

**STATE OF NEW MEXICO  
FORT SUMNER HOUSING AUTHORITY**

**A COMPONENT UNIT OF  
THE VILLAGE OF FORT SUMNER, NEW MEXICO**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Official Roster  
For the Year Ended June 30, 2010

**Board of Directors**

Yolanda Cline	Chairman
Allen Sparks	Vice Chairman
Ruby Gonzales	Member
Mary Lovato	Member
Gloria Salas	Resident Member

**Administrative Official**

Sharon Lopez	Executive Director
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**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
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June 30, 2010

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Chairman and Board Members  
Fort Sumner Housing Authority  
Fort Sumner, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Fort Sumner Housing Authority (the "Authority"), a component unit of the Village of Fort Sumner, New Mexico (the Village), as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the year ended June 30, 2010 listed as supplementary information in the table of contents. These financial statements are the responsibility of Fort Sumner Housing 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 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, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of the Village of Fort Sumner as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, 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 Fort Sumner Housing Authority as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2010 on our consideration of the Fort Sumner Housing Authority's internal control over financial reporting and 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 Fort Sumner Housing Authority has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Sumner Housing Authority's financial statements and the budgetary comparison statements. The accompanying financial information listed as supporting Schedule I in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Fort Sumner Housing Authority. The accompanying Financial Data Schedule is presented as supporting Schedule II for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion it.

*Accounting & Consulting Group, L.L.P.*

Accounting & Consulting Group, LLP  
Certified Public Accountants  
Clovis, New Mexico  
November 29, 2010

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Statement of Net Assets  
June 30, 2010

Exhibit A-1

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 13,204	\$ -	\$ 13,204
Investments	141,697	-	141,697
Accounts receivable - tenants	1,094	-	1,094
Accounts receivable - grants	7,600	-	7,600
Inventory	296	-	296
Other current assets	329	-	329
Prepaid expenses	16,439	-	16,439
<i>Total current assets</i>	<u>180,659</u>	<u>-</u>	<u>180,659</u>
<i>Noncurrent Assets</i>			
Restricted cash and cash equivalents	6,603	-	6,603
Capital assets	1,955,525	-	1,955,525
Accumulated depreciation	(1,037,569)	-	(1,037,569)
<i>Total assets</i>	<u>\$ 1,105,218</u>	<u>\$ -</u>	<u>\$ 1,105,218</u>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 6,847	\$ -	\$ 6,847
Accrued expenses	17,311	-	17,311
Accrued payroll	231	-	231
<i>Total current liabilities</i>	<u>24,389</u>	<u>-</u>	<u>24,389</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	6,633	-	6,633
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,633</u>	<u>-</u>	<u>6,633</u>
<i>Non-current liabilities :</i>			
Compensated absences, long term portion	1,946	-	1,946
<i>Total non-current liabilities</i>	<u>1,946</u>	<u>-</u>	<u>1,946</u>
<i>Total liabilities</i>	<u>32,968</u>	<u>-</u>	<u>32,968</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	917,956	-	917,956
Unrestricted	154,294	-	154,294
<i>Total net assets</i>	<u>1,072,250</u>	<u>-</u>	<u>1,072,250</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,105,218</u>	<u>\$ -</u>	<u>\$ 1,105,218</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2010

Exhibit A-2

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 76,008	\$ -	\$ 76,008
<i>Total operating revenues</i>	<u>76,008</u>	<u>-</u>	<u>76,008</u>
<i>Operating expenses:</i>			
Personnel services	90,428	-	90,428
Purchased professional and technical services	18,134	-	18,134
Purchased property services	42,477	-	42,477
Other operating expenses	22,197	-	22,197
Utilities	16,024	-	16,024
Depreciation	58,674	-	58,674
<i>Total operating expenses</i>	<u>247,934</u>	<u>-</u>	<u>247,934</u>
<i>Operating income (loss)</i>	<u>(171,926)</u>	<u>-</u>	<u>(171,926)</u>
<i>Non-operating revenues (expenses):</i>			
Noncapital grants and subsidies	146,595	10,785	157,380
Capital grants	-	68,988	68,988
Interest income	1,541	-	1,541
Miscellaneous income	4,771	-	4,771
<i>Total non-operating revenues (expenses)</i>	<u>152,907</u>	<u>79,773</u>	<u>232,680</u>
<i>Income (loss) before transfers</i>	<u>(19,019)</u>	<u>79,773</u>	<u>60,754</u>
Transfers in	10,785	-	10,785
Transfers (out)	-	(10,785)	(10,785)
<i>Total transfers</i>	<u>10,785</u>	<u>(10,785)</u>	<u>-</u>
<i>Change in net assets</i>	<u>(8,234)</u>	<u>68,988</u>	<u>60,754</u>
<i>Total net assets - beginning of year</i>	<u>1,011,496</u>	<u>-</u>	<u>1,011,496</u>
Residual equity transfers in	68,988	-	68,988
Residual equity transfers out	-	(68,988)	(68,988)
<i>Total net assets - end of year</i>	<u>\$ 1,072,250</u>	<u>\$ -</u>	<u>\$ 1,072,250</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Statement of Cash Flows  
For the Year Ended June 30, 2010

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 127,054	\$ -	\$ 127,054
Cash payments to employees for services	(90,682)	-	(90,682)
Cash payments to suppliers for goods and services	(95,373)	-	(95,373)
<i>Net cash provided (used) by operating activities</i>	<u>(59,001)</u>	<u>-</u>	<u>(59,001)</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	146,595	10,785	157,380
Miscellaneous income (expense)	4,771	-	4,771
Transfers	10,785	(10,785)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>162,151</u>	<u>-</u>	<u>162,151</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	-	68,988	68,988
Acquisition of capital assets	(18,736)	-	(18,736)
Residual equity transfers	-	(68,988)	(68,988)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(18,736)</u>	<u>-</u>	<u>(18,736)</u>
<i>Cash flows from investing activities:</i>			
Cash payments to investment account	(73,280)	-	(73,280)
Interest on investments	1,541	-	1,541
<i>Net cash provided (used) by investing activities</i>	<u>(71,739)</u>	<u>-</u>	<u>(71,739)</u>
<i>Net increase in cash and cash equivalents</i>	12,675	-	12,675
<i>Cash and cash equivalents - beginning of year</i>	<u>7,132</u>	<u>-</u>	<u>7,132</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 19,807</u>	<u>\$ -</u>	<u>\$ 19,807</u>

The accompanying notes are an integral part of these financial statements



	Low Income Housing Fund	Public Housing Capital Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (171,926)	\$ -	\$ (171,926)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	58,674	-	58,674
Changes in assets and liabilities			
Accounts receivables	51,496	-	51,496
Prepaid expenses	(882)	-	(882)
Accounts payable	2,931	-	2,931
Accrued payroll expenses	(1,165)	-	(1,165)
Deferred revenue	(450)	-	(450)
Accrued compensated absences	911	-	911
Tenant deposits	1,410	-	1,410
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>Net cash provided (used) by operating activities</i>	<u>          \$ (59,001)</u>	<u>          \$ -</u>	<u>          \$ (59,001)</u>

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**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fort Sumner Housing Authority, Fort Sumner, New Mexico, was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD). The contract provided for clean, safe, sanitary housing which would be financed by the U.S. Government. The terms of the agreement provide that HUD shall provide annual contributions to cover the debt services on bonds for the subsidies for operations of the program. The Village of Fort Sumner agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

The primary goal of the Low Income Housing Fund is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development and operation of a Low Income Housing Fund Program. The PHA is a local housing authority (LHA) governed by an appointed board of directors who employ an administrative staff headed by an executive director.

This summary of significant accounting policies of the 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 Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the government wide financial statements. The more significant of the Authority's accounting policies are described below.

The Authority reports the following quantitatively major enterprise funds:

- **Low Income Housing Fund Program** – Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- **Public Housing Capital Fund Program** – This program is funded by HUD and is for the purpose of upgrading existing rental properties.

**A. Financial Reporting Entity**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Financial Reporting Entity (continued)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, it is a component unit of the Village of Fort Sumner, New Mexico.

**B. Basis of Accounting and Measurement Focus**

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All of the Authority's funds meet the requirements for being reported as major funds under GASB Statement No. 34.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Fund net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned.

The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as noncapital grants and subsidies revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as nonoperating revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. *Assets, Liabilities, and Net Assets***

**Deposits and Investments**

The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an agency of the United States. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investments pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value.

**Receivables and Payables**

Inter-fund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. 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 inter-fund transactions are treated as transfers.

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Restricted Assets**

Restricted assets consist of tenant deposits and those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**Inventories**

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as an expenditure at the time of consumption. Inventory for the Authority is valued at cost using the First In, First Out Method.

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Fort Sumner Housing Authority  
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Notes to the Financial Statements  
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Assets (continued)**

**Prepaid Items**

Certain payments to vendors for items that include insurance reflect costs to future accounting periods and are recorded as prepaid items in the Authority's financial statements.

**Capital Assets**

Capital assets, which include property, plant, and equipment are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the Authority's capital assets reported in the basic financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 – 20 years
Building and Building improvements	10 – 40 years
Furniture, fixtures and equipment	3 – 15 years

**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 and sick leave for only those employees who will be paid for unused sick leave upon termination.

**Net Assets**

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets: debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

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Fort Sumner Housing Authority  
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Notes to the Financial Statements  
June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Assets (continued)**

**Unrestricted and Restricted Revenues**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Authority's financial statements consist of depreciation and the useful lives of capital assets.

**Inter-fund Transactions**

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund from expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

**D. Budgets**

The Authority adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures for the Capital Fund Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net assets.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Authority's Board of Directors for approval.
5. The Board of Director's approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level.

**NOTE 2. DEPOSITS AND INVESTMENTS**

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2010.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 2. DEPOSITS AND INVESTMENTS (continued)**

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy regarding types of deposits allowed and collateral requirements is to deposit monies in compliance with state statute. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution. As of June 30, 2010, \$0- of the Authority's deposits of \$58,414 was exposed to custodial credit risk. \$0- was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and \$0- was uninsured and uncollateralized.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	Citizens Bank of Clovis
Year ended June 30, 2010	
Total amount of deposits	\$ 58,414
FDIC Coverage	(58,414)
Total uninsured public funds	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged securities	-
Over (under) collateralization	\$ -



**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 2. DEPOSITS AND INVESTMENTS (continued)**

**Reconciliation to the Statement of Net Assets**

The carrying amount of deposits and investments shown above are included in the Authority's statement of net assets as follows:

Cash and cash equivalents per Exhibit A-1	\$	13,204
Restricted cash and cash equivalents per Exhibit A-1		<u>6,603</u>
 Total Cash and cash equivalents per Exhibit A-1		 19,807
Add: outstanding checks and other reconciling items		38,706
Less: deposits in transit and other reconciling items		<u>(99)</u>
 Bank balance of deposits	 \$	 <u><u>58,414</u></u>

**NOTE 3. RECEIVABLES AND PAYABLES**

Receivables as of June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
Tenants	\$ 1,094	\$ -	\$ 1,094
Grants	7,600	-	7,600
Allowance for uncollectible amounts	-	-	-
Net Total Receivables	<u>\$ 8,694</u>	<u>\$ -</u>	<u>\$ 8,694</u>

Accounts payable as of June 30, 2010, are as follows:

Payable to suppliers	\$	24,158
Payable to and on behalf of employees		231
Payable for interest		<u>-</u>
 Total accounts payable and accrued expenses	 \$	 <u><u>24,389</u></u>

The majority of accounts payable to suppliers consists of "accrued pilot" in the amount of \$17,311. This amount was determined in accordance with the terms of the cooperation agreement between the Fort Sumner Housing Authority and HUD and is payable to HUD upon request.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
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Notes to the Financial Statements  
June 30, 2010

**NOTE 4. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2010 follows. Land and construction in process are not subject to depreciation.

	<u>Balance June 30, 2009</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 15,000	\$ 18,736	\$ -	\$ 33,736
Total capital assets not being depreciated	<u>15,000</u>	<u>18,736</u>	<u>-</u>	<u>33,736</u>
Capital assets being depreciated:				
Buildings and improvements	1,801,903	68,988	-	1,870,891
Machinery and equipment	67,289	-	(16,391)	50,898
Total capital assets being depreciated	<u>1,869,192</u>	<u>68,988</u>	<u>(16,391)</u>	<u>1,921,789</u>
Total capital assets	<u>1,884,192</u>	<u>87,724</u>	<u>(16,391)</u>	<u>1,955,525</u>
Less accumulated depreciation:				
Buildings and improvements	943,813	56,711	-	1,000,524
Machinery and equipment	51,473	1,963	(16,391)	37,045
Total accumulated depreciation	<u>995,286</u>	<u>58,674</u>	<u>(16,391)</u>	<u>1,037,569</u>
Total capital assets, net of depreciation	<u>\$ 888,906</u>	<u>\$ 29,050</u>	<u>\$ -</u>	<u>\$ 917,956</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2010, totaled \$58,674.

**NOTE 5. LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2010.

	<u>Balance, June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2010</u>	<u>Due Within One Year</u>
Compensated absences	\$ 1,035	\$ 1,689	\$ 778	\$ 1,946	\$ -

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
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Notes to the Financial Statements  
June 30, 2010

**NOTE 6. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustments 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.

**NOTE 7. RISK MANAGEMENT**

Fort Sumner Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority obtains coverage from commercial insurance companies for the risks of loss mentioned above. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The Authority continues to carry commercial insurance for all other risks.

**NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN**

Plan Description: All of the Authority's employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employee 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, New Mexico 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 9.15% of their gross salary. The Authority was required to contribute 9.15% for employees. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by act of the legislature. The Authority's contributions to PERA for the years ending June 30, 2010, 2009 and 2008 were approximately \$7,219, \$6,110 and \$2,736, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 9. POST-EMPLOYMENT BENEFITS**

The Authority has elected not to participate in the Retiree Health Care Act plan and there are no required contributions for fiscal year ending June 30, 2010.

**NOTE 10. COMMITMENTS UNDER CONTRACTUAL AGREEMENTS**

The Authority's only commitment at June 30, 2010 was with Achen Construction in the amount of \$21,012, representing the remaining amount to be expended to complete the replacement of windows in the rental units.

**NOTE 11. CONCENTRATIONS**

Substantially all 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 this U.S. Governmental agency.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2010

**NOTE 12. CAPITAL FUNDS PROJECT**

Capital Funds Projects that have been closed out are: NM02P025501-04, NM02P025501-05, NM02P025501-06 and NM02P025501-07.

**NOTE 13. SUBSEQUENT EVENTS**

The Authority experienced a fire causing damage to one of their housing units in September 2010. The Authority notified their insurance carrier who sent an appraiser to estimate the damage. The Authority is in the process of reviewing estimates for the repair work and contracting to get the unit repaired. The effects of this subsequent event on the financial statements have not been determined. Subsequent events were evaluated through November 29, 2010.

**SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Statement of Revenues, Expenses and Changes in  
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual  
Low Income Housing Fund Program  
For the Year Ended June 30, 2010

Statement A-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues:</i>				
Rental revenue	\$ 74,400	\$ 74,400	\$ 76,008	\$ 1,608
<i>Total operating revenues</i>	74,400	74,400	76,008	1,608
<i>Operating expenses:</i>				
Current:				
Personnel services	76,700	93,140	90,428	2,712
Purchased professional and technical services	15,300	19,100	18,134	966
Purchased property services	39,500	47,500	42,477	5,023
Utilities	18,150	20,950	16,024	4,926
Other operating expenses	27,600	32,800	22,197	10,603
<i>Total operating expenses</i>	177,250	213,490	189,260	24,230
<i>Operating income (loss)</i>	(102,850)	(139,090)	(113,252)	25,838
<i>Nonoperating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	24,350	24,805	-	(24,805)
Noncapital grants and subsidies	75,000	110,785	146,595	35,810
Capital grants	-	-	-	-
Investment earnings	1,500	1,500	1,541	41
Transfers in	-	-	10,785	10,785
Transfers out	-	-	-	-
Miscellaneous income	2,000	2,000	4,771	2,771
<i>Total nonoperating revenues (expenses)</i>	102,850	139,090	163,692	24,602
<i>Change in net assets</i>	-	-	50,440	50,440
<i>Total net assets - beginning of year</i>	-	-	1,011,496	1,011,496
<i>Total net assets - end of year</i>	\$ -	\$ -	\$ 1,061,936	\$ 1,061,936
Change in net assets (non-GAAP budgetary basis)			\$ 50,440	
No adjustments to revenues			-	
Adjustments to expenses for depreciation			(58,674)	
Change in net assets (GAAP)			\$ (8,234)	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Statement of Revenues, Expenses and Changes in  
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual  
Public Housing Capital Fund Program  
For the Year Ended June 30, 2010

Statement A-2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues:</i>				
Rental revenue	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Current:				
Personnel services	-	-	-	-
Purchased professional and technical services	-	-	-	-
Purchased property services	-	-	-	-
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Nonoperating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	-	(10,785)	-	10,785
Noncapital grants and subsidies	-	10,785	10,785	-
Capital grants	-	-	68,988	68,988
Investment earnings	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(10,785)	(10,785)
Miscellaneous income	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	-	-	68,988	68,988
<i>Change in net assets</i>	-	-	68,988	68,988
<i>Total net assets - beginning of year</i>	-	-	-	-
<i>Total net assets - end of year</i>	\$ -	\$ -	\$ 68,988	\$ -
Change in net assets (non-GAAP budgetary basis)			\$ 68,988	
No adjustments to revenues			-	
No adjustments to expenses			-	
Change in net assets (GAAP)			\$ 68,988	

The accompanying notes are an integral part of these financial statements



**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Schedule of Deposit and Investment Accounts  
For the Year Ended June 30, 2010

Schedule I

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Citizens Bank of Clovis</b>					
Operating account	Checking	\$ 51,811	\$ 99	\$ 38,706	\$ 13,204
MMDA Business account	Money Market	141,697	-	-	141,697
Savings account - tenant deposits	Savings	6,603	-	-	6,603
Total cash in bank		<u>\$ 200,111</u>	<u>\$ 99</u>	<u>\$ 38,706</u>	<u>\$ 161,504</u>

Statement of Net Assets (Exhibit A-1):

Cash and cash equivalents	\$ 13,204
Investments	141,697
Restricted cash and cash equivalents	<u>6,603</u>
	<u>\$ 161,504</u>

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Financial Data Schedule  
June 30, 2010

		Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Assets</b>				
111	Cash - unrestricted	\$ 13,204	\$ -	\$ 13,204
114	Cash - tenant security deposits	6,603	-	6,603
100	Total cash	19,807	-	19,807
122	Accounts receivable - HUD other projects	7,600	-	7,600
126	Accounts receivable - tenants	866	-	866
126.1	Allowance for doubtful accounts - tenants	-	-	-
129	Accrued interest receivable	228	-	228
120	Total receivables, net of allowances for doubtful accounts	8,694	-	8,694
131	Investments - unrestricted	141,697	-	141,697
142	Prepaid expenses and other assets	16,768	-	16,768
143	Inventories	296	-	296
150	Total current assets	187,262	-	187,262
161	Land	33,736	-	33,736
162	Buildings	1,707,092	-	1,707,092
163	Furniture, equipment and machinery - dwellings	50,898	-	50,898
164	Furniture, equipment and machinery - administration	50,308	-	50,308
165	Leasehold improvements	113,491	-	113,491
166	Accumulated depreciation	(1,037,569)	-	(1,037,569)
160	Total capital assets, net of accumulated depreciation	917,956	-	917,956
180	Total non-current assets	917,956	-	917,956
190	Total assets	\$ 1,105,218	\$ -	\$ 1,105,218

See accompanying independent auditor's report

		Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Liabilities and Equity</b>				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 6,847	\$ -	\$ 6,847
321	Accrued wage/payroll taxes payable	231	-	231
333	Accounts payable - other government	17,311	-	17,311
341	Tenant security deposits	6,633	-	6,633
	310 Total current liabilities	<u>31,022</u>	<u>-</u>	<u>31,022</u>
354	Accrued compensated absences - non current	1,946	-	1,946
	350 Total non-current liabilities	<u>1,946</u>	<u>-</u>	<u>1,946</u>
300	Total liabilities	<u>32,968</u>	<u>-</u>	<u>32,968</u>
<i>Equity</i>				
508.1	Invested in capital assets, net of related debt	917,956	-	917,956
512.1	Unrestricted net assets	154,294	-	154,294
	513 Total equity/net assets	<u>1,072,250</u>	<u>-</u>	<u>1,072,250</u>
600	Total liabilities and equity/net assets	<u>\$ 1,105,218</u>	<u>\$ -</u>	<u>\$ 1,105,218</u>

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Financial Data Schedule  
June 30, 2010

	Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Revenues</b>			
70300 Net tenant rental revenue	\$ 76,008	\$ -	\$ 76,008
70400 Tenant revenue - other	4,771	-	4,771
70500 Total tenant revenue	<u>80,779</u>	<u>-</u>	<u>80,779</u>
70600 HUD PHA operating grants	146,595	10,785	157,380
70610 Capital grants	-	68,988	68,988
71100 Investment income - unrestricted	1,541	-	1,541
70000 Total revenue	<u>228,915</u>	<u>79,773</u>	<u>308,688</u>
<b>Expenses</b>			
91100 Administrative salaries	41,247	-	41,247
91200 Auditing fees	9,997	-	9,997
91310 Book-keeping fee	6,010	-	6,010
91500 Employee benefit contributions - administrative	6,133	-	6,133
91700 Legal expense	642	-	642
91800 Travel	993	-	993
91900 Other	12,685	-	12,685
91000 Total operating - administrative	<u>77,707</u>	<u>-</u>	<u>77,707</u>
93100 Water	12,603	-	12,603
93200 Electricity	2,038	-	2,038
93300 Gas	1,807	-	1,807
93800 Other utilities expense	(424)	-	(424)
93000 Total utilities	<u>16,024</u>	<u>-</u>	<u>16,024</u>
94100 Ordinary maintenance and operations - labor	37,618	-	37,618
94200 Ordinary maintenance and operations - materials and other	22,537	-	22,537
94300 Ordinary maintenance and operations contracts	7,495	-	7,495
94500 Employee benefit contributions - ordinary maintenance	5,430	-	5,430
94000 Total maintenance	<u>73,080</u>	<u>-</u>	<u>73,080</u>

See accompanying independent auditor's report

	Low Income Housing Fund	Public Housing Capital Fund	Total
96110 Property insurance	11,449	-	11,449
96120 Liability insurance	2,576	-	2,576
96130 Workmen's compensation	2,256	-	2,256
96140 All other insurance	1,716	-	1,716
96100 Total insurance premiums	<u>17,997</u>	<u>-</u>	<u>17,997</u>
96200 Other general expenses	1,906	-	1,906
96400 Bad debt - tenant rents	184	-	184
96000 Total other general expenses	<u>2,090</u>	<u>-</u>	<u>2,090</u>
96900 Total operating expenses	<u>186,898</u>	<u>-</u>	<u>186,898</u>
97000 Excess of operating revenue over operating expenses	<u>42,017</u>	<u>79,773</u>	<u>121,790</u>
97100 Extraordinary maintenance	2,362	-	2,362
97400 Depreciation expense	58,674	-	58,674
90000 Total expenses	<u>247,934</u>	<u>-</u>	<u>247,934</u>
10010 Operating transfer in	10,785	-	10,785
10020 Operating transfer out	-	(10,785)	(10,785)
10100 Total other financing sources (uses)	<u>10,785</u>	<u>(10,785)</u>	<u>-</u>
10000 Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (8,234)</u>	<u>\$ 68,988</u>	<u>\$ 60,754</u>
11030 Beginning equity	<u>\$ 1,011,496</u>	<u>\$ -</u>	<u>\$ 1,011,496</u>
11620 Building Purchases	<u>\$ 68,988</u>	<u>\$ (68,988)</u>	<u>\$ -</u>
Ending equity	<u><u>\$ 1,072,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,072,250</u></u>
11190 Unit months available	<u>564</u>	<u>-</u>	<u>564</u>
11210 Number of unit months leased	<u>519</u>	<u>-</u>	<u>519</u>

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**COMPLIANCE SECTION**

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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**

Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Chairman and Board Members  
Fort Sumner Housing Authority  
Fort Sumner, New Mexico

We have audited the financial statements of the business-type activities and the budgetary comparisons presented as supplemental information of the Fort Sumner Housing Authority (Authority), a component unit of the Village of Fort Sumner, New Mexico (Village), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. 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 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, listed as 2007-1. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-3 and 2010-4.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, 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.

*Accounting & Consulting Group, L.L.P.*

Accounting & Consulting Group, LLP  
Certified Public Accountants

Clovis, New Mexico  
November 29, 2010

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Schedule of Findings and Responses  
For the Year Ended June 30, 2010

**SECTION I – SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

1.	Type of auditor's report issued	Unqualified
2.	Internal control over financial reporting:	
a.	Material weaknesses identified?	No
b.	Significant deficiencies identified not considered to be material weaknesses?	Yes
c.	Noncompliance material to the financial statements?	Yes
3.	Summary of audit findings:	
a.	Current Year Audit Findings:	<div style="text-align: center;">Type of <u>Finding*</u></div>
	FS 2007-1 — Preparation of Financial Statements	B
	FS 2010-3 — Timeliness of Deposits	D
	FS 2010-4 — Annual Inspection Documentation	D

\* Legend for Type of Finding:

- A. Material Weakness in the Internal Control Structure Over Financial Reporting
- B. Significant Deficiency Related to the Internal Control Structure Over Financial Reporting
- C. Direct and Material Instance of Noncompliance
- D. Significant Instance of Noncompliance
- E. Immaterial Instance of Noncompliance
- F. Other Matters Involving the Internal Control Structure

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Schedule of Findings and Responses  
For the Year Ended June 30, 2010

3. Summary of audit findings (continued):

b. Follow-up on Prior-Year Audit Findings:

	Type of Finding*	Status of Prior Year Findings**
2007-1 — Preparation of Financial Statements	B	RM
2009-1 — Internal Purchase Requests	D	R

\* Legend for Type of Finding:

- A. Material Weakness in the Internal Control Structure Over Financial Reporting
- B. Significant Deficiency Related to the Internal Control Structure Over Financial Reporting
- C. Direct and Material Instance of Noncompliance
- D. Significant Instance of Noncompliance
- E. Immaterial Instance of Noncompliance
- F. Other Matters Involving the Internal Control Structure

\*\* Legend for Status of Prior Year Findings

- R. Resolved
- RM. Repeated and modified

## **SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES**

### **FS 2007-1 — Preparation of Financial Statements**

#### ***Condition***

The financial statements and related disclosures are not being prepared by the Fort Sumner Housing Authority.

#### ***Criteria***

According to the American Institute of Certified Public Accountant’s Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

#### ***Effect***

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity’s ability to prevent or detect a misstatement in its financial statements is limited.

#### ***Cause***

The Fort Sumner Housing Authority personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

#### ***Auditor’s Recommendation***

We recommend the Fort Sumner Housing Authority management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
  - Governmental Accounting Standards Board (GASB)
  - Generally Accepted Accounting Principles (specifically as applied to governmental units)
  - Financial Accounting Standards Board (FASB)
  - Department of Housing and Urban Development (HUD)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
  - Management’s discussion and analysis
  - Financial Data Schedule
  - Schedule of Expenditures of Federal Awards
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Fort Sumner Housing Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

#### ***Agency’s Response***

The Fort Sumner Housing Authority intends to begin training of management and personnel as suggested by auditor. The Fort Sumner Housing Authority will look for and send management to training seminars on external financial reporting.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)**

**FS 2010-3 — Timeliness of Deposits**

***Condition***

During test work of receipts, we noted three instances in the amount of \$262, out of five receipts tested were not deposited in a timely manner after receipt. These receipts were not deposited until several business days after the funds were received.

***Criteria***

According to NMSA 1978, 6-10, receipts should be deposited as soon as administratively possible. For a municipality having suitable banking facilities within its boundaries, receipts should be deposited within one business day of collection.

***Effect***

Non-adherence to state statutes places the Fort Sumner Housing Authority in noncompliance and lack of timeliness of deposits could subject the Housing Authority to a possible occurrence of fraud.

***Cause***

The Fort Sumner Housing Authority is not properly monitoring that all receipts are being deposited in a timely manner.

***Auditor's Recommendation***

The Fort Sumner Housing Authority should emphasize the importance of timely deposits of receipts and assign a designated individual the responsibility of determining that receipts are deposited in a timely manner as set forth in state statutes.

***Agency's Response***

The Fort Sumner Housing Authority has discussed the importance and necessity of depositing deposits in a timely manner with employees and will work more diligently to determine that all deposits are deposited in a timely manner.

**FS 2010-4 — Annual Inspection Documentation**

***Condition***

During our test work of tenant files, we noted four out of six files tested did not contain documentation showing that annual inspections had been performed.

***Criteria***

Pursuant to PIH-95-66 Guidebook, Chapter 2, units must be inspected at least annually and that deficiencies be corrected within 30 days.

***Effect***

Inspections may not be taking place on an annual basis and deficiencies may not be getting corrected in a timely manner, within the 30 day requirement.

***Cause***

The Housing Authority is not documenting that the inspections are taking place, unless it is a move-out inspection requiring calculation of return of security deposit. This appears to be simply an oversight, as the Housing Authority maintains inspection sheets, but is not completing them at the time of the inspection.

***Auditor's Recommendation***

We recommend that the Housing Authority set up a checklist for the inspections and that these checklists be completed, signed and dated as documentation that inspections are taking place. We also recommend that a letter be sent to the tenants regarding deficiencies found, or lack thereof, and the time frame for fixing the deficiencies. Documentation then needs to be added to the file noting when deficiencies were corrected.

***Agency's Response***

We agree with the auditor's recommendation and have implemented an inspection checklist that will streamline our documentation process. We will ensure that our documentation efforts will prevent future tenant file deficiencies.



**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Other Disclosures  
For the Year Ended June 30, 2010

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Although it would be preferred and desirable for the Authority to prepare its own GAAP-basis financial statements, it is felt that the Authority's personnel did not have the available time to prepare them. Therefore, the outside auditor assisted with the preparation of the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of the report for the Fort Sumner Housing Authority were discussed on November 29, 2010. The following individuals were in attendance.

**Fort Sumner Housing Authority Officials**

Allen Sparks, Vice Chairman

Sharon Lopez, Executive Director

**Auditors**

Ray Roberts, CPA

Carol Snider, CPA