socorro County Housing Authority  
Socorro, New Mexico

We have audited the financial statements of the business-type activities, each major fund, the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the Socorro County Housing Authority, a component unit of Socorro County, Socorro, New Mexico (the "Authority") as of and for the year ended June 30, 2007, and have issued our report thereon dated February 20, 2009. 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 (GAS)*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**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, continued**

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting as items:

FS 07-1	Prior year Audit Journal entries not posted
FS 07-2	Voided checks carried at outstanding
FS 07-3	Invalid Accounts Payable in subsidiary ledger
FS 07-5	Withdrawal taken from deposit
FS 07-6	Inaccurate classification of expenses
FS 07-7	Ineffective use of separate bank accounts

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the following items to be material weaknesses:

FS 07-1	Prior year Audit Journal Entries not posted
FS 07-2	Voided checks carried on outstanding

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of 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,



**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, continued**

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* which are described in the accompanying schedule of findings and questioned cost as items:

FS 02-2	Audit Report not timely submitted to State
FS 07-4	Penalties and Interest paid on late Payroll Tax payments
FA 02-01	Audit Report not timely submitted to HUD
FA 07-01	Refunds not timely remitted
FA 07-02	Excess Administrative fee charged

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

This report is intended solely for the information and use of management, the Board of Commissioners, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



February 20, 2009  
Beckham & Penner, P.C.  
Certified Public Accountants

**FEDERAL FINANCIAL ASSISTANCE**

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector Balderas, Auditor  
The Office of Management and Budget  
Members of the Board of Commissioners  
Socorro County Housing Authority  
Socorro, New Mexico

Compliance

We have audited the compliance of Socorro County Housing Authority, a component unit of Socorro County, Socorro, New Mexico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Socorro County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Socorro County Housing Authority's management. Our responsibility is to express an opinion on Socorro County Housing Authority's compliance based on our audit.

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,continued**

In our opinion, Socorro County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned cost as items FA 02-01, FA 07-01 and FA 07-2.

Internal Control Over Compliance

The management of Socorro County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In the planning and performing our audit, we considered Socorro County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Socorro County Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,continued**

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

This report is intended solely for the information and use of management, the Board of Commissioners, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beckham & Penner, P.C.  
Certified Public Accountants  
Socorro, New Mexico  
February 20, 2009

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Choice Vouchers	*	14.871	N/A
Family Self Sufficiency Coordinator		14.871	\$ 1,209,710
Shelter Plus Care		14.238	22,955
			<u>28,038</u>
Total Direct Programs:			<u>1,260,703</u>
Pass-Through Program From:			
State of New Mexico Mortgage Finance Authority:			
Emergency Shelter Grants Program -			
NM Homeless Program	14.231	N/A	7,000
Home Investment Partnerships Program :			
Home Rehab	14.239	YR-01-SOC-HOR-001	108,800
TBRA	14.239	06-01-SOC-TBA-001	12,693
Safe Roof	14.239	N/A	<u>5,000</u>
Total Pass-Through Programs:			<u>133,493</u>
Total U.S. Department of Housing Development			<u>1,394,196</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,394,196</u></u>

\* Major Program

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

**Notes To Schedule Of Expenditures Of Federal Awards**

1. Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Socorro County Housing Authority and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Government and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

The Socorro County Housing Authority did not provide any federal awards to subrecipients during the year.

3. Non-Cash Assistance

The Socorro County Housing Authority did not receive any non monetary assistance.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,394,196
Total expenditures funded by other sources	<u>98,392</u>
Total expenditures	<u><u>\$ 1,492,588</u></u>

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

**SECTION I – SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |             |
|--|-------------|
| 1. Type of auditors’ report issued   | Unqualified |
| 2. Internal Control over financial reporting:                                    |             |
| a. Material weakness identified?   | Yes         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| c. Noncompliance material to the financial statements noted                      | Yes         |

*Federal Awards:*

- |   |             |
|---|-------------|
| 1. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | No          |
| b. Significant deficiencies identified not considered to be material weaknesses?                                      | Yes         |
| 2. Type of auditors’ report issued on compliance for major programs   | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes         |
| 4. Identification of major programs:  |             |

CFDA  
Number  
14.871

Federal Program  
Section 8 Housing Choice Vouchers Program

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee?                              | No        |



STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

<u>Prior Year Findings</u>	<u>Status</u>
Financial Statements:	
FS 02-2 Audit Report not timely	Repeated
Federal Awards:	
FA 02-01 Audit Report not timely	Repeated

Current Year Findings

**Section II:**

Financial Statements:

- FS 02-2 Audit Report not timely submitted to State Auditor
- FS 07-1 Prior year Audit Journal Entries not posted
- FS 07-2 Voided checks carried as outstanding
- FS 07-3 Invalid Accounts Payable in subsidiary ledger
- FS 07-4 Penalties and Interest paid on late Payroll Tax payments
- FS 07-5 Withdrawal taken from deposit
- FS 07-6 Inaccurate classification of expenses
- FS 07-7 Ineffective use of separate bank accounts

**Section III:**

Federal Awards:

- FA 02-01 Audit Report not timely submitted to HUD
- FA 07-01 Refunds not timely remitted
- FA 07-02 Excess Administrative fee charged

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 02-2 AUDIT REPORT NOT TIMELY SUBMITTED TO STATE AUDITOR**

*Condition:* The Socorro County Housing Authority did not issue the audit report until February 20, 2009.

*Criteria:* The Authority was required to submit the audit reports for the year ended June 30, 2007 on or before November 15 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1)(c and g) of the State Auditor Rule.

*Cause:* The Authority was unable to submit the June 30, 2007 audit report on a timely basis as a result of the prior year audit being finalized late, and not contracting with an auditor until after the due date.

*Effect:* The Authority is not in compliance with the New Mexico State Auditor Rules and Regulations. Furthermore, the entities' federal award funding may be affected by the late submission of year end audit reports.

*Auditors' Recommendation:* The Authority must ensure that all future audit reports are filed in a timely manner. The Authority should ensure this process is timely in the future through communication with the auditor.

*Management Response:* The Authority is working with the auditors to complete and submit audit report in a timely manner. The auditor should also take responsibility for meeting deadlines which are required.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 07-1 PRIOR YEAR AUDIT JOURNAL ENTRIES NOT POSTED**

*Condition:* The Authority's general ledger did not reflect the prior year audit journal entries.

*Criteria:* Generally accepted accounting principles require all activity be timely recorded in the financial records, to include audit journal entries. All transactions, including audit journal entries, are required to be properly recorded in accordance with 1978 NMSA Section 6.6.3.

*Cause:* The auditors for the prior year audited both the County of Socorro and the Authority. The audit journal entries presented at the exit conference were given to the county manager. Those entries were for both the County and Housing Authority combined. The county manager did not provide a copy of the audit journal entries to the Housing Authority.

*Effect:* The financial records did not reflect the prior year audit journal entries. The prior year audit entries had to be included with the current year audit journal entries.

*Auditors' Recommendation:* The Authority should ensure that the audit journal entries are timely posted to the financial records.

*Management Response:* We did not receive the Audited adjustments in a timely manner. When we did receive the Audit adjustments it was difficult to determine what audit adjustments were for the authority, because they were combined with the County's. We had also already closed our June 30, 2007 audit year by the time these entries were completed. The Authority will ensure that audit adjustments are timely posted providing the audit can be completed on a timely basis.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 07-2 VOIDED CHECKS CARRIED AS OUTSTANDING**

*Condition:* Checks physically voided were not properly voided in the general ledger in a timely manner. Checks written and voided in the prior year, but not voided in the general ledger until the current year amounted to \$19,413. Checks written and voided in the current year but not voided in the general ledger amounted to \$50,396.

*Criteria:* Generally accepted accounting principles require all activity be timely recorded in the financial records, to include voided checks. All transactions, including voided checks, are required to be properly recorded in accordance with the 1978 NMSA Section 6.6.3.

*Cause:* When a check is determined to be incorrect, it is physically voided and a new check is processed. The Authority does not adequately communicate to the fee accountant that a check was voided. Also, during the bank reconciliation process, there is not adequate follow up on old outstanding checks.

*Effect:* The financial records did not accurately reflect the financial transactions of the Authority until the checks were properly voided in the general ledger.

*Auditors' Recommendation:* Authority should establish procedures to process voided checks and monitor the procedures to ensure that the checks are properly voided in the general ledger.

*Management Response:* We concur with the auditors' recommendation and have already established procedures to monitor that voided checks are properly reflected in our financial records.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 07-3 INVALID ACCOUNTS PAYABLE IN SUBSIDIARY LEDGER**

*Condition:* Invalid accounts payable were not removed from the accounts payable subsidiary ledger.

*Criteria:* Generally accepted accounting principles require all activity be timely recorded in the financial records, to include corrections to accounts payable. All transactions, including corrections to accounts payable, are required to be properly recorded in accordance with 1978 NMSA Section 6.6.3.

*Cause:* Detail accounts payable reports were not properly reviewed and corrections were not made when needed.

*Effect:* The financial records reflected inaccurate amounts and vendor payments could have been erroneously made.

*Auditors' Recommendation:* The Authority should review the detail subsidiary records for the accounts payable and make corrections as needed.

*Management Response:* We concur with the auditors' recommendation and have implemented procedures to have the Authority and the fee accountant review the detail accounts payable records on a monthly basis and make corrections as needed.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 07-4 PENALTIES AND INTEREST PAID ON LATE PAYROLL TAX PAYMENTS**

*Condition:* The Authority paid \$3,853 of penalties and interest on late payroll tax payments. Six payments out of the thirteen payments during the fiscal year were paid late.

*Criteria:* Internal control policy and procedures require that payments for liabilities be timely and accurately processed, including payroll tax payments.

*Cause:* Lack of internal controls to monitor the due dates and actual payment, along with inadequate communication with fee accountant resulted in late payments.

*Effect:* Addition administrative expenses were incurred as a result of penalty and interest assessments on the late payment of the payroll taxes.

*Auditors' Recommendation:* Internal control policy and procedures need to be implemented to ensure that required payments are made timely.

*Management Response:* We concur with the auditors' recommendation and have implemented procedures to ensure payroll tax payments are made timely, also the Authority is responsible for the monthly tax payments and the Fee Accountant is responsible for the quarterly reports.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

**FS 07-5 WITHDRAWAL TAKEN FROM DEPOSIT**

*Condition:* On May 11, 2007 the Authority wrote a check to transfer \$947.45 from the fundraiser bank account to the operating bank account. When the check was deposited, less cash of \$100 was received to reimburse the petty cash for office supplies.

*Criteria:* Internal control policy and procedures provide that all receipts be timely deposited intact, including transfers.

*Cause:* This was the only transfer from the fundraiser bank account and the only time less cash received from a deposit was noted in our detail testing.

*Effect:* Circumventing internal controls could result in errors that may not be detected by management or employees performing their duties.

*Auditors' Recommendation:* The Authority should always follow their prescribed internal control policies and procedures, including not allowing less cash to be obtained from deposits.

*Management Response:* This was an isolated instance and we will ensure that our internal control policies and procedures are effectively communicated to our employees. Also, all receipts for items purchased with the \$100.00 were available to the Auditor.

STATE OF NEW MEXICO  
SOCORRO COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF SOCORRO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**FS 07-6 INACCURATE CLASSIFICATION OF EXPENSES**

*Condition:* During our examination of expenses we noted inaccurate classification of administrative expenses, TBRA program expenses and Rehab expenses. These inaccurate classifications were corrected as part of the audit journal entries.

*Criteria:* Generally accepted accounting principles require all activity be accurately recorded in the financial records. All transactions are required to be properly recorded in accordance with the 1978 NMSA Section 6.6.3.

*Cause:* The Authority did not properly reconcile their program reporting to the general ledger. Additionally, the Authority relied too much on the fee accountant without applying the proper oversight for reviewing the resulting financial records.

*Effect:* The financial records did not reflect accurate reporting of expenses and did not agree with the program reports prepared.

*Auditors' Recommendation:* The Authority should exercise proper oversight of the financial reports prepared by the fee accountant. Additionally, all program reports should be reconciled to the financial records.

*Management Response:* We concur with the auditors' recommendation and will implement procedures for oversight of the financial records and reconciliation of the programs reports to the financial records.



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**FS 07-7 INEFFECTIVE USE OF SEPARATE BANK ACCOUNTS**

*Condition:* the Authority established a separate bank account for the Shelter Plus program. All revenues were deposited into that separate bank account; however, expenses were all paid out of their general operating bank account. The Due To and Due From accounts were not properly established.

*Criteria:* Proper internal control policies and procedures that established a separate bank account be used for program funds, require that all program activity be maintained within that separate bank account and Due To and Due From accounts be properly maintained when funds are advanced from another account.

*Cause:* The Authority did not establish adequate internal control policies and procedures to ensure that program expenses be paid out of the separate bank account, or properly maintain the Due To and Due From accounts.

*Effect:* The program expenses were properly identified and classified in the financial records, however, they were paid out of the wrong bank account without maintaining the proper Due To and Due From accounts.

*Auditors' Recommendation:* Effective internal control policies and procedures should be established to ensure that expenses are paid out of the proper bank account. A transfer of funds should be initiated to correct the effected bank accounts.

*Management Response:* The contract, which is a reimbursable program, does not require that we establish a separate bank account, as long as we can track the funds.

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**SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**FA 02-1 – Audit Report Not Timely Submitted to HUD**

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers
CFDA number:	14.871
Award year and number:	06-30-07

*Condition:* The Authority issued the Audit report subsequent to the November 15, 2007 deadline required by the State Auditor and the March 31, 2008 deadline for submitting the data collection form required by OMB Circular A-133. The State Auditor received the report on February 20, 2009.

*Criteria:* The Authority is required to submit the audit report for the year ended June 30, 2007 no later than 9 months following the Authority's fiscal year end or March 31, 2008 in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 Section 320 and NMAC 2.2.2.10J (3)(c)(ii) when receiving federal funds in excess of \$500,000.

*Questioned Costs:* None

*Cause:* The Authority was unable to submit the June 30, 2007 audit report on a timely basis as a result not contracting with an approved auditor in a timely basis.

*Effect:* The Authority is not in compliance with the U.S. Office of Management and Budget (OMB) Circular A-133 for entities receiving federal awards. Non-compliance with the reporting requirement of U.S. Office of Management and Budget (OMB) Circular A-133 may affect the Authority's federal award future funding.

*Auditors' Recommendation:* The Authority must ensure that all future audit reports are filed in a timely manner. The Authority should ensure this process is timely in the future through timely contracting with an auditor and communication with the auditor.

*Management Response:* The Authority is working with the auditors to correct the matter and submit future audit reports in a timely manner.

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**FA 07-01 REFUND NOT TIMELY REMITTED**

Federal program information:

Funding agency:	U.S. Department of Housing Urban Development
Pass Through Agency:	NM Mortgage Finance Authority
Title:	Tenant Based Rental Assistance (TBRA – Home) Program
CFDA number:	14.239
Award year and number:	06-01-SOC-TBA-001

*Condition:* A security deposit refund paid with the TBBA program funds was returned to the Authority on 02/20/2007 in the amount of \$66.26. The Authority was then obligated to return these funds plus the 10% administrative fee of \$6.63 to the New Mexico Mortgage Finance Authority (MFA). The refund to MFA was not made until 11/09/2007.

*Criteria:* The Authority is required to return any refunds received to MFA within 30 days per Article 2, Section 7 of the 06-01-SOC-TBA-001 contract award.

*Questioned Costs:* \$72.89

*Cause:* This was the first and only security deposit refund received back by the Authority and there were no procedures in place to ensure that the funds were timely returned.

*Effect:* The funds were returned, but not within the 30 day requirement.

*Auditors' Recommendation:* Procedures should be implemented to ensure that refunds received are returned within the required time.

*Management Response:* We concur with the auditors' recommendation and have implemented procedures to ensure that refunds received are returned timely.

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**FA 07-02 EXCESS ADMINISTRATIVE FEE CHARGED**

Federal program information:

Funding agency:	U.S. Development of Housing and Urban Development
Title:	Shelter Plus Care
CFDA number:	14.238
Award year and number:	2007-NM02C501001

*Condition:* The Authority applied a 9% administration fee to the program cost of \$25,722.68 to yield an administrative fee of \$2,315.04. The maximum allowable administrative fee is 8%; which would yield an administrative fee of \$2,057.81.

*Criteria:* The maximum earmarking of up to eight percent of the grant amount may be used to pay the cost of administering housing assistance is contained in 24 CFR Section 582.105(e).

*Questioned Cost:* \$257.53

*Cause:* This was a new program and the Authority did not realize they were using the wrong administrative fee percentage.

*Effect:* The Authority received \$257.23 in excess administrative fees.

*Auditors' Recommendation:* When the Authority receives a new program, they should verify the proper administrative fee that will be applied to the program. The excess administrative fee should be returned.

*Management Response:* We concur with the auditors' recommendation and in the future will verify the proper administrative fee for all new programs. We will return the required funds.

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EXIT CONFERENCE  
JUNE 30, 2007

**Preparation of Financial Statements**

The accompanying financial statements were substantially prepared by the Auditors; however, management acknowledges and accepts responsibility for the financial statements.

**EXIT CONFERENCE**

An exit conference was held on February 20, 2009 at the Socorro County Housing Authority office.

In attendance for the Authority:

Marcel Abeyta  
Mary Ann Chavez

Commissioner  
Executive Director

In attendance for the Auditor:

Rick Penner, CPA

Auditor