

**STATE OF NEW MEXICO  
TOWN OF SPRINGER HOUSING AUTHORITY**

**A DEPARTMENT OF THE  
TOWN OF SPRINGER, NEW MEXICO**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2006**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Official Roster  
June 30, 2006

<u>Name</u>		<u>Title</u>
	<u><b>Town Council</b></u>	
Johnny Chavez		Chairman
Albert Romero		Member
Michael Kear		Member
Art Martinez		Member
Tony King		Member
	<u><b>Administrative Officials</b></u>	
Rebecca Hackett		Executive Director

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**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of the Town of Springer  
Table Of Contents  
For The Year Ended June 30, 2006

	<u>Exhibit / Statement / Schedule</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Official Roster		5
Table of Contents		7
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		10-11
BASIC FINANCIAL STATEMENTS:		
Statement of Fund Net Assets	A-1	14
Statement of Revenues, Expenses and Changes in Fund Net Assets	A-2	15
Statement of Cash Flows	A-3	16-17
NOTES TO FINANCIAL STATEMENTS		18-27
<b>SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues, Expenditures and Changes in Net Assets - Budget (Non GAAP Budgetary Basis) and Actual:		
Low Rent Public Housing Fund	B-1	30
Public Housing Capital Fund	B-2	31
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposit and Investment Accounts	I	34
Schedule of Pledged Collateral by Depository for Public Funds	II	35
Financial Data Schedule	III	36-39
<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>		42-43
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	IV	46-53
<b>OTHER DISCLOSURES</b>		55

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**FINANCIAL SECTION**



## **Accounting & Consulting Group, LLP**

### **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget  
The Honorable Mayor and Town Councilors  
Springer Housing Authority  
Springer, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Springer Housing Authority (the "Authority"), a Department of the Town of Springer, New Mexico (the "Town"), as of and for the year ended June 30, 2006, which collectively comprise the Springer Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the Authority for the year ended June 30, 2006 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient competent audit evidence to support management's assertion of a material amount of capital asset additions in the Statement of Net Assets for the Authority. We were unable to perform alternative procedures to obtain the required evidence. We address this issue at finding FS-06-01.

As discussed in Note 1.A., the financial statements of the Authority, a Department of the Town of Springer, are intended to present the financial position and cash flows of only that portion of the business-type activities of the Town of Springer that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the Town of Springer as of June 30, 2006, the changes in financial positions, its cash flows or budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the issue noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Springer Housing Authority as of June 30, 2006, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for each of the enterprise funds for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Certified Public Accountants*

2700 San Pedro Northeast (87110-3333) • P.O. Box 3130, Albuquerque, New Mexico 87190-3130  
866.307.2727 • 505.883.2727 • Fax 505.884.6719 • albuquerque.office@acgnm.com • www.acgnm.com

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The Springer Housing Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons of the Authority, a Department of the Town of Springer. The accompanying financial information listed as supporting Schedule I & II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule III for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Accounting & Consulting Group, LLP  
Albuquerque, NM  
June 5, 2009

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of Town of Springer  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

Exhibit A-1

	Low Rent Public Housing	Capital Projects Fund	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 126,552	\$ -	\$ 126,552
Receivables:			
Tenant receivables	1,244	-	1,244
Inventory	10,872	-	10,872
Prepays	6,077	-	6,077
Due from other funds	-	-	-
<i>Total current assets</i>	<u>144,745</u>	<u>-</u>	<u>144,745</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	18,330	-	18,330
Capital assets	2,466,017	106,276	2,572,293
Less: accumulated depreciation	(1,804,995)	(4,329)	(1,809,324)
<i>Total noncurrent assets</i>	<u>679,352</u>	<u>101,947</u>	<u>781,299</u>
<i>Total Assets</i>	<u>824,097</u>	<u>101,947</u>	<u>926,044</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	9,120	-	9,120
Accrued expenses	4,518	-	4,518
Accrued compensated absences	2,824	-	2,824
Deferred revenue	302	-	302
Due to other funds	-	-	-
<i>Total current liabilities</i>	<u>16,764</u>	<u>-</u>	<u>16,764</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	11,290	-	11,290
FSS escrow	6,309	-	6,309
<i>Total current liabilities (payable from restricted assets)</i>	<u>17,599</u>	<u>-</u>	<u>17,599</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	3,893	-	3,893
<i>Total noncurrent liabilities</i>	<u>3,893</u>	<u>-</u>	<u>3,893</u>
<i>Total liabilities</i>	<u>38,256</u>	<u>-</u>	<u>38,256</u>
<i>Net Assets:</i>			
Invested in capital assets, net of related debt	661,022	101,947	762,969
Restricted net assets	18,330	-	18,330
Unrestricted net assets	106,489	-	106,489
<i>Total net assets</i>	<u>785,841</u>	<u>101,947</u>	<u>887,788</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 824,097</u>	<u>\$ 101,947</u>	<u>\$ 926,044</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of Town of Springer  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

Exhibit A-2

	Low Rent Public Housing	Capital Projects Fund	Total
<i>Operating revenues:</i>			
Charges for services	\$ 88,240	\$ -	\$ 88,240
<i>Total operating revenues</i>	<u>88,240</u>	<u>-</u>	<u>88,240</u>
<i>Operating expenses:</i>			
General and administrative	69,731	-	69,731
Personnel services	63,396	-	63,396
Contractual services	7,179	-	7,179
Supplies and purchased power	-	-	-
Maintenance and materials	70,962	-	70,962
Utilities	65,024	-	65,024
Depreciation	94,474	4,329	98,803
<i>Total operating expenses</i>	<u>370,766</u>	<u>4,329</u>	<u>375,095</u>
<i>Operating income (loss)</i>	<u>(282,526)</u>	<u>(4,329)</u>	<u>(286,855)</u>
<i>Non-operating revenues (expenses):</i>			
Operating grants	127,460	37,620	165,080
Interest income	415	-	415
Interest expense	-	-	-
Miscellaneous	43,080	-	43,080
<i>Total non-operating revenues (expenses)</i>	<u>170,955</u>	<u>37,620</u>	<u>208,575</u>
Federal capital grants	-	102,746	102,746
Transfers in	70,963	-	70,963
Transfers out	-	(70,963)	(70,963)
<i>Net capital grants and transfers</i>	<u>70,963</u>	<u>31,783</u>	<u>102,746</u>
<i>Change in net assets</i>	(40,608)	65,074	24,466
<i>Net assets, beginning of year</i>	<u>826,449</u>	<u>36,873</u>	<u>863,322</u>
<i>Net assets, end of year</i>	<u>\$ 785,841</u>	<u>\$ 101,947</u>	<u>\$ 887,788</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of the Town of Springer  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2006

Statement A-3  
(Page 1 of 2)

	<u>Low Income Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 102,700	\$ 3,584	\$ 106,284
Cash payments to employees for services	(58,069)	-	(58,069)
Payments to suppliers	<u>(226,246)</u>	<u>-</u>	<u>(226,246)</u>
Net cash provided (used) by operating activities	<u>(181,615)</u>	<u>3,584</u>	<u>(178,031)</u>
Cash flows from noncapital financing activities:			
Interfund loans and transfers	73,275	(74,547)	(1,272)
Change in noncurrent accrued compensated absences	54	-	54
Intergovernmental receipts	127,460	140,366	267,826
Interest income	415	-	415
Miscellaneous income	<u>43,081</u>	<u>-</u>	<u>43,081</u>
Net cash provided (used) by noncapital financing activities	<u>244,285</u>	<u>65,819</u>	<u>310,104</u>
Cash flows from capital and related financing activities:			
Acquisitions and construction of capital assets	<u>-</u>	<u>(69,403)</u>	<u>(69,403)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(69,403)</u>	<u>(69,403)</u>
Cash flows from investing activities:			
Interest income	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and temporary investments	62,670	-	62,670
Cash and cash equivalents July 1, 2005	<u>82,212</u>	<u>-</u>	<u>82,212</u>
Cash and cash equivalents June 30, 2006	<u>\$ 144,882</u>	<u>\$ -</u>	<u>\$ 144,882</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of the Town of Springer  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2006

Exhibit A-3  
(Page 2 of 2)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (282,526)	\$ (4,329)	\$ (286,855)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	94,474	4,329	98,803
Changes in assets and liabilities			
Accounts receivable	14,460	3,584	18,044
Inventory	389	-	389
Prepays	(4,710)	-	(4,710)
Accounts payable	(11,312)	-	(11,312)
Accrued payroll	4,518	-	4,518
Tenant deposits	1,981	-	1,981
Deferred revenue	302	-	302
Compensated absences	809	-	809
Accrued interest	-	-	-
	<u>          -</u>	<u>          -</u>	<u>          -</u>
Net cash provided (used) by operating activities	<u>\$ (181,615)</u>	<u>\$ 3,584</u>	<u>\$ (178,031)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1. Summary of Significant Accounting Policies** (continued)

*B. Basis of Accounting and Financial Statement Presentation*

The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

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 have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Fund net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

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

**Revenue Recognition**

Dwelling rental revenues are recorded as rental payments 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 to the public housing program. Such contributions are reflected as operating grants revenue in the accompanying financial statements. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

**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 associations and/or credit unions located in the Authority's County, whose accounts are insured by the United States of America. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1. Summary of Significant Accounting Policies** (continued)

*C. Assets, Liabilities, Fund Net Assets, Revenues and Expenses* (continued)

**Deposits and Investments** (continued)

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

**Receivables and Payables**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund 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 interfund 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**

Certain assets may be set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered. These are classified on the balance sheet as restricted because their use is limited. Another restriction is the use of assets set aside for debt service.

**Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. As proprietary funds, the Authority was required to capitalize and depreciate all of its capital asset acquisitions both before and after the implementation of GASB 34. Donated capital assets are recorded at estimated fair 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 asset lives are not capitalized.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1. Summary of Significant Accounting Policies** (continued)

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

**Capital Assets** (continued)

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

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

Land improvements	5-20 years
Building and Building Improvement	10-40 years
Furniture, fixtures and equipment	3-15 years
Vehicles	5-7 years

**Accrued Expenses**

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current maturities of compensated absences, discussed more fully below.

**Compensated Absences**

Accrued compensated absences of the Proprietary funds are recorded on their Statement of Fund Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave and for sick pay for only those employees who will be paid for unused sick leave upon termination.

**Fund Net Assets**

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

**Unrestricted and Restricted Revenues**

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

**Estimates**

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

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

The Executive Director annually obtains from HUD approved operating budgets for the fiscal year commencing the following July 1. The Authority's Commission is required to obtain approval from HUD for any revisions that alter the total expenditures, the legal level of budgetary control, of any grant programs. HUD program budgets are prepared on a regulatory basis that is comparable to the GAAP basis, except that the HUD budgetary basis excludes depreciation, which is included in the GAAP basis. Budgetary comparisons for the Authority's programs, and the related reconciliations of the budgetary basis to the GAAP basis, are included as supplementary information. The Authority only budgeted for their Low Rent Fund and not their Capital Projects Fund, resulting in expenditures over appropriations in the Capital Projects Fund. The Authority is taking corrective action on this matter.

**NOTE 3. 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, 2006.

Other than deposits represented by security deposits, all deposits are required to be in interest-bearing accounts.

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk of deposits. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the uninsured amount on deposit with the institution. As of June 30, 2006, none of the Authority's bank balance of \$145,548 was exposed to custodial credit risk because the entire amount was covered by FDIC insurance.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 3. Deposits and Investments** (continued)

	Wells Fargo Bank
Amount of deposits	\$ 145,548
FDIC coverage	(145,548)
Total uninsured public funds	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Agency's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged security	349,821
Over (under) collateralization	\$ 349,821

**Reconciliation to the Statement of Fund Net Assets**

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

Reconciliation to Statement of Net Assets

Cash and cash equivalents per Exhibit A-1	\$ 126,552
Restricted cash per Exhibit A-1	18,330
Book balance of deposits	\$ 144,882
Reconciling Items	766
Less: Petty Cash	(100)
Deposits per the Bank	\$ 145,548

**STATE OF NEW MEXICO**  
 Springer Housing Authority  
 A Department of the Town of Springer  
 Notes to the Financial Statements  
 For the Year Ended June 30, 2006

**NOTE 4. Receivables**

Receivables as of June 30, 2006 are as follows:

	Low Rent Public Housing	Public Housing Capital Fund	Total
Tenant Receivables	\$ 1,244	\$ -	\$ 1,244
Total	1,244	-	1,244
Less: Allowance for doubtful accounts	-	-	-
Totals	\$ 1,244	\$ -	\$ 1,244

All tenant receivables as of June 30, 2006 were collected subsequent to year end. Therefore, an allowance for doubtful accounts was not necessary.

**NOTE 5. Transfers**

Transfers are made to close out funds and to supplement other funding sources.

Net operating transfers are as follows:

Transfers In	Transfers Out	Amount
Low Rent Public Housing	Public Housing Capital Fund	70,963
	Total Transfers	\$ 70,963

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 6. Capital Assets**

Land, structures, equipment and furnishings capital asset activity for each fund consists of the following at June 30, 2006:

Capital Assets used for:	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets not depreciated:				
Land	\$ 41,101	\$ -	\$ -	\$ 41,101
Construction in progress	36,873	-	36,873	-
Total not depreciated	<u>77,974</u>	-	<u>36,873</u>	<u>41,101</u>
Capital assets being depreciated:				
Buildings & improvements	2,249,076	83,079	-	2,332,155
Furniture, fixtures & equipment	167,013	3,876	-	170,889
Vehicles	8,828	19,320	-	28,148
Total being depreciated	<u>2,424,917</u>	<u>106,275</u>	<u>-</u>	<u>2,531,192</u>
Total capital assets	<u>2,502,891</u>	<u>106,275</u>	<u>36,873</u>	<u>2,572,293</u>
Less accumulated depreciation				
Building & improvements	(1,597,517)	(76,196)	-	(1,673,713)
Furniture, fixtures & equipment	(104,176)	(18,743)	-	(122,919)
Vehicles	(8,828)	(3,864)	-	(12,692)
Total accumulated depreciation	<u>(1,710,521)</u>	<u>(98,803)</u>	<u>-</u>	<u>(1,809,324)</u>
Net capital assets	<u>\$ 792,370</u>	<u>\$ 7,472</u>	<u>\$ 36,873</u>	<u>\$ 762,969</u>

Depreciation expense for the year ended June 30, 2006 totaled \$98,803.

**NOTE 7. 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. Expenditures which may be disallowed by the grantor cannot be determined at this time although Authority expects such amounts, if any, to be immaterial.

**NOTE 8. Risk Management**

Springer Housing Authority Housing Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. The Authority has joined together with other housing authorities throughout the Country and obtained insurance through the Housing Authority Insurance Group, a housing authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred from the Authority to the Housing Authority Insurance Group.



**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 9. Other Information**

**PERA Pension Plan**

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 Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 9.15% of their gross salary to the plan. The Authority is required to contribute 9.15% for all plan members. The contribution requirements of plan members and the Authority are established 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 year ending June 30, 2006, 2005, and 2004 were \$7,333, \$6,512 and \$2,674 respectively which equal the amount of the required contributions for each fiscal year.

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan**

Plan Description

Springer Housing Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

**STATE OF NEW MEXICO**  
 Springer Housing Authority  
 A Department of the Town of Springer  
 Notes to the Financial Statements  
 For the Year Ended June 30, 2006

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan** (continued)

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is finance on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Springer Housing Authority’s contributions to the RHCA for the years ended June 30, 2006, 2005 and 2004 were \$919, \$816 and \$335, respectively, which equal the required contributions for each year.

**NOTE 11. Concentrations**

Substantially all revenues of the Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority’s continued compliance with grant provisions and the continuance of the grant programs by the U.S. Governmental agency.

**NOTE 12. Long-term Liabilities**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2006

	Balance, July 1, 2005	Additions	Retirements	June 30, 2006	Due Within One Year
Compensated absences	\$ 5,854	\$ 1,726	\$ 863	\$ 6,717	\$ 2,824
Totals	<u>\$ 5,854</u>	<u>\$ 1,726</u>	<u>\$ 863</u>	<u>\$ 6,717</u>	<u>\$ 2,824</u>

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

**NOTE 13. Net Assets**

The Statement of Fund Net Assets reports \$18,330 of restricted net assets, none of which is restricted by enabling legislation but rather to cover tenant deposit and FSS escrow liabilities.

**NOTE 14. Expenditures in Excess of Budget**

At June 30, 2006 the expenditures in the Low Rent Public Housing Fund exceeded budget by \$32,107. To address this budget violation the Authority intends to monitor the budget closely and submit budget adjustment requests timely.

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**SUPPLEMENTARY INFORMATION**

## STATE OF NEW MEXICO

Statement B-1

Town of Springer Housing Authority  
A Department of Town of Springer  
Statement of Revenues, Expenses and Changes in Net Assets  
Budget (Non-GAAP Budgetary Basis) and Actual  
Low Rent Public Housing Fund  
For the Year Ended June 30, 2006

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ 86,500	\$ 86,500	\$ 88,240	\$ 1,740
<i>Total operating revenues</i>	<u>86,500</u>	<u>86,500</u>	<u>88,240</u>	<u>1,740</u>
<i>Operating expenses:</i>				
General and administrative	38,865	38,865	69,731	(30,866)
Personnel services	69,780	69,780	63,396	6,384
Contractual services	10,950	10,950	7,179	3,771
Supplies and purchased power	-	-	-	-
Maintenance and materials	69,500	69,500	70,962	(1,462)
Utilities	55,090	55,090	65,024	(9,934)
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>244,185</u>	<u>244,185</u>	<u>276,292</u>	<u>(32,107)</u>
<i>Operating income (loss)</i>	<u>(157,685)</u>	<u>(157,685)</u>	<u>(188,052)</u>	<u>(30,367)</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	127,460	127,460
Miscellaneous income	27,200	27,200	43,080	15,880
Interest income	3,200	3,200	415	(2,785)
Interest expense	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>30,400</u>	<u>30,400</u>	<u>170,955</u>	<u>140,555</u>
Capital grants	-	-	-	-
Transfers in	-	-	70,963	70,963
Transfers out	-	-	-	-
<i>Capital grants and net transfers</i>	<u>-</u>	<u>-</u>	<u>70,963</u>	<u>70,963</u>
<i>Change in net assets</i>	<u>(127,285)</u>	<u>(127,285)</u>	<u>53,866</u>	<u>181,151</u>
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	(94,474)	(94,474)
Designated cash	127,285	127,285	-	(127,285)
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>826,449</u>	<u>826,449</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,841</u>	<u>\$ 785,841</u>
Change in net assets (GAAP)			\$ (40,608)	
Depreciation			<u>94,474</u>	
Change in net assets (Non-GAAP Basis)			<u>\$ 53,866</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-2

Town of Springer Housing Authority  
A Department of Town of Springer  
Statement of Revenues, Expenses and Changes in Net Assets  
Budget (Non-GAAP Budgetary Basis) and Actual  
Capital Projects Fund  
For the Year Ended June 30, 2006

	Budget Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable)
<i>Operating revenues:</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>				
General and administrative	-	-	-	-
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies and purchased power	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	37,620	37,620
Miscellaneous income	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Gross receipts and other taxes	-	-	-	-
Landfill closure/postclosure care costs	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>37,620</u>	<u>37,620</u>
Capital grants	-	-	102,746	102,746
Transfers in	-	-	-	-
Transfers out	-	-	(70,963)	(70,963)
<i>Capital grants and net transfers</i>	<u>-</u>	<u>-</u>	<u>31,783</u>	<u>31,783</u>
<i>Change in net assets</i>	-	-	69,403	69,403
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	(4,329)	(4,329)
Designated cash	-	-	-	-
<i>Total net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>36,873</u>	<u>36,873</u>
<i>Total net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,947</u>	<u>\$ 101,947</u>
Change in net assets (GAAP)			\$ 65,074	
Depreciation			<u>4,329</u>	
Change in net assets (Non-GAAP Basis)			<u>\$ 69,403</u>	

The accompanying notes are an integral part of these financial statements

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Schedule of Deposit and Investment Accounts  
For the Year Ended June 30, 2006

Schedule I

Financial Institution	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Wells Fargo Bank</b>				
Checking Accounts				
Checking - Gen Fund	\$ 60,342	\$ -	\$ 766	\$ 59,576
Checking - 2001 CFP	1	-	-	1
Checking - 2002 CFP	(6)	-	-	(6)
Checking - 2003 CFP	3,209	-	-	3,209
Checking - 2004 CFP	61	-	-	61
Checking - 2005 CFP	1	-	-	1
FSS Escrow-Tafoya	2,147	-	-	2,147
FSS Escrow-Bacca, Ward	2,349	-	-	2,349
FSS Escrow-Perez	1,714	-	-	1,714
Security Deposit Account	12,120	-	-	12,120
				-
Cash Equivalent Accounts				
CD 2247922384	34,361	-	-	34,361
CD 449078625	29,249	-	-	29,249
	<u>145,548</u>	<u>-</u>	<u>766</u>	<u>144,782</u>
Total, All Accounts	<u>145,548</u>	<u>-</u>	<u>766</u>	<u>144,782</u>
Petty Cash				100
Total Cash - June 30, 2006				<u>\$ 144,882</u>
Cash per financial statements:				
Cash and cash equivalents per Exhibit A-1				126,552
Restricted cash and cash equivalents per Exhibit A-1				<u>18,330</u>
Total Cash - June 30, 2006				<u>\$ 144,882</u>

See accompanying independent auditor's report

**STATE OF NEW MEXICO**  
 Springer Housing Authority  
 A Department of the Town of Springer  
 Schedule of Collateral Pledged By Depository for Public Funds  
 June 30, 2006

Schedule II

Name of Depository	Description of Pledged Collateral	Type of Security	Maturity	CUSIP Number	Fair Market Value at June 30, 2006	Location of Safekeeper
<b>Wells Fargo Bank</b>						
	FNCL 255070	Security Bond	1/1/2034	31371LJPS	\$ 89,748	WF California
	FNCL 725715	Security Bond	8/1/2034	31402DGY0	163,205	WF California
	GNSF 781118	Security Bond	10/15/2029	36225BG36	14,456	WF California
	GNSF 781210	Security Bond	9/15/2029	36225BKX5	39,938	WF California
	GNSF 781259	Security Bond	3/15/2031	36225BMG0	24,599	WF California
	GNSF 781263	Security Bond	3/15/2031	36225BML9	17,875	WF California
	Total Bank of Las Vegas				<u>\$ 349,821</u>	
	Total Pledged Collateral				<u>\$ 349,821</u>	

See accompanying independent auditors' report

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Financial Data Schedule  
June 30, 2006

Schedule III  
Page 1 of 4

	Low Rent Public Housing 14.850	Public Housing Capital Fund Program 14.872	Total
<b>Assets</b>			
111 Cash-unrestricted	\$ 62,942	\$ -	\$ 62,942
114 Cash-tenant security deposits	12,120	-	12,120
100 Total cash	<u>75,062</u>	<u>-</u>	<u>75,062</u>
126 Accounts receivable-tenants-dwelling rents	1,244	-	1,244
120 Total receivables, net of allowance for doubtful accounts	<u>1,244</u>	<u>-</u>	<u>1,244</u>
131 Investments-unrestricted	63,610	-	63,610
132 Investments-restricted	6,210	-	6,210
142 Prepaid expenses and other assets	6,077	-	6,077
143 Inventories	10,872	-	10,872
144 Interprogram due from	-	-	-
150 Total current assets	<u>163,075</u>	<u>-</u>	<u>163,075</u>
161 Land	41,101	-	41,101
162 Buildings	1,838,582	-	1,838,582
163 Furniture, equipment & machinery-dwelling	125,149	3,257	128,406
164 Furniture, equipment & machinery-administration	50,692	19,939	70,631
165 Leasehold improvements	410,493	-	410,493
166 Accumulated depreciation	(1,804,995)	(4,329)	(1,809,324)
167 Construction in progress	-	83,080	83,080
160 Total fixed assets, net of accumulated depreciation	<u>661,022</u>	<u>101,947</u>	<u>762,969</u>
180 Total non-current assets	<u>661,022</u>	<u>101,947</u>	<u>762,969</u>
190 Total assets	<u>\$ 824,097</u>	<u>\$ 101,947</u>	<u>\$ 926,044</u>

See accompanying independent auditors' report

**STATE OF NEW MEXICO**  
 Springer Housing Authority  
 A Department of the Town of Springer  
 Financial Data Schedule  
 June 30, 2006

	Low Rent Public Housing 14.850	Public Housing Capital Fund Program 14.872	Total
<b>Liabilities and Equity</b>			
312 Accounts payable-less than 90 days	\$ 9,120	\$ -	\$ 9,120
321 Accrued wage/payroll taxes payable	4,518	-	4,518
322 Accrued compensated absences-current portion	2,824	-	2,824
341 Tenant security deposits	11,290	-	11,290
342 Deferred revenue	302	-	302
346 Accrued liabilities-other	6,309	-	6,309
347 Interprogram due to	-	-	-
310 Total current liabilities	<u>34,363</u>	<u>-</u>	<u>34,363</u>
354 Accrued compensated absences-noncurrent	3,893	-	3,893
350 Total noncurrent liabilities	<u>3,893</u>	<u>-</u>	<u>3,893</u>
300 Total liabilities	<u>38,256</u>	<u>-</u>	<u>38,256</u>
<b>Equity</b>			
508.1 Invested in capital assets, net of related debt	661,022	101,947	762,969
512.1 Unrestricted net assets	124,819	-	124,819
513 Total equity/net assets	<u>785,841</u>	<u>101,947</u>	<u>887,788</u>
600 Total liabilities and equity/net assets	<u>\$ 824,097</u>	<u>\$ 101,947</u>	<u>\$ 926,044</u>

See accompanying independent auditors' report

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Financial Data Schedule  
June 30, 2006

Schedule III  
Page 3 of 4

	Low Rent Public Housing 14.850	Public Housing Capital Fund Program 14.872	Total
<b>Revenues</b>			
703 Net tenant rental revenue	\$ 88,240	\$ -	\$ 88,240
705 Total tenant revenue	<u>88,240</u>	<u>-</u>	<u>88,240</u>
706 HUD PHA operating grants	127,460	37,620	165,080
706.1 Capital grants	-	102,746	102,746
711 Investment income-unrestricted	415	-	415
715 Other Revenue	43,080	-	43,080
700 Total revenue	<u>259,195</u>	<u>140,366</u>	<u>399,561</u>
<b>Expenses</b>			
911 Administrative salaries	33,731	-	33,731
912 Auditing fees	-	-	-
913 Outside management fees	3,414	-	3,414
914 Compensated absences	863	-	863
915 Employee benefit contributions-administrative	10,356	-	10,356
916 Other operating-administrative	-	-	-
916.1 Travel	1,052	-	1,052
916.2 Staff Training	1,188	-	1,188
916.3 Accounting fees	2,830	-	2,830
916.4 Legal fees	935	-	935
916.5 Sundry	15,766	-	15,766
931 Water	7,951	-	7,951
932 Electricity	2,266	-	2,266
933 Gas	44,243	-	44,243
938 Other utility expense	10,564	-	10,564
941 Ordinary maintenance and operations-labor	60,081	-	60,081
942 Ordinary maintenance and operations-materials and other	45,873	-	45,873
943 Ordinary maintenance and operations-contract costs	2,008	-	2,008
945 Employee benefit contributions - ordinary maintenance	18,446	-	18,446
961 Insurance premiums	9,958	-	9,958
962 Other general expenses	1,055	-	1,055
963 Payment in lieu of taxes	2,322	-	2,322
964 Bad debt-tenant rents	1,390	-	1,390
969 Total operating expenses	<u>276,292</u>	<u>-</u>	<u>276,292</u>
970 Excess operating revenue over operating expenses	<u>(17,097)</u>	<u>140,366</u>	<u>123,269</u>
971 Extraordinary maintenance	-	-	-
973 Housing assistance payments	-	-	-
974 Depreciation expense	94,474	4,329	98,803
900 Total expenses	<u>370,766</u>	<u>4,329</u>	<u>375,095</u>
1001 Operating transfers in	70,963	-	70,963
1002 Operating transfers out	-	(70,963)	(70,963)
1010 Total other financing sources (uses)	<u>70,963</u>	<u>(70,963)</u>	<u>-</u>
1000 Excess (deficiency) of revenue over total expenses	<u>(40,608)</u>	<u>65,074</u>	<u>24,466</u>

See accompanying independent auditors' report.

**STATE OF NEW MEXICO**  
 Springer Housing Authority  
 A Department of the Town of Springer  
 Financial Data Schedule  
 June 30, 2006

	Low Rent Public Housing 14.850	Public Housing Capital Fund Program 14.872	Total
1103 Beginning equity	826,449	36,873	863,322
1104 Prior period adjustments, equity transfers	-	-	-
Ending equity (deficit)	\$ 785,841	\$ 101,947	\$ 887,788

See accompanying independent auditors' report.

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**COMPLIANCE SECTION**



## Accounting & Consulting Group, LLP

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
To the Honorable Mayor and City Councilors  
Springer Housing Authority  
Springer, New Mexico

We have audited the financial statements of the business-type activities of the Springer Housing Authority (the "Authority"), a Department of the Town of Springer, New Mexico (the "Town"), as of and for the year ended June 30, 2006, which collectively comprise the Springer Housing Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated June 5, 2009. The report on the financial statements of the Authority was qualified because we were unable to obtain sufficient evidence to support capital asset additions. We have also audited the budgetary comparisons for the year ended June 30, 2006 listed as supplementary information in the table of contents. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FS 05-07, FS 05-09, FS 05-25, FS 06-02, and FS 06-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Springer Housing's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above, we consider item 06-01 to be a material weakness.

*Certified Public Accountants*

2700 San Pedro Northeast (87110-3333) • P.O. Box 3130, Albuquerque, New Mexico 87190-3130  
866.307.2727 • 505.883.2727 • Fax 505.884.6719 • albuquerque.office@acgnm.com • www.acgnm.com

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS-03-04, FA 04-22, FA 05-09, FA 05-11, FS 05-08, FS 05-09 and FS 05-25.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12.6.5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings FS 06-03 and FS 06-04.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Town Commission, the New Mexico Legislature, the New Mexico Department of Finance and Administration, the Office of the State Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
June 5, 2009

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**SCHEDULE OF FINDINGS AND RESPONSES**

## **SECTION I – FINANCIAL STATEMENT FINDINGS**

### **FS 03-04 Record Retention/Deficiencies in Internal Controls**

*Criteria:* The Code of Federal Regulations Title 24, Part 85.42, Retention and access requirements for Records states that records must be retained for three years from starting date specified in the paragraphs (c) of this section.

*Condition:* While performing the disbursements testwork, we discovered that the Housing Authority is missing all documentation from the Month of December 2005. As a result, one of the checks for an indeterminable amount selected in our sample had no supporting documentation available for review. Also three receipts totaling \$276 out of ten receipts totaling \$1,152 did not have deposit slips, one receipt totaling \$10 out of ten receipts totaling \$1,152 was missing the signature of an eligible employee, and one out totaling \$20 of the ten totaling \$ 1,152 did not have a posting report.

*Cause:* Turnover of accounting staff was the reason for the missing documentation.

*Effect:* The effect of the missing documentation was a lack of verification for some of the transactions tested. The risk is that inappropriate financial activity may be concealed by missing documents.

*Auditor's Recommendation:* We recommend that the Authority institute a standard policy of record retention and emphasize the policy with the accounting staff.

*Management's Response:* On October 15, 2008, the Springer Housing Authority Executive Director structured a policy for "Retention and Access Requirements for Records as per 24 CFR 85.42." This policy was approved by Resolution No. 253 by the Springer Housing Authority Board of Commissioners on this date. The Executive Director has trained staff and the Board of Commissioners assures that the Policy on "Retention and Access Requirements for Records as per 24 CFR 85.42" is followed.

### **FS 05-07 Lack of Oversight by Board**

*Criteria:* *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

*Condition:* The Board of the Housing Authority did not exercise appropriate oversight over operations of the Housing Authority. The Town of Springer's Town Council had to take over as the Board for the Housing Authority because of the lack of effectiveness the Board was having.

*Cause:* Board members lacked knowledge of HUD procedures and reporting requirements.

*Effect:* The Housing Authority's governing body did not provide effective oversight of internal control and financial reporting processes.

*Auditor's Recommendation:* The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Management's Response:* The Springer Housing Authority Board of Commissioners assures that they will provide effective oversight of internal control and financial reporting process.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Schedule of Findings and Responses  
For the Year Ended June 30, 2006

**FS 05-08 Expenditures in Excess of Budget**

*Criteria:* All Housing funds are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of Section 6-6-6, NMSA, 1978 Compilation.

*Condition:* The Housing Authority exceeded the budgeted expenditures in the following funds:

	<u>Amount</u>
Public Housing Low Rent	\$32,107

*Cause:* Inadequate monitoring of budgeting procedures by Authority management was the cause of this condition.

*Effect:* Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official.

*Auditors' Recommendation:* Budget for future years should be revised to ensure that all funds have adequate budget authority for appropriations. Greater attention should be given to the budget monitoring process and budget adjustment requests should be submitted timely.

*Management's Response:* The Springer Housing Authority Executive Director and the Board of Commissioners assures that the budget for future years will be revised and ensure that all funds have adequate budget authority for appropriations. The budget will be monitored closely and budget adjustment requests will be submitted in a timely manner.

**FS 05-09 Late Filing of Audit Report**

*Criteria:* According to State of New Mexico regulations, Section 2.2.2.9A(1)(d)NMAC, the Town of Springer's fiscal year 2006 audited financial statements were due December 1, 2006.

*Condition:* Audited financial statements were not filed by the required filing date. The audit report was submitted to the State Auditor's Office on June 12, 2009.

*Cause:* The poor condition of records and key employee turnover has caused the audits to not be performed in a timely manner.

*Effect:* Delays in the submission of the audit report affects the reporting of financial information to other state agencies and local governments.

*Auditor's Recommendation:* We recommend that the Authority work towards getting caught up on their audits to avoid late filing in the future.

*Management's Response:* The Springer Housing Authority Executive Director and Board of Commissioners assures that we are working towards getting caught up on our audits in order to avoid late filing in the future. The reason the Springer Housing Authority has been late is not only because of employee turnovers but because the Housing Authority had the same Board of Commissioners as the Town of Springer and were awaiting the Town of Springer to obtain an auditor. Since the Housing Authority at this time has a different Board of Commissioners from the Town of Springer, we are working towards this goal as well.

**FS 05-25 Late Filing of Audit Information for REAC**

*Criteria:* In accordance with the Consolidation Audit Guide for Audits of HUD Programs, Public Housing Authority's are responsible for ensuring that audited financial statements are electronically submitted to REAC within nine months after its fiscal year end.

*Condition:* The REAC filing for the Housing Authority is past the due date because the audited financial statements were not completed by the required filing date.

*Cause:* The Housing Authority is audited with the Town and since the audit for the Town is late, the Housing Authority is also late.

*Effect:* The Housing Authority has been placed in "troubled status" by HUD.

*Auditor's Recommendation:* The Town and Housing Authority should have their financial statement audits performed within the due dates specified by the State Auditor.

*Management's Response:* The Springer Housing Authority at this time has formed a separate Housing Board. This will enable the Housing Authority to continue to have their financial statement audits performed within the due dates specified by the State Auditor.

**FS 06-01 Capital Asset Additions recorded incorrectly**

*Criteria:* Title 2 Chapter 20, Part 1 of New Mexico Administrative Code provides guidance on the classification of capital assets at Section 2.20.1.9.

*Condition:* During our testwork of capital asset additions, we noted items totaling \$42,627 in which the client was unable to provide supporting documentation and one item that was coded incorrectly.

*Cause:* The capital asset information was not kept for some items added during the fiscal year. Also, another addition was classified as equipment when it should have been classified as a vehicle.

*Effect:* Proper recording of capital assets is required to prevent theft or other losses. Without proper accounting for additions, the financial statements of the County may be misstated.

*Auditors' Recommendation:* We recommend that the Housing Authority save all its information related to capital assets. We also recommend that they review all additions to ensure that they are being classified to the correct category as set forth in Section 2.20.1.9 of NMAC.

*Management's Response:* The Springer Housing Authority Executive Director and the Board of Commissioners assure that information related to capital assets as well as all additions is classified to the correct category.



**FS 06-02 Security Deposits and FSS Escrow Not Matching the Restricted Cash Accounts**

*Criteria:* Good accounting practices require that security deposit liabilities should be reconciled to the related security deposit bank account.

*Condition:* The restricted tenant deposits account and FSS Escrow accounts do not match the liability account balances for the respective deposits. The tenant deposits account is specifically set up for tenants' deposits that are owed to the individual upon cancellation of service. The FSS Escrow accounts are set up hold funds for residents to use in purchasing a home upon cancellation of service.

*Cause:* The monies in the bank are not being reconciled to the deposit listings maintained by the Housing Authority.

*Effect:* The deposit liability balance for the Public Housing tenant account is understated by \$830, and the deposit liability balance for the FSS Escrow accounts is overstated by \$99.

*Auditors' Recommendation:* The tenant deposits liability account should be reconciled with the tenant deposits account throughout the year. Also, the FSS Escrow liability accounts should be reconciled with the FSS Escrow deposits account throughout the year.

*Management's Response:* The Springer Housing Authority Executive Director assures that the tenant deposits liability account will be reconciled with the tenant deposits account throughout the year. At this time, the Springer Housing Authority has closed all FSS Escrow Accounts.

**FS 06-03 Overdrawn Cash Balances**

*Criteria:* Good accounting practices require that bank account balances should not be overdrawn and have negative balances.

*Condition:* The Housing Authority had one checking account that had a negative balance of \$6 at year end.

*Cause:* The Housing Authority has not monitored this account effectively.

*Effect:* The Housing Authority will be charged avoidable fees because the account is negative.

*Auditors' Recommendation:* We recommend that the Housing Authority monitor all account balances to avoid negative balances.

*Management's Response:* The Springer Housing Authority Executive Director as well as the Springer Housing Authority Board of Commissioners assures that all accounts will be monitored effectively. At this time, the Board of Commissioners receives a monthly balance of all accounts during regular meetings in order to monitor all accounts so this is not an issue.

**FS 06-04 – Late Fees Incurred on Housing Authority Insurance**

*Criteria:* Good accounting and cash management procedures require that Housing Authority money be used for the purchase of goods and services and not to pay for avoidable late fees.

*Condition:* During our testwork on insurance, we noted that the Housing Authority was consistently incurring late fees in the amount of \$34 on their insurance payments.

*Cause:* The Housing Authority did not have a process in place to track invoice dates in order to avoid late fees.

*Effect:* The Housing Authority is not using its resources efficiently.

*Auditor's Recommendation:* We recommend that the Housing Authority take steps to ensure that they do not waste public funds on avoidable late fees.

*Management's Response:* The Springer Housing Authority Executive Director as well as the Springer Housing Authority Board of Commissioners assures that they have taken steps to not waste public funds. We pay insurances before due dates (to not cause cancellation) and pay full amounts as to avoid late fees for monthly payments. Our invoices are kept separately from all other paperwork so we can keep track of due dates.

**FS 06-05 Agency Not Preparing Financial Statements**

*Criteria:* A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it doesn't eliminate the control deficiency.

*Condition:* The financial statements and related disclosures are not being prepared by the Authority. The Authority does not have procedures in place to detect and correct material misstatements in the financial statements.

*Cause:* The Authority's personnel do not have the time and have not been trained in the preparation of financial statements and related disclosures.

*Effect:* The Authority has a control deficiency since there are not sufficient controls over the preparation of financial statements and related disclosures. The risk of material misstatement of the financial statements is increased by the lack of control procedures over the preparation of the Authority's financial statements.

*Auditor's Recommendation:* We recommend the Authority's management and personnel receive training on preparation of financial statements and related disclosures under Generally Accepted Accounting Standards, or contract with a consultant to assist with the preparation and implement procedures to detect and correct misstatements.

*Management's Response:* The Springer Housing Authority Executive Director and the Board of Commissioners assure that the Authorities management and personnel will receive training on preparation of financial statemtns and related disclosures under Generally Accepted Accounting Standards. The Executive Director assures that she will look over all financial statements that have been prepared in order to correct any misstatements in the financials.

**FA 04-22 Reporting**

*Criteria:* The A-133 Compliance Supplement 4-14.850-7 states that Housing Authority's must create the HUD form 50058 family report and use it to determine the amount of rent that each tenant must pay throughout the year.

*Condition:* There was one tenant out of ten tested whose rent of \$201 per month did not match the respective rent amount of \$56 per month, per the form 50058 family report.

*Cause:* Housing Authority mistakenly charged the tenant the wrong amount for rent.

*Effect:* The tenant was charged more than they should have been.

*Auditor's Recommendation:* There needs to be a review of all tenant files and amounts charged for rent to make sure it matches the amount of rent from the family report.

*Management's Response:* The Springer Housing Authority Executive Director does the annual certifications and interim rent exams. The Executive Director assures that all files are reviewed of all tenants and that the amounts charged for rent matches the amount from the family report and proper documentation is kept in tenants file.

**FA 05-09 Special Tests and Provisions**

*Criteria:* The A-133 Compliance Supplement 4-14.850-8 states that the Public Housing Authority should follow its own tenant selection policies in placing applicants on the waiting list and in selecting applicants form the waiting list to become tenants.

*Condition:* The Housing Authority could not provide the waiting list for the first half of the fiscal year 2005-2006.

*Cause:* The Housing Authority did not retain the waiting list on file.

*Effect:* The waiting list could not be tested for compliance. The Housing Authority lacked documentation showing that it complied with its tenant selection policy.

*Auditor's Recommendation:* Accounting records should be maintained on file and the Housing Authority should have a record retention policy in place.

*Management's Response:* As of October 15, 2008 the Springer Housing Authority Board of Commissioners approved a policy for "Retention and Access Requirements for Records as Per 24 CFR 85.42". The Springer Housing Authority Executive Director has trained staff on policy and assures policy is followed.

**FA 05-11 Closeouts of Capital Fund Programs**

*Criteria:* Per the 24CFR 968.428 (a), Program Closeout, upon completion of the activities funded in accordance with this part, the grantee shall submit to HUD, in a form prescribed by HUD, the actual modernization cost certificate for HUD's review, audit verification and approval.

*Condition:* The Housing Authority did not closeout 2001 and 2002 capital fund programs even though the funds have been expended.

*Cause:* The Housing Authority did not have sufficient knowledge of the requirements of their grants.

*Effect:* The Housing Authority is not in compliance with federal regulations.

*Auditor's Recommendation:* The Housing Authority should close out these capital fund programs according to the federal regulations.

*Management's Response:* The Springer Housing Authority has closed out these Capital Fund programs as of this date.

**STATE OF NEW MEXICO**  
Springer Housing Authority  
A Department of the Town of Springer  
Schedule of Findings and Responses  
For the Year Ended June 30, 2006

**SECTION IV – PRIOR YEAR AUDIT FINDINGS**

- FS 03-04 — Record Retention-Repeated
- FS 05-05 – Eligibility – Housing Authority - Resolved
- FS 05-06 – Deficiencies in HUD Reporting Requirements - Resolved
- FS 05-07 — Lack of Oversight by Board-Repeated
- FS 05-08 — Actual Expenditures Exceed Budgeted Expenditures-Repeated
- FS 05-09 – Late Filings of Audit Report - Repeated
- FS 05-19 —Lack of Segregation of Duties and Accounting Controls-Resolved
- FS 05-20 — Improper Internal Controls over Cash-Resolved
- FS 05-21 — Procurement and Suspension and Debarment-Resolved
- FS 05-25 — Late Filing of Audit Information for REAC-Repeated
- FA 04-12 – Internal Controls – Housing Authority – Record Retention, N/A not a single audit in FY 06
- FA 04-22 — Reporting-Repeated
- FA 05-01 – Internal Controls – Housing Authority – Improper I/C over Cash - Resolved
- FA 05-02 – Internal Controls – Housing Authority - Budget, N/A not a single audit in FY 06
- FA 05-03 — Allowable Costs/Cost Principles-Resolved
- FA 05-04 — Eligibility-Resolved
- FA 05-05 – Internal Controls – Housing Authority – Deficiencies in HUD Reporting, See FA 04-22
- FA 05-06 – Internal Controls – Housing Authority – Lack of Oversight of Board, N/A not a single audit in FY 06
- FA 05-07 — Board Lacks a Tenant Member-Resolved
- FA 05-08 – Internal Controls – Housing Authority – Lack of Segregation of Duties and Accounting Controls - Resolved
- FA 05-09 — Special Tests and Provisions-Repeated
- FA 05-10 – Procurement and Suspension and Debarment, N/A not a single audit in FY 06
- FA 05-11 — Closeouts of Capital Fund Programs-Repeated
- FA 05-12 – Late Filing of Audit Information for REAC, N/A not a single audit in FY 06
- FA 05-13 — Late Filing of Data Collection Form, N/A not a single audit in FY 06

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**STATE OF NEW MEXICO**  
Town of Springer Housing Authority  
A Department of the Town of Springer  
Other Disclosures  
For the Year Ended June 30, 2006

**OTHER DISCLOSURES:**

**AUDITOR PREPARED FINANCIAL STATEMENTS**

Although it would be preferred and desirable for the Agency to prepare its own GAAP-financial statements, it is felt that the Authority's personnel do not have the time to prepare them. Therefore, the external auditor prepared the GAAP-basis financial statements and footnotes for management's approval. Management is responsible for the financial statements.

**EXIT CONFERENCE**

The contents of this report were discussed with Springer Housing Authority, representatives on June 5, 2009. The following individuals were in attendance.

Accounting and Consulting Group, LLP

Jeffrey W. McWhorter, CPA  
Danny A. Martinez, CPA

Town of Springer Housing Authority Officials

Julie Sanchez, Executive Director  
James Caldwell, Chairman