



*State of New Mexico*

*Village of Fort Sumner Housing Authority*

*A Component Unit of the  
Village of Fort Sumner, New Mexico*

*Annual Financial Report  
For The Year Ended June 30, 2014*



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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  
Table of Contents  
June 30, 2014

	<u>Exhibit / Statement / Schedule</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		5
Official Roster		7
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report		10-11
Management’s Discussion and Analysis		12-15
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position	A-1	18
Statement of Revenues, Expenses and Changes in Net Position	A-2	19
Statement of Cash Flows	A-3	20-21
NOTES TO THE FINANCIAL STATEMENTS		22-33
<b>SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues, Expenses and Changes in Net Position – Budget (Non-GAAP Budgetary Basis) and Actual:		
Low Income Housing Fund Program	A-1	36
Public Housing Capital Fund Program	A-2	37
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposit and Investment Accounts	I	41
Financial Data Schedule	II	42-45
<b>COMPLIANCE SECTION</b>		
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>		47-48
Schedule of Findings and Responses	III	49-52
<b>OTHER DISCLOSURES</b>		
		53

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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, 2014

**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
Bianca Alvidrez	Administrative Asst.

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**FINANCIAL SECTION**



**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, 2014, 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, 2014 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, 2014, 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*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12 through 15 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons that collectively comprise the Authority's basic financial statements. Supporting Schedule I, required by Section 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 Section 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 Section 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 24, 2014 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 24, 2014

STATE OF NEW MEXICO  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Management's Discussion and Analysis  
June 30, 2014

**Introduction**

This Management's Discussion and Analysis (MD&A) of the Fort Sumner Housing Authority (Authority) provides an introduction and overview to the financial statements of the Fort Sumner Housing Authority for the fiscal year ended June 30, 2014. The Fort Sumner Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2014, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Fort Sumner Housing Authority. The information contained in this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Income Housing Fund Program and the Public Housing Capital Fund Program.

The Low Income Housing Fund Program consists of 47 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.

The Public Housing Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

**Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

**The Statement of Net Position** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2014 to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2014.

STATE OF NEW MEXICO  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Management's Discussion and Analysis  
June 30, 2014

**Financial Highlights**

- The Fort Sumner Housing Authority's total net position decreased from \$1,044,123 in 2013 to \$1,024,331 in 2014, for a decrease of \$19,792. The total assets decreased by \$18,028 or 2% from the previous year.
- The unrestricted component of net position's balance is \$111,815 at June 30, 2014. This represents an increase of \$6,224, or 6% from the previous year.
- Total revenues increased from \$229,247 in 2013 to \$261,374 in 2014, representing an increase of \$32,127 or 14%.
- Total expenses decreased by \$1,304 from \$282,470 to \$281,166 for the current year.

**Housing Authority Activities & Highlights**

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the years ended June 30, 2014 and June 30, 2013.

***Summary Statement of Net Position***

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 125,213	\$ 117,580	\$ 7,633	6%
Noncurrent Assets	919,369	945,030	(25,661)	-3%
Total Assets	<u>1,044,582</u>	<u>1,062,610</u>	<u>(18,028)</u>	-2%
Current Liabilities	<u>20,251</u>	<u>18,487</u>	<u>1,764</u>	10%
Total Liabilities	<u>20,251</u>	<u>18,487</u>	<u>1,764</u>	10%
Unrestricted	111,815	105,591	6,224	6%
Restricted	377	-	377	100%
Investment in Capital Assets	912,139	938,532	(26,393)	-3%
Total Net Position	<u>\$ 1,024,331</u>	<u>\$ 1,044,123</u>	<u>\$ (19,792)</u>	-2%

***Current Assets***

Current assets increased by \$7,633, from \$117,580 in 2013 to \$125,213 in 2014. This is primarily due to an increase in tenant security deposit account in the amount of \$745 and investments of \$1,083 due to interest.

***Noncurrent Assets***

Noncurrent assets decreased by \$25,661, from \$945,030 in 2013 to \$919,369 in 2014. The primary reason for the decrease is due to charging of depreciation expense and the removal of ranges and refrigerators in the current fiscal year.

***Current Liabilities***

The Authority's current liabilities increased from \$18,487 to \$20,251, a change of \$1,764 or 9% for the current year. The primary reason for the increase is due a higher accrual of wage/payroll taxes payable from the prior year by \$2,784.

STATE OF NEW MEXICO  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Management's Discussion and Analysis  
June 30, 2014

*Net Position*

The Authority's total net position decreased by \$19,792 or 2% from the previous year.

The Authority's unrestricted component of net position increased from \$105,591 to \$111,815, an increase of \$6,224, or 6% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

***Summary Statement of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2014 and 2013***

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 90,118	\$ 90,010	\$ 108	0%
HUD Operating Grant	86,547	75,097	11,450	15%
Capital Grant	83,299	62,233	21,066	34%
Interest Income	479	703	(224)	-32%
Insurance Proceeds	-	199	(199)	-100%
Other Revenue	931	1,005	(74)	-7%
Total Revenue	261,374	229,247	32,127	14%
Administration	77,797	83,623	(5,826)	-7%
Ordinary maintenance	88,350	88,023	327	0%
Insurance	21,000	20,266	734	4%
Utilities	18,952	17,470	1,482	8%
General expenses	5,824	5,620	204	4%
Depreciation	69,243	67,468	1,775	3%
Total Expense	281,166	282,470	(1,304)	0%
Excess of Revenue over Expenses	(19,792)	(53,223)	33,431	-63%
Net Position, Beginning of year	1,044,123	1,097,346	(53,223)	-5%
Net Position, end of year	\$ 1,024,331	\$ 1,044,123	\$ (19,792)	-2%

*Results of Operations*

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased by \$32,127 during the current fiscal year. Significant changes in revenues are as follows:

- HUD Operating Grants increased by \$11,450 primarily due to higher grant awards received in the Low Rent Program.
- Capital Grants increased by \$21,066 primarily due to more capital activity during the current year.

The Authority's total expenses decreased by \$1,304 from the previous year. Significant changes in expenses are as follows:

- Administrative expenses decreased by \$5,826 or 7% during the current year, primarily due to reduced administrative salary and benefit costs which decreased by \$3,680.
- General expenses increased by \$204 or 4% during the current year. This is primarily due to increased supplies expenses.

STATE OF NEW MEXICO  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Management's Discussion and Analysis  
June 30, 2014

- Ordinary maintenance increased by \$327 during the current year. This is primarily due to an increase in material costs in the amount of \$4,442 in the current year.

*Capital Assets*

As of June 30, 2014, the Fort Sumner Housing Authority's total capital assets were \$912,139. This investment includes land, buildings, and equipment.

<u>Category</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 33,736	\$ 33,736	\$ -	0%
Building & improvements	2,119,767	2,073,000	46,767	2%
Machinery and Equipment	24,690	51,106	(26,416)	-52%
Accumulated depreciation	(1,266,054)	(1,219,310)	(46,744)	4%
Total Capital Assets	<u>\$ 912,139</u>	<u>\$ 938,532</u>	<u>\$ (26,393)</u>	-3%

The change in buildings is due to replacement of central heaters using the 2011 and 2012 CFP awards.

The change in equipment is due to the removal of ranges, refrigerators, and air conditioners. New appliances purchased in the current year did not meet the requirements to be capitalized.

*Debt Administration*

The Authority had no debt obligations as of June 30, 2014.

*Subsequent Event*

HUD has finalized the funding levels for the 2014 calendar year. Operating subsidy for the Low Income Housing Fund Program is prorated at 89%.

The Housing Authority is primarily dependent upon HUD for funding of operations; therefore, the Housing Authority is affected by federal budget more than local economic conditions. The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

Capital Funds are used for the modernization of public housing properties.

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**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, 2014

Exhibit A-1

	<u>Low Income Housing Fund</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 104,452	\$ -	\$ 104,452
Accounts receivable - tenants, less allowance for doubtful accounts (Note 3)	135	-	135
Accounts receivable - CFP grants	-	377	377
Inventory	4,289	-	4,289
Prepaid expenses	15,960	-	15,960
<i>Total current assets</i>	<u>124,836</u>	<u>377</u>	<u>125,213</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	7,230	-	7,230
Capital assets	2,178,193	-	2,178,193
Accumulated depreciation	(1,266,054)	-	(1,266,054)
<i>Total noncurrent assets</i>	<u>919,369</u>	<u>-</u>	<u>919,369</u>
<i>Total assets</i>	<u>\$ 1,044,205</u>	<u>\$ 377</u>	<u>\$ 1,044,582</u>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ 1,901	\$ -	\$ 1,901
Accrued payroll	7,404	-	7,404
Tenant prepaid rent	176	-	176
Current portion - compensated absences	3,631	-	3,631
<i>Total current liabilities</i>	<u>13,112</u>	<u>-</u>	<u>13,112</u>
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	7,139	-	7,139
<i>Total current liabilities (payable from restricted assets)</i>	<u>7,139</u>	<u>-</u>	<u>7,139</u>
<i>Total liabilities</i>	<u>20,251</u>	<u>-</u>	<u>20,251</u>
<i>Net position:</i>			
Net investment in capital assets	912,139	-	912,139
Restricted for:			
Public housing capital fund program	-	377	377
Unrestricted	111,815	-	111,815
<i>Total net position</i>	<u>1,023,954</u>	<u>377</u>	<u>1,024,331</u>
<i>Total liabilities and net position</i>	<u>\$ 1,044,205</u>	<u>\$ 377</u>	<u>\$ 1,044,582</u>

**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, 2014

Exhibit A-2

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 89,445	\$ -	\$ 89,445
Vacancy losses	(3,105)	-	(3,105)
Net rental revenue	86,340	-	86,340
Operating subsidies and grants	86,547	-	86,547
Tenant charges	3,778	-	3,778
<i>Total operating revenues</i>	<u>176,665</u>	<u>-</u>	<u>176,665</u>
<i>Operating expenses:</i>			
Administration	75,977	1,820	77,797
Ordinary maintenance	68,401	19,949	88,350
Insurance	21,000	-	21,000
Utilities	18,952	-	18,952
General expenses	5,824	-	5,824
Depreciation	67,457	1,786	69,243
<i>Total operating expenses</i>	<u>257,611</u>	<u>23,555</u>	<u>281,166</u>
<i>Operating income (loss)</i>	<u>(80,946)</u>	<u>(23,555)</u>	<u>(104,501)</u>
<i>Non-operating revenues (expenses):</i>			
Capital grants	-	83,299	83,299
Interest income	479	-	479
Miscellaneous income	931	-	931
<i>Total non-operating revenues (expenses)</i>	<u>1,410</u>	<u>83,299</u>	<u>84,709</u>
<i>Income (loss) before contributions and transfers</i>	<u>(79,536)</u>	<u>59,744</u>	<u>(19,792)</u>
Transfers in (out)	20,000	(20,000)	-
<i>Change in net position</i>	<u>(59,536)</u>	<u>39,744</u>	<u>(19,792)</u>
<i>Total net position - beginning of year</i>	1,044,123	-	1,044,123
Equity transfers in	39,367	-	39,367
Equity transfers (out)	-	(39,367)	(39,367)
<i>Total net position - end of year</i>	<u>\$ 1,023,954</u>	<u>\$ 377</u>	<u>\$ 1,024,331</u>

**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, 2014

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 91,967	\$ -	\$ 91,967
Cash received from operating subsidies	86,547	-	86,547
Cash payments to employees for services	(71,896)	(1,820)	(73,716)
Cash payments to suppliers for goods and services	(114,364)	(19,949)	(134,313)
<i>Net cash provided (used) by operating activities</i>	<u>(7,746)</u>	<u>(21,769)</u>	<u>(29,515)</u>
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income (expense)	931	-	931
<i>Net cash provided (used) by noncapital financing activities</i>	<u>931</u>	<u>-</u>	<u>931</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	36,313	46,193	82,506
Acquisition of capital assets	(20,351)	(24,424)	(44,775)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>15,962</u>	<u>21,769</u>	<u>37,731</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	479	-	479
<i>Net cash provided (used) by investing activities</i>	<u>479</u>	<u>-</u>	<u>479</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	9,626	-	9,626
<i>Cash and cash equivalents - beginning of year</i>	<u>102,056</u>	<u>-</u>	<u>102,056</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 111,682</u>	<u>\$ -</u>	<u>\$ 111,682</u>

	Low Income Housing Fund	Public Housing Capital Fund	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (80,946)	\$ (23,555)	\$ (104,501)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	67,457	1,786	69,243
Changes in assets and liabilities			
Accounts receivables	1,483	-	1,483
Inventory	(586)	-	(586)
Prepaid expenses	741	-	741
Accounts payable	(1,087)	-	(1,087)
Accrued payroll expenses	2,784	-	2,784
Accrued expenses	-	-	-
Tenant prepaid rent	(159)	-	(159)
Accrued compensated absences	1,297	-	1,297
Tenant deposits	745	-	745
<i>Net cash provided (used) by operating activities</i>	<u>\$ (7,746)</u>	<u>\$ (21,769)</u>	<u>\$ (29,515)</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, 2014

**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, 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 ("GASB 65") established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2014

**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, 2014

**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, 2014

**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, 2014

**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" or "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, 2014

**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 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, 2014.

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, 2014

**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, 2014, \$-0- of the Authority's bank balance of \$112,177 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, 2014	
Total amount of deposits	\$ 112,177
FDIC Coverage	(112,177)
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, 2014

**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	\$	104,452
Restricted cash and cash equivalents per Exhibit A-1		7,230
Total cash and cash equivalents per Exhibit A-1		111,682
Add: outstanding checks and other reconciling items		695
Less: deposits in transit and other reconciling items		(200)
Bank balance of deposits	\$	112,177

**NOTE 3. RECEIVABLES AND PAYABLES**

Receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	Low Income Housing Fund	Public Housing Capital Fund	Total
Tenants	\$ 153	\$ -	\$ 153
Grants	-	377	377
Allowance for uncollectible amounts	(18)	-	(18)
Net total receivables	\$ 135	\$ 377	\$ 512

Accounts payable and accrued expenses as of June 30, 2014, are as follows:

	Low Income Housing Fund	Public Housing Capital Fund	Total
Payable to suppliers	\$ 1,901	\$ -	\$ 1,901
Payable to and on behalf of employees	7,404	-	7,404
Total accounts payable and accrued expenses	\$ 9,305	\$ -	\$ 9,305

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Notes to the Financial Statements  
June 30, 2014

**NOTE 4. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land is not subject to depreciation.

	<u>Balance June 30, 2013</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2014</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	2,073,000	46,767	-	2,119,767
Machinery and equipment	51,106	(3,917)	(22,499)	24,690
Total capital assets being depreciated	<u>2,124,106</u>	<u>42,850</u>	<u>(22,499)</u>	<u>2,144,457</u>
Total capital assets	<u>2,157,842</u>	<u>42,850</u>	<u>(22,499)</u>	<u>2,178,193</u>
Less accumulated depreciation:				
Buildings and improvements	1,176,803	67,721	(22,499)	1,222,025
Machinery and equipment	42,507	1,522	-	44,029
Total accumulated depreciation	<u>1,219,310</u>	<u>69,243</u>	<u>(22,499)</u>	<u>1,266,054</u>
Total capital assets, net of depreciation	<u>\$ 938,532</u>	<u>\$ (26,393)</u>	<u>\$ -</u>	<u>\$ 912,139</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, 2014, totaled \$69,243.

**NOTE 5. LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2014.

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 2,334</u>	<u>\$ 5,299</u>	<u>\$ 4,002</u>	<u>\$ 3,631</u>	<u>\$ 3,631</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, 2014

**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 fiscal years ending June 30, 2014, 2013 and 2012 were \$8,750, \$8,488 and \$7,822, 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, 2014.

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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, 2014

**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, there were no completely expended and closed out Capital Fund Projects.

**NOTE 12. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2014, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 24, 2014 which is the date on which the financial statements were available to be issued.

**NOTE 13. SUBSEQUENT PRONOUNCEMENTS**

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, 2015.

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 November 2013, Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The Authority will implement this standard during the fiscal year June 30, 2015.

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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, 2014

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	\$ 85,140	\$ 85,510	\$ 90,118	\$ 4,608
<i>Total operating revenues</i>	85,140	85,510	90,118	4,608
<i>Operating expenses:</i>				
Current:				
Personnel services	101,060	87,180	75,977	11,203
Purchased professional and technical services	-	-	525	(525)
Ordinary maintenance	67,840	73,550	68,401	5,149
Purchased property services	20,400	21,010	21,000	10
Utilities	22,750	18,770	18,952	(182)
Other operating expenses	-	-	5,299	(5,299)
<i>Total operating expenses</i>	212,050	200,510	190,154	10,356
<i>Operating income (loss)</i>	(126,910)	(115,000)	(100,036)	14,964
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	83,802	85,954	86,547	593
Capital grants	-	-	-	-
Investment earnings	930	580	479	(101)
Miscellaneous income	1,330	750	931	181
<i>Total nonoperating revenues (expenses)</i>	86,062	87,284	87,957	673
<i>Income (loss) before contributions and transfers</i>	(40,848)	(27,716)	(12,079)	15,637
Designated cash (budgeted increase in cash)	40,848	27,716	-	(27,716)
Transfers in (out)	-	-	20,000	20,000
<i>Change in net position</i>	\$ -	\$ -	7,921	\$ 7,921
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(67,457)	
<i>Change in net position per Exhibit A-2</i>			(59,536)	
<i>Total net position, beginning of year</i>			1,044,123	
Equity transfers in			39,367	
<i>Total net position, end of year</i>			\$ 1,023,954	

**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, 2014

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	-	-	1,820	(1,820)
Ordinary maintenance	-	-	19,949	(19,949)
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	-	-	21,769	(21,769)
<i>Operating income (loss)</i>	-	-	(21,769)	(21,769)
<i>Nonoperating revenues (expenses):</i>				
Noncapital grants and subsidies	-	-	-	-
Capital grants	20,000	34,500	83,299	48,799
Investment earnings	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	20,000	34,500	83,299	48,799
<i>Income (loss) before contributions and transfers</i>	20,000	34,500	61,530	27,030
Designated cash (budgeted increase in cash)	(20,000)	(34,500)	-	34,500
Transfers in (out)	-	-	(20,000)	(20,000)
<i>Change in net position</i>	\$ -	\$ -	41,530	\$ 41,530
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(1,786)	
<i>Change in net position per Exhibit A-2</i>			39,744	
<i>Total net position, beginning of year</i>			-	
Equity transfers (out)			(39,367)	
<i>Total net position, end of year</i>			\$ 377	

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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, 2014

Schedule I

Bank Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Citizens Bank of Clovis</b>					
Operating account	Checking	\$ 32,489	\$ 160	\$ 695	\$ 31,954
MMDA Business account	Money Market	72,498	-	-	72,498
Savings account - tenant deposits	Savings	7,190	40	-	7,230
Total cash in bank		<u>\$ 112,177</u>	<u>\$ 200</u>	<u>\$ 695</u>	<u>\$ 111,682</u>

Statement of Net Position (Exhibit A-1):

Cash and cash equivalents	\$ 104,452
Restricted cash and cash equivalents	<u>7,230</u>
	<u>\$ 111,682</u>

See independent auditor's report

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Financial Data Schedule  
June 30, 2014

		Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Assets</b>				
111	Cash - unrestricted	104,452	\$ -	\$ 104,452
114	Cash - tenant security deposits	7,230	-	7,230
100	Total cash	<u>111,682</u>	<u>-</u>	<u>111,682</u>
122	Accounts receivable - HUD	-	377	377
126	Accounts receivable - tenants	153	-	153
126.1	Allowance for doubtful accounts - tenants	(18)	-	(18)
	126.2 Allowance for doubtful accounts-other	-	-	-
	128 Fraud recovery	-	-	-
	128.1 Allowance for doubtful accounts-fraud	-	-	-
129	Accrued interest receivable	-	-	-
120	Total receivables, net of allowances for doubtful accounts	<u>135</u>	<u>377</u>	<u>512</u>
142	Prepaid expenses and other assets	15,960	-	15,960
143	Inventories	4,765	-	4,765
143.1	Allowance for obsolete inventories	(476)	-	(476)
150	Total current assets	<u>132,066</u>	<u>377</u>	<u>132,443</u>
161	Land	33,736	-	33,736
162	Buildings	2,119,767	-	2,119,767
163	Furniture, equipment and machinery - dwellings	8,286	-	8,286
164	Furniture, equipment and machinery - administration	16,404	-	16,404
166	Accumulated depreciation	(1,266,054)	-	(1,266,054)
160	Total capital assets, net of accumulated depreciation	<u>912,139</u>	<u>-</u>	<u>912,139</u>
180	Total non-current assets	<u>912,139</u>	<u>-</u>	<u>912,139</u>
190	Total assets	<u>\$ 1,044,205</u>	<u>\$ 377</u>	<u>\$ 1,044,582</u>

See independent auditor's report

		Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Liabilities and Equity</b>				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 1,901	-	\$ 1,901
321	Accrued wage/payroll taxes payable	7,404	-	7,404
322	Accrued compensated absences - current portion	3,631	-	3,631
341	Tenant security deposits	7,139	-	7,139
342	Deferred revenues	176	-	176
345	Other current liabilities	-	-	-
346	Accrued liabilities-other	-	-	-
		<hr/>	<hr/>	<hr/>
310	Total current liabilities	20,251	-	20,251
		<hr/>	<hr/>	<hr/>
354	Accrued compensated absences - non current	-	-	-
		<hr/>	<hr/>	<hr/>
350	Total non-current liabilities	-	-	-
		<hr/>	<hr/>	<hr/>
300	Total liabilities	20,251	-	20,251
		<hr/>	<hr/>	<hr/>
<i>Equity</i>				
508.1	Invested in capital assets, net of related debt	912,139	-	912,139
511.1	Restricted net assets	-	377	377
512.1	Unrestricted net assets	111,815	-	111,815
		<hr/>	<hr/>	<hr/>
513	Total equity/net assets	1,023,954	377	1,024,331
		<hr/>	<hr/>	<hr/>
600	Total liabilities and equity/net assets	\$ 1,044,205	\$ 377	\$ 1,044,582
		<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, 2014

	Low Income Housing Fund	Public Housing Capital Fund	Total
<b>Revenues</b>			
70300 Net tenant rental revenue	\$ 86,340	\$ -	\$ 86,340
70400 Tenant revenue - other	3,778	-	3,778
70500 Total tenant revenue	90,118	-	90,118
70600 HUD PHA operating grants	86,547	36,532	123,079
70610 Capital grants	-	46,767	46,767
71100 Investment income - unrestricted	479	-	479
71500 Other revenue	931	-	931
70000 Total revenue	178,075	83,299	261,374
<b>Expenses</b>			
91100 Administrative salaries	47,751	1,820	49,571
91200 Auditing fees	8,097	-	8,097
91400 Advertising and marketing	110	-	110
91500 Employee benefit contributions - administrative	10,333	-	10,333
91600 Office expenses	5,172	-	5,172
91800 Travel	982	-	982
91900 Other	3,532	-	3,532
91000 Total operating - administrative	75,977	1,820	77,797
93100 Water	3,973	-	3,973
93200 Electricity	1,676	-	1,676
93300 Gas	1,001	-	1,001
93600 Sewer	10,237	-	10,237
93800 Other utilities expense	2,065	-	2,065
93000 Total utilities	18,952	-	18,952
94100 Ordinary maintenance and operations - labor	45,060	-	45,060
94200 Ordinary maintenance and operations - materials and other	12,377	19,949	32,326
94300 Ordinary maintenance and operations contracts	4,379	-	4,379
94500 Employee benefit contributions - ordinary maintenance	6,585	-	6,585
94000 Total maintenance	68,401	19,949	88,350

See independent auditor's report

	Low Income Housing Fund	Public Housing Capital Fund	Total
96110 Property insurance	14,411	-	14,411
96120 Liability insurance	2,153	-	2,153
96130 Workmen's compensation	4,004	-	4,004
96140 All other insurance	432	-	432
96100 Total insurance premiums	21,000	-	21,000
96210 Compensated absences	5,824	-	5,824
96000 Total other general expenses	5,824	-	26,824
96900 Total operating expenses	190,154	21,769	211,923
97000 Excess of operating revenue over operating expenses	(12,079)	61,530	49,451
97400 Depreciation expense	67,457	1,786	69,243
90000 Total expenses	257,611	23,555	281,166
10010 Operating transfers in	39,367	-	39,367
10020 Operating transfers out	-	(39,367)	(39,367)
10100 Total other financing sources (uses)	39,367	(39,367)	-
10000 Excess (deficiency) of total revenue over (under) total expenses	\$ (40,169)	\$ 20,377	\$ (19,792)
11030 Beginning equity	\$ 1,044,123	\$ -	\$ 1,044,123
11040 Prior period adjustments, equity transfers, and correction of errors	20,000	(20,000)	-
Ending equity	\$ 1,023,954	\$ 377	\$ 1,024,331
11190 Unit months available	557	-	557
11210 Number of unit months leased	544	-	544

**COMPLIANCE SECTION**



**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, 2014, 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 24, 2014.

**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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items FS 2007-001 (FS 2007-1) and FS 2014-001 that we consider to be significant deficiencies.

## **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2014-002.

## **Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were 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, L.L.P.*

Accounting & Consulting Group, LLP  
Certified Public Accountants  
Clovis, New Mexico  
November 24, 2014



**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, 2014

**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 noted?                     | No         |

**SECTION II – PRIOR YEAR AUDIT FINDINGS**

**Prior Year Audit Findings**

FS 2007-1 Preparation of Financial Statements	Repeated and modified
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### SECTION III – FINANCIAL STATEMENT FINDINGS

#### **FS 2007-001 (FS 2007-1) — Cash to Modified and Full Accrual Conversions (Preparation of Financial Statements) (Repeated/Modified) — Significant Deficiency**

##### ***Condition***

The Authority was unable to provide accurate and complete supporting documentation and related journal entries to convert the budgetary basis of accounting to the modified and full accrual basis of accounting in order to prepare the account balances for inclusion into the financial statements.

##### ***Criteria***

Governmental Accounting Standards Board (GASB) Statement No. 34 requires not only the budgetary basis (cash basis) of accounting, but also modified and full accrual accounting is required for financial statement presentation that would be in accordance with generally accepted accounting principles (GAAP).

##### ***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 Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the required schedules and listings to prepare accurate modified and full accrual accounting adjustments for fairly presented account balances.

##### ***Auditor's Recommendations***

We recommend the 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 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.

**SECTION III – FINANCIAL STATEMENT FINDINGS- (continued)**

**FS 2014-001— Deficiencies in Accounting for Capital Assets — Significant Deficiency**

***Condition***

The Housing Authority added asset purchases whose cost per each item was below the capitalization threshold set by the Housing Authority to the capital asset inventory and began depreciating them. The total amount of those purchases was \$9,590.

***Criteria***

Capital assets acquired through purchase shall be recorded at cost and depreciated over their life. Assets include assets constructed by Housing Authority personnel. Repairs and maintenance on capital assets which are routine and necessary for continued safe and productive operation, should be charged to maintenance expense in the period in which they occur. Assets whose cost is below the capitalization threshold should be expensed in the period in which they are purchased.

***Effect***

The Housing Authority could misstate the value of their capital assets which could materially misstate the financial statements.

***Cause***

The Housing Authority and their fee accountant (Urlaub & Co.) did not look at the cost of the purchases on a per item basis and recorded the additions at the total price paid for multiple items of the same type.

***Auditor's Recommendations***

The Housing Authority should review with their fee accountant (Urlaub & Co.) purchases of items that should be capitalized and also those items that were purchased that need to be tracked, but whose initial cost is under the capitalization threshold and should not be added to the capital assets listing and depreciated.

***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.

**SECTION III – FINANCIAL STATEMENT FINDINGS- (continued)**

**FS 2014-002— Travel and Per Diem - Other Matters**

***Condition***

During testwork of travel and per diem we tested 5 items totaling \$1,199.37. In 5 out of 5 samples tested, the Housing Authority incorrectly calculated the return from overnight travel reimbursement incorrectly. In 1 out of 5 samples tested, the Housing Authority used the incorrect mileage amount for reimbursement. In 5 of 5 samples tested, the Housing Authority incorrectly calculated the meal reimbursement.

***Criteria***

NMAC 6.20.2.10 requires the Housing Authority to comply with the Per Diem and Mileage Act, Section 10-8-1 through 10-8-8, for all per diem and reimbursement rates.

***Effect***

The Housing Authority has reimbursed an employee in excess of allowable statute reimbursement requirements.

***Cause***

The Housing Authority did not maintain policies and procedures to ensure that documentation is properly reviewed to ensure compliance with State Statutes and Housing Authority policies.

***Auditor's Recommendations***

We recommend the Housing Authority review all supporting documentation and retain all documents to ensure compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates. The policy should be clear, written, and communicated to all to whom it applies and enforced uniformly.

***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.

**STATE OF NEW MEXICO**  
Fort Sumner Housing Authority  
A Component Unit of the Village of Fort Sumner  
Other Disclosures  
For the Year Ended 2014

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Accounting and Consulting Group, LLP, prepared the GAAP-basis financial statements and footnotes of the Fort Sumner Housing Authority from the original books and records provided to them by management of the Authority. 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 24, 2014. The following individuals were in attendance.

**Fort Sumner Housing Authority Officials**

Allen Sparks, Chairman  
Patricia Seña, Executive Director

**Auditors**

Carol Snider, CPA  
Lauren Vail (telephonically)