

**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, 2013**

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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
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June 30, 2013

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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, 2013

Board of Directors

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

Administrative Officials

Patricia Seña	Executive Director (As of 10/24/12)
Leslie Ivy	Executive Director (Resigned 10/23/12)
Amber Threlkeld	Administrative Asst. (As of 11/13/12)
Rachel Thomas	Administrative Asst. (Resigned 12/07/12)

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FINANCIAL SECTION

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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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of 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, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for all funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Authority as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance 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 budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as 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.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. Supporting Schedule I, required by 2.2.2 NMAC, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements.

The supporting Schedule I required by 2.2.2 NMAC and the Financial Data Schedule presented as supporting Schedule II required by the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supporting Schedule I required by 2.2.2 NMAC and the Financial Data Schedule presented as supporting Schedule II required by the U.S. Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 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* in considering the Authority's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Clovis, New Mexico
November 22, 2013

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Statement of Net Position
June 30, 2013

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	\$ 95,558	\$ -	\$ 95,558
Accounts receivable - CFP grants	-	1,618	1,618
Inventory	3,703	-	3,703
Prepaid expenses	16,701	-	16,701
<i>Total current assets</i>	<u>115,962</u>	<u>1,618</u>	<u>117,580</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	6,498	-	6,498
Capital assets	2,157,842	-	2,157,842
Accumulated depreciation	(1,219,310)	-	(1,219,310)
<i>Total assets</i>	<u>\$ 1,060,992</u>	<u>\$ 1,618</u>	<u>\$ 1,062,610</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities:</i>			
Accounts payable	\$ 1,370	\$ 1,618	\$ 2,988
Accrued payroll	4,620	-	4,620
Accrued liabilities	1,816	-	1,816
Tenant prepaid rent	335	-	335
Current portion - compensated absences	2,334	-	2,334
<i>Total current liabilities</i>	<u>10,475</u>	<u>1,618</u>	<u>12,093</u>
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	6,394	-	6,394
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,394</u>	<u>-</u>	<u>6,394</u>
<i>Total liabilities</i>	<u>16,869</u>	<u>1,618</u>	<u>18,487</u>
<i>Net position:</i>			
Net investment in capital assets	938,532	-	938,532
Restricted for:			
Low income housing fund program	-	-	-
Public housing capital fund program	-	-	-
Unrestricted	105,591	-	105,591
<i>Total net position</i>	<u>1,044,123</u>	<u>-</u>	<u>1,044,123</u>
<i>Total liabilities and net position</i>	<u>\$ 1,060,992</u>	<u>\$ 1,618</u>	<u>\$ 1,062,610</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 Position
For the Year Ended June 30, 2013

Exhibit A-2

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 88,122	\$ -	\$ 88,122
Vacancy losses	(2,165)	-	(2,165)
Net rental revenue	85,957	-	85,957
Operating subsidies and grants	75,097	-	75,097
Tenant charges	4,053	-	4,053
<i>Total operating revenues</i>	165,107	-	165,107
<i>Operating expenses:</i>			
Administration	83,623	-	83,623
Ordinary maintenance	78,622	9,401	88,023
Insurance	20,266	-	20,266
Utilities	17,470	-	17,470
General expenses	5,620	-	5,620
Depreciation	63,027	4,441	67,468
<i>Total operating expenses</i>	268,628	13,842	282,470
<i>Operating income (loss)</i>	(103,521)	(13,842)	(117,363)
<i>Non-operating revenues (expenses):</i>			
Capital grants	-	62,233	62,233
Interest income	703	-	703
Insurance proceeds	199	-	199
Miscellaneous income	1,005	-	1,005
<i>Total non-operating revenues (expenses)</i>	1,907	62,233	64,140
<i>Income (loss) before contributions and transfers</i>	(101,614)	48,391	(53,223)
Transfers in (out)	46,507	(46,507)	-
<i>Change in net position</i>	(55,107)	1,884	(53,223)
<i>Total net position - beginning of year</i>	1,088,435	8,911	1,097,346
Equity transfers in	10,795	-	10,795
Equity transfers (out)	-	(10,795)	(10,795)
<i>Total net position - end of year</i>	\$ 1,044,123	\$ -	\$ 1,044,123

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, 2013

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 96,389	\$ -	\$ 96,389
Cash received from operating subsidies	75,097	-	75,097
Cash payments to employees for services	(84,235)	-	(84,235)
Cash payments to suppliers for goods and services	(116,396)	(9,401)	(125,797)
<i>Net cash provided (used) by operating activities</i>	(29,145)	(9,401)	(38,546)
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income (expense)	1,204	-	1,204
<i>Net cash provided (used) by noncapital financing activities</i>	1,204	-	1,204
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	37,106	25,127	62,233
Acquisition of capital assets	(3,918)	(15,726)	(19,644)
<i>Net cash provided (used) by capital and related financing activities</i>	33,188	9,401	42,589
<i>Cash flows from investing activities:</i>			
Cash payments to investment account	87,537	-	87,537
Interest on investments	703	-	703
<i>Net cash provided (used) by investing activities</i>	88,240	-	88,240
<i>Net increase (decrease) in cash and cash equivalents</i>	93,487	-	93,487
<i>Cash and cash equivalents - beginning of year</i>	8,569	-	8,569
<i>Cash and cash equivalents - end of year</i>	\$ 102,056	\$ -	\$ 102,056

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)	\$ (103,521)	\$ (13,842)	\$ (117,363)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	63,027	4,441	67,468
Changes in assets and liabilities			
Accounts receivables	7,662	-	7,662
Inventory	319	-	319
Prepaid expenses	26	-	26
Accounts payable	2,694	-	2,694
Accrued payroll expenses	479	-	479
Accrued expenses	1,816	-	1,816
Tenant prepaid rent	(1,283)	-	(1,283)
Accrued compensated absences	(1,091)	-	(1,091)
Tenant deposits	668	-	668
	<u> </u>	<u> </u>	<u> </u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (29,145)</u>	<u>\$ (9,401)</u>	<u>\$ (38,546)</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, 2013

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 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.

During the year ended June 30, 2013, the Authority adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Authority does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2013

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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 government and/or its citizens. 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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. 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 Position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; 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, 2013

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 Position

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Position (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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Position (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 Position. 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 Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. The financial statement net position is reported in three categories: net investment in capital assets, restricted; and unrestricted:.

a. **Net investment in capital assets:**

This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

b. **Restricted Net Position:**

Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position:**

Net position that does not meet the definition of "restricted" and "Net Investment in Capital Assets."

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities, and Net Position (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 position.
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. It is prepared on a non-GAAP cash budgetary basis and adheres to HUD guidelines. 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, 2013.

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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, 2013

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

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, 2013, \$-0- of the Authority's bank balance of \$107,948 was exposed to custodial credit risk. \$-0- was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and \$-0- was uninsured and uncollateralized.

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

	Citizens Bank of Clovis
Year ended June 30, 2012	
Total amount of deposits	\$ 107,948
FDIC Coverage	(107,948)
Total uninsured public funds	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged securities	-
Over (under) collateralization	\$ -

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 95,558	
Restricted cash and cash equivalents per Exhibit A-1	6,498	
Total cash and cash equivalents per Exhibit A-1	102,056	
Add: outstanding checks and other reconciling items	6,101	
Less: deposits in transit and other reconciling items	(209)	
Bank balance of deposits	\$ 107,948	

NOTE 3. RECEIVABLES AND PAYABLES

Receivables as of June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
Tenants	\$ -	\$ -	\$ -
Grants	-	1,618	1,618
Other	-	-	-
Allowance for uncollectible amounts	-	-	-
Net total receivables	<u>\$ -</u>	<u>\$ 1,618</u>	<u>\$ 1,618</u>

Accounts payable and accrued expenses as of June 30, 2013, are as follows:

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
Payable to suppliers	\$ 3,186	\$ 1,618	\$ 4,804
Payable to and on behalf of employees	4,620	-	4,620
Total accounts payable and accrued expenses	<u>\$ 7,806</u>	<u>\$ 1,618</u>	<u>\$ 9,424</u>

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2013

NOTE 4. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land is not subject to depreciation.

	<u>Balance June 30, 2012</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2013</u>
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	2,057,274	15,726	-	2,073,000
Machinery and equipment	47,188	3,918	-	51,106
Total capital assets being depreciated	<u>2,104,462</u>	<u>19,644</u>	<u>-</u>	<u>2,124,106</u>
Total capital assets	<u>2,138,198</u>	<u>19,644</u>	<u>-</u>	<u>2,157,842</u>
Less accumulated depreciation:				
Buildings and improvements	1,112,491	64,312	-	1,176,803
Machinery and equipment	39,351	3,156	-	42,507
Total accumulated depreciation	<u>1,151,842</u>	<u>67,468</u>	<u>-</u>	<u>1,219,310</u>
Total capital assets, net of depreciation	<u>\$ 986,356</u>	<u>\$ (47,824)</u>	<u>\$ -</u>	<u>\$ 938,532</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, 2013, totaled \$67,468.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2013

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2013.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 3,425	\$ 5,620	\$ 6,711	\$ 2,334	\$ 2,334

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 <http://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, 2013, 2012 and 2011 were \$8,488, \$7,822 and \$8,614, 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, 2013.

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Notes to the Financial Statements
June 30, 2013

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 Project NM02P025501-09 was completely expended and closed out.

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 22, 2013 which is the date on which the financial statements were available to be issued.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

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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 Position - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

Statement A-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Rental revenue	\$ 90,480	\$ 90,480	\$ 90,010	\$ (470)
<i>Total operating revenues</i>	90,480	90,480	90,010	(470)
<i>Operating expenses:</i>				
Current:				
Personnel services	97,640	97,640	83,623	14,017
Ordinary maintenance	80,890	80,890	78,622	2,268
Purchased property services	20,400	20,400	20,266	134
Utilities	16,910	16,910	17,470	(560)
Other operating expenses	-	-	5,620	(5,620)
<i>Total operating expenses</i>	215,840	215,840	205,601	10,239
<i>Operating income (loss)</i>	(125,360)	(125,360)	(115,591)	9,769
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	80,376	80,376	75,097	(5,279)
Capital grants	-	-	-	-
Investment earnings	930	930	703	(227)
Miscellaneous income	1,030	1,030	1,204	174
<i>Total nonoperating revenues (expenses)</i>	82,336	82,336	77,004	(5,332)
<i>Income (loss) before contributions and transfers</i>	(43,024)	(43,024)	(38,587)	4,437
Designated cash (budgeted increase in cash)	43,024	43,024	-	(43,024)
Transfers in (out)	-	-	46,507	46,507
<i>Change in net position</i>	\$ -	\$ -	7,920	\$ 7,920
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(63,027)	
<i>Change in net position per Exhibit A-2</i>			(55,107)	
<i>Total net position, beginning of year</i>			1,088,435	
Equity transfers in			10,795	
<i>Total net position, end of year</i>			\$ 1,044,123	

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 Position - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

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>				
<i>Current:</i>				
Personnel services	-	-	-	-
Ordinary maintenance	-	-	9,401	(9,401)
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	-	-	9,401	(9,401)
<i>Operating income (loss)</i>	-	-	(9,401)	(9,401)
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	-	-	-	-
Capital grants	37,110	37,110	62,233	25,123
Investment earnings	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	37,110	37,110	62,233	25,123
<i>Income (loss) before contributions and transfers</i>	37,110	37,110	52,832	15,722
Designated cash (budgeted increase in cash)	(37,110)	(37,110)	-	37,110
Transfers in (out)	-	-	(46,507)	(46,507)
<i>Change in net position</i>	\$ -	\$ -	6,325	\$ 6,325
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(4,441)	
<i>Change in net position per Exhibit A-2</i>			1,884	
<i>Total net position, beginning of year</i>			8,911	
Equity transfers (out)			(10,795)	
<i>Total net position, 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
June 30, 2013

Schedule I

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Citizens Bank of Clovis					
Operating account	Checking	\$ 30,035	\$ 209	\$ 6,101	\$ 24,143
MMDA Business account	Money Market	71,415	-	-	71,415
Savings account - tenant deposits	Savings	6,498	-	-	6,498
Total cash in bank		<u>\$ 107,948</u>	<u>\$ 209</u>	<u>\$ 6,101</u>	<u>\$ 102,056</u>

Statement of Net Position (Exhibit A-1):

Cash and cash equivalents	\$ 95,558
Restricted cash and cash equivalents	<u>6,498</u>
	<u>\$ 102,056</u>

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Financial Data Schedule
June 30, 2013

		Low Income Housing Fund	Public Housing Capital Fund	Total
Assets				
111	Cash - unrestricted	\$ 95,558	\$ -	\$ 95,558
114	Cash - tenant security deposits	6,498	-	6,498
100	Total cash	<u>102,056</u>	<u>-</u>	<u>102,056</u>
122	Accounts receivable - HUD	-	1,618	1,618
126	Accounts receivable - tenants	-	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-
129	Accrued interest receivable	-	-	-
120	Total receivables, net of allowances for doubtful accounts	<u>-</u>	<u>1,618</u>	<u>1,618</u>
142	Prepaid expenses and other assets	16,701	-	16,701
143	Inventories	4,114	-	4,114
143.1	Allowance for obsolete inventories	(411)	-	(411)
150	Total current assets	<u>122,460</u>	<u>1,618</u>	<u>124,078</u>
161	Land	33,736	-	33,736
162	Buildings	1,963,701	-	1,963,701
163	Furniture, equipment and machinery - dwellings	30,076	-	30,076
164	Furniture, equipment and machinery - administration	16,838	-	16,838
165	Leasehold improvements	113,491	-	113,491
166	Accumulated depreciation	(1,219,310)	-	(1,219,310)
160	Total capital assets, net of accumulated depreciation	<u>938,532</u>	<u>-</u>	<u>938,532</u>
180	Total non-current assets	<u>938,532</u>	<u>-</u>	<u>938,532</u>
190	Total assets	<u>\$ 1,060,992</u>	<u>\$ 1,618</u>	<u>\$ 1,062,610</u>

		Low Income Housing Fund	Public Housing Capital Fund	Total
Liabilities and Equity				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 1,370	-	\$ 1,370
321	Accrued wage/payroll taxes payable	4,620	-	4,620
322	Accrued compensated absences - current portion	1,732	-	1,732
341	Tenant security deposits	6,394	-	6,394
342	Deferred revenues	335	-	335
345	Other current liabilities	-	1,618	1,618
346	Accrued liabilities-other	1,816	-	1,816
310	Total current liabilities	16,267	1,618	17,885
354	Accrued compensated absences - non current	602	-	602
350	Total non-current liabilities	602	-	602
300	Total liabilities	16,869	1,618	18,487
<i>Equity</i>				
508.1	Invested in capital assets, net of related debt	938,532	-	938,532
512.1	Unrestricted net assets	105,591	-	105,591
513	Total equity/net assets	1,044,123	-	1,044,123
600	Total liabilities and equity/net assets	\$ 1,060,992	\$ 1,618	\$ 1,062,610

STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Financial Data Schedule
June 30, 2013

	Low Income Housing Fund	Public Housing Capital Fund	Total
Revenues			
70300 Net tenant rental revenue	\$ 85,957	\$ -	\$ 85,957
70400 Tenant revenue - other	4,053	-	4,053
70500 Total tenant revenue	90,010	-	90,010
70600 HUD PHA operating grants	75,097	46,507	121,604
70610 Capital grants	-	15,726	15,726
71100 Investment income - unrestricted	703	-	703
71500 Other revenue	1,204	-	1,204
70000 Total revenue	167,014	62,233	229,247
Expenses			
91100 Administrative salaries	50,121	-	50,121
91200 Auditing fees	8,097	-	8,097
91400 Advertising and marketing	649	-	649
91500 Employee benefit contributions - administrative	11,643	-	11,643
91600 Office expenses	5,225	-	5,225
91800 Travel	2,630	-	2,630
91900 Other	5,258	-	5,258
91000 Total operating - administrative	83,623	-	83,623
93100 Water	6,486	-	6,486
93200 Electricity	1,316	-	1,316
93300 Gas	893	-	893
93600 Sewer	8,775	-	8,775
93000 Total utilities	17,470	-	17,470
94100 Ordinary maintenance and operations - labor	43,489	-	43,489
94200 Ordinary maintenance and operations - materials and other	27,799	-	27,799
94300 Ordinary maintenance and operations contracts	10,685	-	10,685
94500 Employee benefit contributions - ordinary maintenance	6,050	-	6,050
94000 Total maintenance	88,023	-	88,023

See accompanying independent auditor's report

	Low Income Housing Fund	Public Housing Capital Fund	Total
96110 Property insurance	13,147	-	13,147
96120 Liability insurance	2,074	-	2,074
96130 Workmen's compensation	3,234	-	3,234
96140 All other insurance	1,811	-	1,811
96100 Total insurance premiums	20,266	-	20,266
96210 Compensated absences	5,620	-	5,620
96000 Total other general expenses	5,620	-	25,886
96900 Total operating expenses	215,002	-	215,002
97000 Excess of operating revenue over operating expenses	(47,988)	62,233	14,245
97400 Depreciation expense	63,027	4,441	67,468
90000 Total expenses	278,029	4,441	282,470
10010 Operating transfers in	46,507	-	46,507
10020 Operating transfers out	-	(46,507)	(46,507)
10100 Total other financing sources (uses)	46,507	(46,507)	-
10000 Excess (deficiency) of total revenue over (under) total expenses	\$ (64,508)	\$ 11,285	\$ (53,223)
11030 Beginning equity	\$ 1,088,435	\$ 8,911	\$ 1,097,346
11040 Prior period adjustments, equity transfers, and correction of errors	20,196	(20,196)	-
Ending equity	\$ 1,044,123	\$ -	\$ 1,044,123
11190 Unit months available	557	-	557
11210 Number of unit months leased	550	-	550

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COMPLIANCE SECTION

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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***

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, 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, the 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 (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and the related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 22, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as FS 2007-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants
Clovis, New Mexico
November 22, 2013

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, 2013

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

1.	Type of auditor's report issued	Unmodified
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

* 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, 2013

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 2012-1 — Deficiencies in Accounting for Capital Assets	B	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 Recommendations

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 continue 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.

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STATE OF NEW MEXICO
Fort Sumner Housing Authority
A Component Unit of the Village of Fort Sumner
Other Disclosures
For the Year Ended 2013

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 22, 2013. The following individuals were in attendance.

Fort Sumner Housing Authority Officials

Allen Sparks, Chairman
Patricia Seña, Executive Director

Auditors

Carol Snider, CPA