

**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, 2011**

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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, 2011

Board of Directors

Yolanda Cline	Chairman
Allen Sparks	Vice Chairman
Ruby Gonzales	Commissioner
Carlos Hernandez	Commissioner
Jack Jones	Resident Member

Administrative Officials

Leslie Ivy	Executive Director
Rachel Thomas	Administrative Asst.

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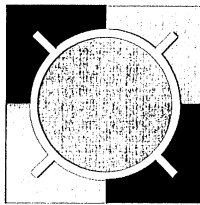
STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
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2011

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Chairman and Board Members of
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, 2011, 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, 2011 listed as supplementary information 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 of the Fort Sumner Housing Authority as of June 30, 2011, 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, 2011, in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Alamogordo □ Albuquerque □ Carlsbad □ Clovis □ Hobbs □ Lubbock □ Roswell

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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 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 Authority's financial statements and the budgetary comparisons. 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 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Clovis, New Mexico
November 28, 2011



**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, 2011

Exhibit A-1

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 4,735	\$ -	\$ 4,735
Investments	143,531	-	143,531
Accounts receivable - tenants, less allowance for doubtful accounts	1,125	-	1,125
Accounts receivable - other	4,370	-	4,370
Inventory	4,235	-	4,235
Other current assets	668	-	668
Prepaid expenses	17,258	-	17,258
<i>Total current assets</i>	<u>175,922</u>	<u>-</u>	<u>175,922</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	7,631	-	7,631
Capital assets	1,997,628	-	1,997,628
Accumulated depreciation	(1,093,665)	-	(1,093,665)
<i>Total assets</i>	<u>\$ 1,087,516</u>	<u>\$ -</u>	<u>\$ 1,087,516</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities:</i>			
Accounts payable	\$ 2,906	\$ -	\$ 2,906
Accrued payroll	968	-	968
Tenant prepaid rent	568	-	568
Current portion - compensated absences	2,282	-	2,282
<i>Total current liabilities</i>	<u>6,724</u>	<u>-</u>	<u>6,724</u>
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	7,630	-	7,630
<i>Total current liabilities (payable from restricted assets)</i>	<u>7,630</u>	<u>-</u>	<u>7,630</u>
<i>Total liabilities</i>	<u>14,354</u>	<u>-</u>	<u>14,354</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	903,963	-	903,963
Unrestricted	169,199	-	169,199
<i>Total net assets</i>	<u>1,073,162</u>	<u>-</u>	<u>1,073,162</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,087,516</u>	<u>\$ -</u>	<u>\$ 1,087,516</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, 2011

Exhibit A-2

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 90,961	\$ -	\$ 90,961
Vacancy losses	(16,365)	-	(16,365)
Net rental revenue	74,596	-	74,596
Operating subsidies and grants	84,961	-	84,961
Tenant charges	9,342	-	9,342
<i>Total operating revenues</i>	168,899	-	168,899
<i>Operating expenses:</i>			
Administration	76,030	-	76,030
Ordinary maintenance	70,052	-	70,052
Insurance	19,651	-	19,651
Utilities	15,260	-	15,260
General expenses	10,759	-	10,759
Depreciation	51,924	4,172	56,096
<i>Total operating expenses</i>	243,676	4,172	247,848
<i>Operating income (loss)</i>	(74,777)	(4,172)	(78,949)
<i>Non-operating revenues (expenses):</i>			
Capital grants	-	62,955	62,955
Interest income	1,411	-	1,411
Insurance proceeds	59,896	-	59,896
Miscellaneous income	534	-	534
Extraordinary maintenance	(61,394)	(852)	(62,246)
<i>Total non-operating revenues (expenses)</i>	447	62,103	62,550
<i>Income (loss) before transfers</i>	(74,330)	57,931	(16,399)
Transfers in	20,000	-	20,000
Transfers (out)	-	(20,000)	(20,000)
<i>Total transfers</i>	20,000	(20,000)	-
<i>Change in net assets</i>	(54,330)	37,931	(16,399)
<i>Total net assets - beginning of year, prior to restatement</i>	1,072,250	-	1,072,250
<i>Prior period restatement</i>	17,311	-	17,311
<i>Total net assets - beginning of year, after restatement</i>	1,089,561	-	1,089,561
Residual equity transfers in	37,931	-	37,931
Residual equity transfers (out)	-	(37,931)	(37,931)
<i>Total net assets - end of year</i>	\$ 1,073,162	\$ -	\$ 1,073,162

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, 2011

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 87,705	\$ -	\$ 87,705
Cash received from operating subsidies	84,961	-	84,961
Cash payments to employees for services	(74,957)	-	(74,957)
Cash payments to suppliers for goods and services	(123,763)	-	(123,763)
<i>Net cash provided (used) by operating activities</i>	(26,054)	-	(26,054)
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income (expense)	60,430	-	60,430
Extraordinary maintenance expense	(61,394)	(852)	(62,246)
Transfers	20,000	(20,000)	-
<i>Net cash provided (used) by noncapital financing activities</i>	19,036	(20,852)	(1,816)
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	-	62,955	62,955
Acquisition of capital assets	-	(42,103)	(42,103)
<i>Net cash provided (used) by capital and related financing activities</i>	-	20,852	20,852
<i>Cash flows from investing activities:</i>			
Cash payments to investment account	(1,834)	-	(1,834)
Interest on investments	1,411	-	1,411
<i>Net cash provided (used) by investing activities</i>	(423)	-	(423)
<i>Net increase in cash and cash equivalents</i>	(7,441)	-	(7,441)
<i>Cash and cash equivalents - beginning of year</i>	19,807	-	19,807
<i>Cash and cash equivalents - end of year</i>	\$ 12,366	\$ -	\$ 12,366

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)	\$ (74,777)	\$ (4,172)	\$ (78,949)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	51,924	4,172	56,096
Changes in assets and liabilities			
Accounts receivables	3,199	-	3,199
Inventory	(3,939)	-	(3,939)
Other current assets	(339)	-	(339)
Prepaid expenses	(819)	-	(819)
Accounts payable	(3,941)	-	(3,941)
Accrued payroll expenses	737	-	737
Tenant prepaid rent	568	-	568
Accrued compensated absences	336	-	336
Tenant deposits	997	-	997
	<u> </u>	<u> </u>	<u> </u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (26,054)</u>	<u>\$ -</u>	<u>\$ (26,054)</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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Sumner Housing Authority (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 of 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 governmental 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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any potential component units 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.

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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting and Measurement Focus (continued)

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 operating grants 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.

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 of America. 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 investment 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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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.

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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

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>
Buildings and improvements	10 – 40 years
Machinery and equipment	5 – 10 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.

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 estimated useful lives of capital assets.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2011.

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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

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. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, 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. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

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, 2011, \$-0- of the Authority's deposits of \$160,702 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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

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.

	Citizens Bank of Clovis
Year ended June 30, 2011	
Total amount of deposits	\$ 160,702
FDIC Coverage	(160,702)
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	\$ -

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	\$ 4,735
Investments per Exhibit A-1	143,531
Restricted cash and cash equivalents per Exhibit A-1	7,631
Total Cash and cash equivalents per Exhibit A-1	155,897
Add: outstanding checks and other reconciling items	5,034
Less: deposits in transit and other reconciling items	(229)
Bank balance of deposits	\$ 160,702

HUD requires the Authority to maintain cash reserves in a separate account from operating. These funds are restricted and can only be withdrawn with HUD's approval. Therefore, these funds are kept in a money market account. Due to the restriction on these funds, they are classified as investments.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 3. RECEIVABLES AND PAYABLES

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	Low Income Housing Fund	Public Housing	Total
Tenants	\$ 2,703	\$ -	\$ 2,703
Grants	-	-	-
Other	4,370	-	4,370
Allowance for uncollectible amounts	(1,578)	-	(1,578)
Net Total Receivables	<u>\$ 5,495</u>	<u>\$ -</u>	<u>\$ 5,495</u>

Accounts payable and accrued expenses as of June 30, 2011, are as follows:

Payable to suppliers	\$ 2,906
Payable to and on behalf of employees	968
Total accounts payable and accrued expenses	<u>\$ 3,874</u>

NOTE 4. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and construction in process are not subject to depreciation.

	Balance June 30, 2010	Additions and Transfers in	Deletions and Transfers out	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 33,736	\$ -	\$ -	\$ 33,736
Total capital assets not being depreciated	<u>33,736</u>	<u>-</u>	<u>-</u>	<u>33,736</u>
Capital assets being depreciated:				
Buildings and improvements	1,870,891	42,103	-	1,912,994
Machinery and equipment	50,898	-	-	50,898
Total capital assets being depreciated	<u>1,921,789</u>	<u>42,103</u>	<u>-</u>	<u>1,963,892</u>
Total capital assets	<u>1,955,525</u>	<u>42,103</u>	<u>-</u>	<u>1,997,628</u>
Less accumulated depreciation:				
Buildings and improvements	1,000,524	53,011	-	1,053,535
Machinery and equipment	37,045	3,085	-	40,130
Total accumulated depreciation	<u>1,037,569</u>	<u>56,096</u>	<u>-</u>	<u>1,093,665</u>
Total capital assets, net of depreciation	<u>\$ 917,956</u>	<u>\$ (13,993)</u>	<u>\$ -</u>	<u>\$ 903,963</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, 2011, totaled \$56,096.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2011.

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Compensated absences	\$ 1,946	\$ 6,601	\$ 6,265	\$ 2,282	\$ 2,282

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

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

Funding Policy: Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of gross covered salary. 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 acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2011, 2010 and 2009 were \$8,614, \$7,219 and \$6,110, 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 New Mexico Retiree Health Care Fund and there are no required contributions for fiscal year ending June 30, 2011.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2011

NOTE 10. 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.

NOTE 11. CAPITAL FUNDS PROJECT

During the year under audit, Capital Funds Project NM02P025501-08 and the American Recovery and Reinvestment Act of 2009 Project NM02S025501-09 were completely expended and closed out.

NOTE 12. RESTATEMENT

For the fiscal year ended June 30, 2011, the accrued Payments in Lieu of Taxes liability amount of \$17,311 was removed, as all tax liabilities have been waived by the Village of Fort Sumner. The restatement results from the adjustment to the beginning fund balance for fiscal year ended June 30, 2011 and had no effect on net income for fiscal year ended June 30, 2010.

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 28, 2011 which is the date on which the financial statements were available to be issued.

NOTE 14. SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Authority in upcoming years.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Low Income Housing Fund Program
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2011

Statement A-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues:</i>				
Rental revenue	\$ 83,809	\$ 83,809	\$ 83,938	\$ 129
<i>Total operating revenues</i>	83,809	83,809	83,938	129
<i>Operating expenses:</i>				
Current:				
Personnel services	80,810	80,810	76,030	4,780
Ordinary maintenance	81,480	81,480	70,052	11,428
Utilities	17,750	17,750	15,260	2,490
Other operating expenses	27,480	27,480	30,410	(2,930)
<i>Total operating expenses</i>	207,520	207,520	191,752	15,768
<i>Operating income (loss)</i>	(123,711)	(123,711)	(107,814)	15,897
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	93,952	93,952	84,961	(8,991)
Capital grants	-	-	-	-
Investment earnings	1,710	1,710	1,411	(299)
Extraordinary maintenance	(24,620)	(24,620)	(61,394)	(36,774)
Miscellaneous income	60,021	60,021	60,430	409
<i>Total nonoperating revenues (expenses)</i>	131,063	131,063	85,408	(45,655)
Designated cash (budgeted increase in cash)	(7,352)	(7,352)	-	7,352
Transfers in	-	-	57,931	57,931
Transfers (out)	-	-	-	-
<i>Change in net assets</i>	\$ -	\$ -	35,525	\$ 35,525
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(51,924)	
<i>Change in net assets per Exhibit A-2</i>			(16,399)	
<i>Total net assets, beginning of year, prior to restatement</i>			1,072,250	
<i>Prior period restatement</i>			17,311	
<i>Total net assets, beginning of year, after restatement</i>			1,089,561	
<i>Total net assets, end of year</i>			\$ 1,073,162	

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
Public Housing Capital Fund Program
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2011

Statement A-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Operating revenues:</i>				
Rental revenue	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Current:				
Personnel services	-	-	-	-
Ordinary maintenance	-	-	-	-
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	-	-	-	-
Capital grants	20,000	20,000	62,955	42,955
Investment earnings	-	-	-	-
Extraordinary maintenance	-	-	(852)	(852)
Miscellaneous income	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	20,000	20,000	62,103	42,103
Designated cash (budgeted increase in cash)	(20,000)	(20,000)	-	20,000
Transfers in	-	-	-	-
Transfers (out)	-	-	(57,931)	(57,931)
<i>Change in net assets</i>	\$ -	\$ -	4,172	\$ 4,172
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(4,172)	
<i>Change in net assets per Exhibit A-2</i>			-	
<i>Total net assets, beginning of year</i>			-	
<i>Total net assets, end of year</i>			\$ -	

The accompanying notes are an integral part of these financial statements

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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, 2011

Schedule I

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Citizens Bank of Clovis					
Operating account	Checking	\$ 9,540	\$ 229	\$ 5,034	\$ 4,735
MMDA Business account	Money Market	143,531	-	-	143,531
Savings account - tenant deposits	Savings	7,631	-	-	7,631
Total cash in bank		<u>\$ 160,702</u>	<u>\$ 229</u>	<u>\$ 5,034</u>	<u>\$ 155,897</u>

Statement of Net Assets (Exhibit A-1):

Cash and cash equivalents	\$ 4,735
Investments	143,531
Restricted cash and cash equivalents	<u>7,631</u>
	<u>\$ 155,897</u>

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Financial Data Schedule
June 30, 2011

		Low Income Housing Fund	Public Housing Capital Fund	Total
Assets				
111	Cash - unrestricted	\$ 4,735	\$ -	\$ 4,735
114	Cash - tenant security deposits	7,631	-	7,631
100	Total cash	<u>12,366</u>	<u>-</u>	<u>12,366</u>
125	Accounts receivable-miscellaneous	4,370	-	4,370
126	Accounts receivable - tenants	2,703	-	2,703
126.1	Allowance for doubtful accounts - tenants	(1,578)	-	(1,578)
120	Total receivables, net of allowances for doubtful accounts	<u>5,495</u>	<u>-</u>	<u>5,495</u>
131	Investments - unrestricted	143,531	-	143,531
142	Prepaid expenses and other assets	17,926	-	17,926
143	Inventories	4,706	-	4,706
143.1	Allowance for obsolete inventories	(471)	-	(471)
150	Total current assets	<u>183,553</u>	<u>-</u>	<u>183,553</u>
161	Land	33,736	-	33,736
162	Buildings	1,749,195	-	1,749,195
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	(1,093,665)	-	(1,093,665)
160	Total capital assets, net of accumulated depreciation	<u>903,963</u>	<u>-</u>	<u>903,963</u>
180	Total non-current assets	<u>903,963</u>	<u>-</u>	<u>903,963</u>
190	Total assets	<u>\$ 1,087,516</u>	<u>\$ -</u>	<u>\$ 1,087,516</u>

		Low Income Housing Fund	Public Housing Capital Fund	Total
Liabilities and Equity				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 2,906	\$ -	\$ 2,906
321	Accrued wage/payroll taxes payable	968	-	968
322	Accrued compensated absences - current portion	2,282	-	2,282
341	Tenant security deposits	7,630	-	7,630
342	Deferred revenue	568	-	568
		<hr/>	<hr/>	<hr/>
310	Total current liabilities	14,354	-	14,354
		<hr/>	<hr/>	<hr/>
300	Total liabilities	14,354	-	14,354
		<hr/>	<hr/>	<hr/>
<i>Equity</i>				
508.1	Invested in capital assets, net of related debt	903,963	-	903,963
512.1	Unrestricted net assets	169,199	-	169,199
		<hr/>	<hr/>	<hr/>
513	Total equity/net assets	1,073,162	-	1,073,162
		<hr/>	<hr/>	<hr/>
600	Total liabilities and equity/net assets	\$ 1,087,516	\$ -	\$ 1,087,516
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Financial Data Schedule
June 30, 2011

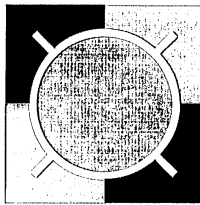
	Low Income Housing Fund	Public Housing Capital Fund	Total
Revenues			
703 Net tenant rental revenue	\$ 74,596	\$ -	\$ 74,596
704 Tenant revenue - other	9,876	-	9,876
705 Total tenant revenue	84,472	-	84,472
706 HUD PHA operating grants	84,961	-	84,961
706.1 Capital grants	-	62,955	62,955
711 Investment income - unrestricted	1,411	-	1,411
715 Other revenue	59,896	-	59,896
700 Total revenue	230,740	62,955	293,695
Expenses			
911 Administrative salaries	46,783	-	46,783
912 Auditing fees	6,955	-	6,955
915 Employee benefit contributions - administrative	5,107	-	5,107
916 Other operating - administrative	17,185	-	17,185
910 Total administrative	76,030	-	76,030
931 Water	5,108	-	5,108
932 Electricity	1,946	-	1,946
933 Gas	1,115	-	1,115
938 Other utilities expense	7,091	-	7,091
930 Total utilities	15,260	-	15,260
941 Ordinary maintenance and operations - labor	42,562	-	42,562
942 Ordinary maintenance and operations - materials and other	20,556	-	20,556
943 Ordinary maintenance and operations - contract costs	2,317	-	2,317
945 Employee benefit contributions - ordinary maintenance	4,617	-	4,617
940 Total ordinary maintenance and operation	70,052	-	70,052

	Low Income Housing Fund	Public Housing Capital Fund	Total
961 Insurance premiums	19,651	-	19,651
962 Other general expenses	7,413	-	7,413
964 Bad debt - tenant rents	3,346	-	3,346
960 Total general expenses	<u>30,410</u>	<u>-</u>	<u>30,410</u>
969 Total operating expenses	<u>191,752</u>	<u>-</u>	<u>191,752</u>
970 Excess operating revenue over operating expenses	<u>38,988</u>	<u>62,955</u>	<u>101,943</u>
971 Extraordinary maintenance	61,394	852	62,246
974 Depreciation expense	51,924	4,172	56,096
900 Total expenses	<u>305,070</u>	<u>5,024</u>	<u>310,094</u>
1001 Operating transfers in	20,000	-	20,000
1002 Operating transfers out	-	(20,000)	(20,000)
1010 Total other financing sources (uses)	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
1000 Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (54,330)</u>	<u>\$ 37,931</u>	<u>\$ (16,399)</u>
1103 Beginning equity	\$ 1,072,250	\$ -	\$ 1,072,250
1104 Prior period adjustments, equity transfers, and correction of errors	55,242	(37,931)	17,311
Ending equity	<u>\$ 1,073,162</u>	<u>\$ -</u>	<u>\$ 1,073,162</u>
1120 Unit months available	<u>564</u>	<u>-</u>	<u>564</u>
1121 Number of unit months leased	<u>508</u>	<u>-</u>	<u>508</u>

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COMPLIANCE SECTION

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Accounting & Consulting Group, LLP

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
The Office of Management and Budget and
Chairman and Board Members of
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, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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.

Certified Public Accountants

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Alamogordo □ Albuquerque □ Carlsbad □ Clovis □ Hobbs □ Lubbock □ Roswell

COMPLIANCE AND OTHER MATTERS

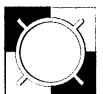
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2010-3.

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

This report is intended solely for the information and use of the 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, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Clovis, New Mexico
November 28, 2011



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, 2011

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?	No
3.	Summary of audit findings:	
a.	Current Year Audit Findings:	Type of <u>Finding*</u>
	FS 2007-1 — Preparation of Financial Statements	B
	FS 2010-3 — Timeliness of Deposits	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, 2011

3. Summary of audit findings (continued):

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

	Type of Finding*	Status of Prior Year Findings**
FS 2007-1 — Preparation of Financial Statements	B	RM
FS 2010-3 — Timeliness of Deposits	D	RM

* 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

FS 2007-1 — Preparation of Financial Statements (Repeated/Modified) — Significant Deficiency

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. 115, 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.

Views of Responsible Officials and Planned Corrective Actions

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 (continued)

FS 2010-3 — Timeliness of Deposits (Repeated/Modified) — Significant Deficiency

Condition

During test work of receipts, we noted two instances in the amount of \$400, 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.

Views of Responsible Officials and Planned Corrective Actions

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.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Other Disclosures
For the Year Ended 2011

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, 2011. The following individuals were in attendance.

Fort Sumner Housing Authority Officials

Allen Sparks, Vice Chairman
Leslie Ivy, Executive Director

Auditors

Carol Snider, CPA
Ozzy Tello