

**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, 2012**

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)

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, 2012

Board of Directors

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

Administrative Officials

Leslie Ivy	Executive Director (Resigned 10/23/12)
Patricia Seña	Executive Director (As of 10/24/12)
Rachel Thomas	Administrative Asst.

(This page intentionally left blank)

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Table of Contents
2012

	<u>Exhibit / Statement / Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		5
Table of Contents		7
FINANCIAL SECTION		
Independent Auditor’s Report		11-12
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	A-1	14
Statement of Revenues, Expenses and Changes in Net Assets	A-2	15
Statement of Cash Flows	A-3	16-17
NOTES TO THE FINANCIAL STATEMENTS		19-29
SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenses and Changes in Net Assets – Budget (Non-GAAP Budgetary Basis) and Actual:		
Low Income Housing Fund Program	A-1	32
Public Housing Capital Fund Program	A-2	33
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	I	37
Financial Data Schedule	II	38-41
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		45-46
Schedule of Findings and Responses	III	47-50
OTHER DISCLOSURES		51

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
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, 2012, 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 funds for the year ended June 30, 2012 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 also 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, 2012, 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 budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, 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.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic 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 the U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants
Clovis, New Mexico
November 14, 2012

**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, 2012

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	\$ 2,825	\$ -	\$ 2,825
Restricted investments	87,537	-	87,537
Accounts receivable - tenants, less allowance for doubtful accounts (Note 3)	369	-	369
Accounts receivable - CFP grants (Note 3)	-	8,911	8,911
Accounts receivable - other	59	-	59
Inventory	4,022	-	4,022
Prepaid expenses	16,727	-	16,727
<i>Total current assets</i>	<u>111,539</u>	<u>8,911</u>	<u>120,450</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	5,744	-	5,744
Capital assets (Note 4)	2,138,198	-	2,138,198
Accumulated depreciation (Note 4)	(1,151,842)	-	(1,151,842)
<i>Total assets</i>	<u>\$ 1,103,639</u>	<u>\$ 8,911</u>	<u>\$ 1,112,550</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities:</i>			
Accounts payable (Note 3)	\$ 294	\$ -	\$ 294
Accrued payroll (Note 3)	4,141	-	4,141
Tenant prepaid rent	1,618	-	1,618
Current portion - compensated absences (Note 5)	3,425	-	3,425
<i>Total current liabilities</i>	<u>9,478</u>	<u>-</u>	<u>9,478</u>
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	5,726	-	5,726
<i>Total current liabilities (payable from restricted assets)</i>	<u>5,726</u>	<u>-</u>	<u>5,726</u>
<i>Total liabilities</i>	<u>15,204</u>	<u>-</u>	<u>15,204</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt (Note 1)	986,356	-	986,356
Restricted for:			
Low income housing fund program	87,537	-	87,537
Public housing capital fund program	-	8,911	8,911
Unrestricted (Note 1)	14,542	-	14,542
<i>Total net assets</i>	<u>1,088,435</u>	<u>8,911</u>	<u>1,097,346</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,103,639</u>	<u>\$ 8,911</u>	<u>\$ 1,112,550</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, 2012

Exhibit A-2

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 86,468	\$ -	\$ 86,468
Vacancy losses	(5,457)	-	(5,457)
Net rental revenue	81,011	-	81,011
Operating subsidies and grants	81,304	-	81,304
Tenant charges	5,337	-	5,337
<i>Total operating revenues</i>	<u>167,652</u>	<u>-</u>	<u>167,652</u>
<i>Operating expenses:</i>			
Administration	85,756	1,194	86,950
Tenant services	184	-	184
Ordinary maintenance	76,447	8,973	85,420
Insurance	21,298	-	21,298
Utilities	19,168	-	19,168
General expenses	7,340	-	7,340
Depreciation	56,058	5,831	61,889
<i>Total operating expenses</i>	<u>266,251</u>	<u>15,998</u>	<u>282,249</u>
<i>Operating income (loss)</i>	<u>(98,599)</u>	<u>(15,998)</u>	<u>(114,597)</u>
<i>Non-operating revenues (expenses):</i>			
Capital grants	-	136,076	136,076
Interest income	1,192	-	1,192
Miscellaneous income	1,513	-	1,513
<i>Total non-operating revenues (expenses)</i>	<u>2,705</u>	<u>136,076</u>	<u>138,781</u>
<i>Income (loss) before transfers</i>	<u>(95,894)</u>	<u>120,078</u>	<u>24,184</u>
<i>Change in net assets</i>	<u>(95,894)</u>	<u>120,078</u>	<u>24,184</u>
<i>Total net assets - beginning of year</i>	1,073,162	-	1,073,162
Equity transfers in	111,167	-	111,167
Equity transfers (out)	-	(111,167)	(111,167)
<i>Total net assets - end of year</i>	<u>\$ 1,088,435</u>	<u>\$ 8,911</u>	<u>\$ 1,097,346</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, 2012

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 83,613	\$ -	\$ 83,613
Cash received from operating subsidies	81,304	-	81,304
Cash payments to employees for services	(81,440)	(1,194)	(82,634)
Cash payments to suppliers for goods and services	(127,599)	(8,973)	(136,572)
<i>Net cash provided (used) by operating activities</i>	(44,122)	(10,167)	(54,289)
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income (expense)	1,513	-	1,513
<i>Net cash provided (used) by noncapital financing activities</i>	1,513	-	1,513
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	-	136,076	136,076
Acquisition of capital assets	(18,374)	(125,909)	(144,283)
<i>Net cash provided (used) by capital and related financing activities</i>	(18,374)	10,167	(8,207)
<i>Cash flows from investing activities:</i>			
Cash payments to investment account	55,994	-	55,994
Interest on investments	1,192	-	1,192
<i>Net cash provided (used) by investing activities</i>	57,186	-	57,186
<i>Net increase (decrease) in cash and cash equivalents</i>	(3,797)	-	(3,797)
<i>Cash and cash equivalents - beginning of year</i>	12,366	-	12,366
<i>Cash and cash equivalents - end of year</i>	\$ 8,569	\$ -	\$ 8,569

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)	\$ (98,599)	\$ (15,998)	\$ (114,597)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	56,058	5,831	61,889
Changes in assets and liabilities			
Accounts receivables	(3,785)	-	(3,785)
Inventory	213	-	213
Other current assets	609	-	609
Prepaid expenses	531	-	531
Accounts payable	(2,611)	-	(2,611)
Accrued payroll expenses	3,173	-	3,173
Tenant prepaid rent	1,050	-	1,050
Accrued compensated absences	1,143	-	1,143
Tenant deposits	(1,904)	-	(1,904)
	<u> </u>	<u> </u>	<u> </u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (44,122)</u>	<u>\$ (10,167)</u>	<u>\$ (54,289)</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2012

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, 2012

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 Statement of Net Assets. 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, 2012

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/or 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, 2012

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 \$750 (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, 2012

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	15 – 40 years
Machinery and equipment	5 – 8 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, 2012

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 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, 2012.

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, 2012

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, 2012 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, 2012, 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 does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2012, \$-0- of the Authority's bank balance of \$99,739 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, 2012

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, 2012	
Total amount of deposits	\$ 99,739
FDIC Coverage	(99,739)
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	\$ 2,825
Restricted investments per Exhibit A-1	87,537
Restricted cash and cash equivalents per Exhibit A-1	5,744
Total Cash and cash equivalents per Exhibit A-1	96,106
Add: outstanding checks and other reconciling items	4,874
Less: deposits in transit and other reconciling items	(1,241)
Bank balance of deposits	\$ 99,739

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, 2012

NOTE 3. RECEIVABLES AND PAYABLES

Receivables as of June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	Low Income Housing Fund	Public Housing Capital Fund	Total
Tenants	\$ 695	\$ -	\$ 695
Grants	-	8,911	8,911
Other	59	-	59
Allowance for uncollectible amounts	(326)	-	(326)
Net Total Receivables	<u>\$ 428</u>	<u>\$ 8,911</u>	<u>\$ 9,339</u>

Accounts payable and accrued expenses as of June 30, 2012, are as follows:

	Low Income Housing Fund	Public Housing Capital Fund	Total
Payable to suppliers	\$ 294	\$ -	\$ 294
Payable to and on behalf of employees	4,141	-	4,141
Total accounts payable and accrued expenses	<u>\$ 4,435</u>	<u>\$ -</u>	<u>\$ 4,435</u>

NOTE 4. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land is not subject to depreciation.

	Balance June 30, 2011	Additions and Transfers in	Deletions and Transfers out	Balance June 30, 2012
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	1,912,994	144,280	-	2,057,274
Machinery and equipment	50,898	4,250	(7,960)	47,188
Total capital assets being depreciated	<u>1,963,892</u>	<u>148,530</u>	<u>(7,960)</u>	<u>2,104,462</u>
Total capital assets	<u>1,997,628</u>	<u>148,530</u>	<u>(7,960)</u>	<u>2,138,198</u>
Less accumulated depreciation:				
Buildings and improvements	1,053,535	58,956	-	1,112,491
Machinery and equipment	40,130	2,933	(3,712)	39,351
Total accumulated depreciation	<u>1,093,665</u>	<u>61,889</u>	<u>(3,712)</u>	<u>1,151,842</u>
Total capital assets, net of depreciation	<u>\$ 903,963</u>	<u>\$ 86,641</u>	<u>\$ (4,248)</u>	<u>\$ 986,356</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, 2012, totaled \$61,889.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2012

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2012.

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Compensated absences	\$ 2,282	\$ 5,140	\$ 3,997	\$ 3,425	\$ 3,425

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. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Plan Description. Substantially 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, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of the 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, 2012, 2011 and 2010 were \$7,822, \$8,614 and \$7,219, 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, 2012.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2012

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 PROJECTS

During the year under audit, Capital Funds Projects NM02P025501-08 and NM02S025501-09 were completely expended and closed out.

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 14, 2012 which is the date on which the financial statements were available to be issued.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

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 March 2012, GASB Statement No. 66 *Technical Corrections -2012—an amendment of the GASB Statements No. 10 and No. 62*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application 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, 2014.

(This page intentionally left blank)

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 (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

Statement A-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable) Final to Actual</u>
<i>Operating revenues:</i>				
Rental revenue	\$ 86,630	\$ 104,385	\$ 86,348	\$ (18,037)
<i>Total operating revenues</i>	86,630	104,385	86,348	(18,037)
<i>Operating expenses:</i>				
Current:				
Personnel services	86,680	88,079	85,756	2,323
Purchased professional and technical services	1,150	958	184	774
Ordinary maintenance	82,890	78,131	76,447	1,684
Utilities	17,690	18,401	19,168	(767)
Other operating expenses	3,800	4,500	7,340	(2,840)
<i>Total operating expenses</i>	213,700	212,009	210,193	1,816
<i>Operating income (loss)</i>	(127,070)	(107,624)	(123,845)	(16,221)
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	81,304	81,304	81,304	-
Capital grants	-	-	-	-
Investment earnings	1,160	1,296	1,192	(104)
Miscellaneous income	1,670	4,815	1,513	(3,302)
<i>Total nonoperating revenues (expenses)</i>	84,134	87,415	84,009	(3,406)
Designated cash (budgeted increase in cash)	42,936	20,209	-	(20,209)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Change in net assets</i>	\$ -	\$ -	(39,836)	\$ (39,836)
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(56,058)	
<i>Change in net assets per Exhibit A-2</i>			(95,894)	
<i>Total net assets, beginning of year</i>			1,073,162	
Equity transfers in			111,167	
<i>Total net assets, end of year</i>			\$ 1,088,435	

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 (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

Statement A-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable) Final to Actual</u>
<i>Operating revenues:</i>				
Rental revenue	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Current:				
Personnel services	14,277	14,277	1,194	13,083
Ordinary maintenance	22,897	22,897	8,973	13,924
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	37,174	37,174	10,167	27,007
<i>Operating income (loss)</i>	(37,174)	(37,174)	(10,167)	27,007
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	-	-	-	-
Capital grants	153,872	153,872	136,076	(17,796)
Investment earnings	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	153,872	153,872	136,076	(17,796)
Designated cash (budgeted increase in cash)	(116,698)	(116,698)	-	116,698
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Change in net assets</i>	\$ -	\$ -	125,909	\$ 125,909
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(5,831)	
<i>Change in net assets per Exhibit A-2</i>			120,078	
<i>Total net assets, beginning of year</i>			-	
Equity transfers (out)			(111,167)	
<i>Total net assets, end of year</i>			\$ 8,911	

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank)

SUPPORTING SCHEDULES

(This page intentionally left blank)

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, 2012

Schedule I

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Citizens Bank of Clovis					
Operating account	Checking	\$ 6,531	\$ 1,168	\$ 4,874	\$ 2,825
MMDA Business account	Money Market	87,537	-	-	87,537
Savings account - tenant deposits	Savings	5,671	73	-	5,744
Total cash in bank		<u>\$ 99,739</u>	<u>\$ 1,241</u>	<u>\$ 4,874</u>	<u>\$ 96,106</u>

Statement of Net Assets (Exhibit A-1):

Cash and cash equivalents	\$ 2,825
Investments	87,537
Restricted cash and cash equivalents	<u>5,744</u>
	<u>\$ 96,106</u>

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Financial Data Schedule
June 30, 2012

		Low Income Housing Fund	Public Housing Capital Fund	Total
Assets				
111	Cash - unrestricted	\$ 2,825	\$ -	\$ 2,825
113	Cash - other restricted	87,537	-	87,537
114	Cash - tenant security deposits	5,744	-	5,744
100	Total cash	<u>96,106</u>	<u>-</u>	<u>96,106</u>
122	Accounts receivable - HUD other projects	-	8,911	8,911
126	Accounts receivable - tenants	695	-	695
126.1	Allowance for doubtful accounts - tenants	(326)	-	(326)
129	Accrued interest receivable	59	-	59
120	Total receivables, net of allowances for doubtful accounts	<u>428</u>	<u>8,911</u>	<u>9,339</u>
142	Prepaid expenses and other assets	16,727	-	16,727
143	Inventories	4,469	-	4,469
143.1	Allowance for obsolete inventories	(447)	-	(447)
150	Total current assets	<u>117,283</u>	<u>8,911</u>	<u>126,194</u>
161	Land	33,736	-	33,736
162	Buildings	2,006,966	-	2,006,966
163	Furniture, equipment and machinery - dwellings	47,188	-	47,188
164	Furniture, equipment and machinery - administration	50,308	-	50,308
166	Accumulated depreciation	(1,151,842)	-	(1,151,842)
160	Total capital assets, net of accumulated depreciation	<u>986,356</u>	<u>-</u>	<u>986,356</u>
180	Total non-current assets	<u>986,356</u>	<u>-</u>	<u>986,356</u>
190	Total assets	<u>\$ 1,103,639</u>	<u>\$ 8,911</u>	<u>\$ 1,112,550</u>

See accompanying independent auditor's report

		Low Income Housing Fund	Public Housing Capital Fund	Total
Liabilities and Equity				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 294	\$ -	\$ 294
321	Accrued wage/payroll taxes payable	4,141	-	4,141
322	Accrued compensated absences - current portion	3,425	-	3,425
341	Tenant security deposits	5,726	-	5,726
342	Deferred revenues	1,618	-	1,618
		<hr/>	<hr/>	<hr/>
310	Total current liabilities	15,204	-	15,204
		<hr/>	<hr/>	<hr/>
300	Total liabilities	15,204	-	15,204
		<hr/>	<hr/>	<hr/>
<i>Equity</i>				
508.1	Invested in capital assets, net of related debt	986,356	-	986,356
511.1	Restricted net assets	87,537	8,911	96,448
512.1	Unrestricted net assets	14,542	-	14,542
		<hr/>	<hr/>	<hr/>
513	Total equity/net assets	1,088,435	8,911	1,097,346
		<hr/>	<hr/>	<hr/>
600	Total liabilities and equity/net assets	\$ 1,103,639	\$ 8,911	\$ 1,112,550
		<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, 2012

	Low Income Housing Fund	Public Housing Capital Fund	Total
Revenues			
70300 Net tenant rental revenue	\$ 81,011	\$ -	\$ 81,011
70400 Tenant revenue - other	5,337	-	5,337
70500 Total tenant revenue	86,348	-	86,348
70600 HUD PHA operating grants	81,304	-	81,304
70610 Capital grants	-	136,076	136,076
71100 Investment income - unrestricted	1,192	-	1,192
71500 Other revenue	1,513	-	1,513
70000 Total revenue	170,357	136,076	306,433
Expenses			
91100 Administrative salaries	49,369	-	49,369
91200 Auditing fees	7,303	-	7,303
91400 Advertising and marketing	1,037	-	1,037
91500 Employee benefit contributions - administrative	7,290	-	7,290
91600 Office expenses	7,961	1,094	9,055
91800 Travel	5,225	-	5,225
91900 Other	7,571	100	7,671
91000 Total operating - administrative	85,756	1,194	86,950
92400 Tenant services - other	184	-	184
92500 Total tenant services	184	-	184
93100 Water	5,383	-	5,383
93200 Electricity	1,841	-	1,841
93300 Gas	895	-	895
93600 Sewer	9,026	-	9,026
93800 Other utilities expense	2,023	-	2,023
93000 Total utilities	19,168	-	19,168
94100 Ordinary maintenance and operations - labor	35,660	-	35,660
94200 Ordinary maintenance and operations - materials and other	30,525	8,060	38,585
94300 Ordinary maintenance and operations contracts	5,347	913	6,260
94500 Employee benefit contributions - ordinary maintenance	4,915	-	4,915
94000 Total maintenance	76,447	8,973	85,420

See accompanying independent auditor's report

	Low Income Housing Fund	Public Housing Capital Fund	Total
96110 Property insurance	13,012	-	13,012
96120 Liability insurance	2,688	-	2,688
96130 Workmen's compensation	3,845	-	3,845
96140 All other insurance	1,753	-	1,753
96100 Total insurance premiums	21,298	-	21,298
96200 Other general expenses	786	-	786
96210 Compensated absences	5,140	-	5,140
96400 Bad debt - tenant rents	1,414	-	1,414
96000 Total other general expenses	7,340	-	28,638
96900 Total operating expenses	210,193	10,167	220,360
97000 Excess of operating revenue over operating expenses	(39,836)	125,909	86,073
97400 Depreciation expense	56,058	5,831	61,889
90000 Total expenses	266,251	15,998	282,249
10000 Excess (deficiency) of total revenue over (under) total expenses	\$ (95,894)	\$ 120,078	\$ 24,184
11030 Beginning equity	1,073,162	\$ -	\$ 1,073,162
11040 Prior period adjustments, equity transfers, and correction of errors	111,167	(111,167)	-
Ending equity	\$ 1,088,435	\$ 8,911	\$ 1,097,346
11190 Unit months available	564	-	564
11210 Number of unit months leased	531	-	531

(This page intentionally left blank)

COMPLIANCE SECTION

(This page intentionally left blank)



Accounting & Consulting Group, LLP
Certified Public Accountants

**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
Chairman and Board Members of
Fort Sumner Housing Authority
Fort Sumner, New Mexico

We have audited the financial statements of the business-type activities 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, 2012, which collectively comprise the Fort Sumner Housing Authority's basic financial statements and have issued our report thereon dated November 14, 2012. We have also audited the budgetary comparisons for the funds for the year ended June 30, 2012 listed as supplementary information in the table of contents. 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

Management of the Fort Sumner Housing Authority, is responsible for establishing and maintaining effective 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 entity'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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, listed as 2007-1 and 2012-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 management, the Board of Directors, 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 14, 2012

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, 2012

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:	<div style="text-align: center;">Type of <u>Finding*</u></div>
	FS 2007-1 — Preparation of Financial Statements	B
	FS 2012-1 — Deficiencies in Accounting for Capital Assets	B

* 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, 2012

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	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

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 Auditing Standards Board 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 2012-1 — Deficiencies in Accounting for Capital Assets — Significant Deficiency

Condition

Based on test work, it was noted that the capital assets schedule was not reviewed or reconciled by management. Based on test work, the ending capital asset balances at prior year end did not agree with current year beginning balances. Not all additions for past years have been added to the capital asset listing. The Housing Authority's management reviewed the capital assets schedule subsequent to the fiscal year end and determined that 5 assets have been disposed of in prior years.

Criteria

Section 2.20.1 of NMAC requires governmental agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. The requirement to follow the applicable statutes when disposing of capital assets is described in Section 2.20.1.18 of NMAC.

Effect

The lack of review and reconciliation of capital assets results in improper safeguarding of capital assets to prevent theft or other losses. Without proper accounting for additions and deletions, and an annual inventory of capital assets, the financial statements of the Housing Authority may be misstated.

Cause

The Housing Authority did not follow their own procedures regarding the review and reconciliation of capital assets schedule, prepared by an outside fee accountant.

Auditor's Recommendation

The Housing Authority should conduct an annual physical inventory of its capital assets as required by statute. The Housing Authority should follow their own internal control procedures to verify that all capital assets are reconciled for additions and disposals on the capital assets schedule correctly.

Views of Responsible Officials and Planned Corrective Actions

The Fort Sumner Housing Authority will ensure that the capital assets schedule, prepared by the outside fee accountants, will be reviewed and reconciled prior to year end and will undergo a formal review process to ensure its accuracy and reasonableness.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Other Disclosures
For the Year Ended 2012

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. The responsibility for the financial statements remains with the Authority.

B. EXIT CONFERENCE

The contents of the report for the Fort Sumner Housing Authority were discussed on November 26, 2012. The following individuals were in attendance.

Fort Sumner Housing Authority Officials

Allen Sparks, Chairman

Patricia Seña, Executive Director

Auditors

Carol Snider, CPA

Ozzy Tello