



KRIEGEL/GRAY/SHAW & CO., P.C.

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

**STATE OF NEW MEXICO
TOWN OF SPRINGER HOUSING AUTHORITY
(A COMPONENT UNIT OF THE TOWN OF SPRINGER)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

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TOWN OF SPRINGER HOUSING AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2009

Board of Directors

<u>Name</u>	<u>Title</u>
<i>James Caldwell</i>	<i>Chairman</i>
<i>Samuel W. Ray, Sr.</i>	<i>Commissioner</i>
<i>Debra Arellano</i>	<i>Commissioner</i>
<i>Dora Tompkins</i>	<i>Commissioner</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Town of Springer Housing Authority
(A Component Unit of the Town of Springer)
Springer, New Mexico

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of Town of Springer Housing Authority (a component unit of the Town of Springer), as of and for the year ended June 30, 2009, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the Housing Authority presented as supplementary information in the individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of Town of Springer Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Town of Springer Housing Authority, as of June 30, 2009, and the respective changes in financial position and cash flows 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 the budgetary comparisons of the major and non-major funds in accordance with the budgetary basis described in Note. 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009 on our consideration of the Town of Springer Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors
Town of Springer Housing Authority
(A Component Unit of the Town of Springer)
Springer, New Mexico
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The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.

November 18, 2009

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The following is an analysis for the Springer Housing Authority's financial performance. It is to provide the reader with an overview to the Authority's financial activities for the fiscal year ended June 30, 2009. The information contained here in this MD&A should be considered in conjunction with the Authority's basic financial statements.

Financial Highlights

- The Springer Housing Authority's total assets decreased from \$896,150 to \$808,255 a decrease of \$87,895 or 9.81%.
- The net asset's balance decreased from \$869,988 to \$783,609 at June 30, 2009. This represents a decrease of \$86,379 or 9.93% from the previous year. The unrestricted net asset balance increased from \$188,325 to \$222,182, an increase of \$33,857 or 17.98%.
- Revenues decreased from \$415,326 to \$333,508 a decrease of \$81,818 or 19.70% from the previous year.
- Total expenses increased by \$77,088, from \$342,799 to \$419,887 for the current year. This represents an increase of 22.49%.

Using this Annual Report

This annual report consists of basic financial statements and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended June 30, 2009. The basic statements provide readers with a broad overview of the Authority's finances. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

1. The Statement of Net Assets provides information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
2. The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
3. The Statement of Cash Flows presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

The agency has two individual programs. These include the Low Rent Housing Program and the Capital Fund Program.

- The Low Rent Housing Program consists of the 21 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. Tenants typically pay dwelling rent, which is based on a formula that equates to 30 percent of the tenant's adjusted gross income.
- The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

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, 2009 and June 30, 2008.

Statement of Net Assets-Condensed FYE June 30

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Current Assets	\$246,828	\$214,487	\$32,341
Noncurrent Assets	12,835	15,947	(3,112)
Capital Assets (Net of Depreciation)	548,592	665,716	(117,124)
<i>Total Assets</i>	808,255	896,150	(87,895)
Current Liabilities	12,591	10,448	2,143
Long Term Liabilities	12,055	15,714	(3,659)
<i>Total Liabilities</i>	24,646	26,162	(1,516)
Restricted Net assets	12,835	15,947	(3,112)
Unrestricted Net Assets	222,182	188,325	33,857
Investment in Net Capital Assets	548,592	665,716	(117,124)
<i>Total Net Assets</i>	\$783,609	\$869,988	(\$86,379)

Cash & Investments

Unrestricted cash and investments totaled \$224,309, an increase of \$33,360 from the previous year.

Current Assets

Current assets increased 15% \$214,487 to \$246,828 due primarily to an increase in cash at year end.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Current Liabilities

Current liabilities increased from \$10,448 to \$12,591 or 20.51%. This increase was a result of an increase in accounts payable of \$706, deferred revenue of \$954, prepaid rent of \$1,284, due to other funds of \$913, and a decrease in FSS escrow payable of \$1,714.

Net Assets

The total net asset balance decreased from \$869,988 to \$783,609 at June 30, 2009. Unrestricted net assets are the amount of available funds for future appropriations. These funds are reserved for expenditures of the actual program. The Authority's unrestricted net assets total \$222,182, an increase of \$33,857 from the previous year.

Statement of Revenues & Expenses FYE June 30

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Rental Revenue	\$111,687	\$103,170	\$8,517
HUD Operating Grants	151,155	188,193	(37,038)
Capital Grants	66,300	108,512	(42,212)
Interest Income	1,713	2,548	(835)
Other Revenue	2,653	12,903	(10,250)
<i>Total Revenue</i>	<u>333,508</u>	<u>415,326</u>	<u>(81,818)</u>
Personnel	116,455	68,460	47,995
Operating	186,309	167,001	19,308
Depreciation	117,123	107,338	9,785
<i>Total Expenses</i>	<u>419,887</u>	<u>342,799</u>	<u>77,088</u>
<i>Excess of Revenue over Expenses</i>	<u>(\$86,379)</u>	<u>\$72,527</u>	<u>(\$158,906)</u>

Results of Operations

Operating revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$81,818. Total expenses increased by \$77,088 from the previous year. Revenues decreased from the previous year principally due to the decreased activity noted in the CFP Program, as well as a decrease in HUD operating grants. Expenses increased from the previous year principally due to an increase in personnel costs.

Budgets

There were no budget adjustments during the year consistent with the HUD budgeting process.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Capital Assets

As of June 30, 2009, the Springer Housing Authority's investment in capital assets was \$548,592. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>Dollar Change</u>
Land	\$41,101	\$41,101	\$0
Construction in process	0	0	0
Buildings	2,327,556	2,327,556	0
Equipment	70,012	70,012	0
Non-dwelling Structures	172,482	172,482	0
Accumulated Depreciation	(2,062,559)	(1,945,436)	(117,123)
<i>Total Net Fixed Assets</i>	<i>\$548,592</i>	<i>\$665,715</i>	<i>(\$117,123)</i>

There was no increase in fixed assets during the year. Depreciation expense was \$117,123.

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2009.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Springer Housing Authority
Julie Martinez, Executive Director
P.O. Box 207
Springer, New Mexico 87747

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

PROPRIETARY FUNDS

STATEMENTS OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$153,545	\$0	\$153,545
Investments	70,764	0	70,764
Prepaid insurance	8,076	0	8,076
Tenant receivable - net of allowance	1,626	0	1,626
Interest receivable	1,282	0	1,282
Inventory	10,581	0	10,581
Due from HUD	0	41	41
Due from other funds	0	913	913
<i>Total current assets</i>	<i>245,874</i>	<i>954</i>	<i>246,828</i>
Noncurrent Assets:			
Restricted cash	12,835	0	12,835
Net capital assets	362,593	185,999	548,592
<i>Total noncurrent assets</i>	<i>375,428</i>	<i>185,999</i>	<i>561,427</i>
Total assets	\$621,302	\$186,953	\$808,255
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$9,440	\$0	\$9,440
Deferred revenue	0	954	954
Wages payable	0	0	0
Prepaid rent	1,284	0	1,284
Due to other funds	913	0	913
<i>Total current liabilities</i>	<i>11,637</i>	<i>954</i>	<i>12,591</i>
Long-term Liabilities:			
Accrued compensated absences	2,027	0	2,027
Tenant security deposits	10,028	0	10,028
<i>Total liabilities</i>	<i>23,692</i>	<i>954</i>	<i>24,646</i>
Net Assets:			
Invested in capital assets	362,593	185,999	548,592
Restricted net assets	12,835	0	12,835
Unrestricted	222,182	0	222,182
<i>Total net assets</i>	<i>597,610</i>	<i>185,999</i>	<i>783,609</i>
Total liabilities and net assets	\$621,302	\$186,953	\$808,255

The Notes to Financial Statements are an integral part of these statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
OPERATING REVENUES:			
Rental income	\$111,687	\$0	\$111,687
Other revenue	2,653	0	2,653
<i>Total operating revenues</i>	114,340	0	114,340
OPERATING EXPENSES:			
Personnel	111,455	5,000	116,455
Operating	155,039	31,270	186,309
Depreciation	100,001	17,122	117,123
<i>Total operating expenses</i>	366,495	53,392	419,887
<i>Net operating income (loss)</i>	(252,155)	(53,392)	(305,547)
NON-OPERATING REVENUE AND (EXPENSES)			
HUD operating subsidy/capital grants	151,155	66,300	217,455
Interest	1,713	0	1,713
Gain/loss on asset	0	0	0
<i>Total non-operating revenue and (expenses)</i>	152,868	66,300	219,168
<i>Income (loss) before transfers</i>	(99,287)	12,908	(86,379)
Transfers in (out)	30,031	(30,031)	0
Capital transfers in (out)	0	0	0
	30,031	(30,031)	0
<i>Change in net assets</i>	(69,256)	(17,123)	(86,379)
Net assets - beginning as previously stated	663,394	206,594	869,988
Restatements	3,472	(3,472)	0
Net assets - beginning as restated	666,866	203,122	869,988
<i>Total net assets, June 30, 2009</i>	\$597,610	\$185,999	\$783,609

The Notes to Financial Statements are an integral part of these statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers (including other funds)	\$113,504	\$0	\$113,504
Cash paid to suppliers	(151,387)	(31,270)	(182,657)
Cash paid to employees	(114,275)	(4,548)	(118,823)
<i>Net cash provided (used) by operating activities</i>	<u>(152,158)</u>	<u>(35,818)</u>	<u>(187,976)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Distribution of escrow	(1,714)	0	(1,714)
Grants - subsidies	151,155	0	151,155
Transfers in (out)	30,031	(30,031)	0
Advances to (from) other funds	410	(410)	0
<i>Net cash provided (used) by non capital financing activities</i>	<u>179,882</u>	<u>(30,441)</u>	<u>149,441</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grant	0	66,259	66,259
Purchase of capital assets	0	0	0
Book value of assets deleted	0	0	0
Disposition of assets	0	0	0
<i>Net cash provided (used) by capital and related financing activities</i>	<u>0</u>	<u>66,259</u>	<u>66,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Certificates of Deposit	(70,764)	0	(70,764)
Interest received	2,524	0	2,524
<i>Net cash provided (used) by investing financing activities</i>	<u>(68,240)</u>	<u>0</u>	<u>(68,240)</u>
<i>Net increase (decrease) in pooled cash and investments</i>	(40,516)	0	(40,516)
Pooled cash and investments, beginning of year	206,896	0	206,896
<i>Pooled cash and investments, end of year</i>	<u>\$166,380</u>	<u>\$0</u>	<u>\$166,380</u>

The Notes to Financial Statements are an integral part of these statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$252,155)	(\$53,392)	(\$305,547)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	100,001	17,122	117,123
Change in assets and liabilities:			
Accounts receivable	(836)	0	(836)
Deferred revenue	0	452	452
Inventory	2,400	0	2,400
Prepaid expenses	101	0	101
Tenants prepaid rent	1,284	0	1,284
Accounts and contracts payable	706	0	706
Accrued payroll	(2,820)	0	(2,820)
Customer deposits	(839)	0	(839)
Due to other funds	0	0	0
<i>Total adjustments</i>	99,997	17,574	117,571
<i>Net cash provided (used) by operating activities</i>	<i>(\$152,158)</i>	<i>(\$35,818)</i>	<i>(\$187,976)</i>

The Notes to Financial Statements are an integral part of these statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The function of the Town of Springer Housing Authority is to administer the Housing and Urban Development (HUD) programs to provide housing for qualified individuals in the Town of Springer Area.

This funding is provided through various grant programs.

The financial statements of the Town of Springer Housing Authority (Housing Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town of Springer Housing Authority's most significant accounting policies are described below.

Reporting Entity

The Housing Authority is a component unit of the Town of Springer. The accompanying financial statements present only the Town of Springer Housing Authority's financial information.

The Town of Springer Housing Authority is a Town organization created by Town Ordinance to provide housing for qualified Town residents. The Town has the ability to appoint management, influence operations, and influence the disposition of funds.

The Town of Springer Housing Authority has no component units.

Basis of Presentation

For financial reporting purposes, the accounts of the Town of Springer Housing Authority are organized into funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues and expenses as appropriate. The various funds are summarized by type in the financial statements. All programs have been accounted for as proprietary funds under the HUD UFRS guidelines.

Proprietary Fund Type

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary activities have applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB statements and Interpretations, APB opinions, and ARB's of Committee on Accounting Procedure. FASB statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, have also been applied.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Proprietary Funds are as follows:

Low Income Housing Project – To account for the rental activities of the Town-owned low income housing project.

Public Housing Capital Fund Program – To account for HUD's Public Housing Capital Fund Program, which replaces CIAP and CGP. Provides funds for capital improvements for Housing Authority-owned housing.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The financial statements of the Town of Springer Housing Authority are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary fund types are reported on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Grant revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Budgets and Budgetary Accounting

The Housing Authority adopts budgets for Proprietary Funds in accordance with the Housing and Urban Development program agreements.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments – Budget increases and decreases can only be accomplished by Commission resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the Town's budget be prepared on the basis of cash receipts and cash expenses. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenses with a cash basis budget as amended.

Income Taxes

As a local government entity, the Town is not subject to federal or state income taxes.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The Town allows employees to accrue annual leave based on years of service. Upon termination, accrued annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave up to 240 hours upon termination.

The accrual for compensated absences made as of June 30, 2009 is \$2,027.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the proprietary fund considers all highly liquid investments to be cash equivalents.

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

Capital Assets

Purchase or constructed capital assets are reported at cost or estimated historical cost. The Housing Authority defines capital assets as assets with lives of greater than one-year and a cost or donated value of \$5,000 or greater.

Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Non Dwelling Structures	15
Machinery and Equipment	5 – 7

Software is capitalized in the machinery and equipment category.

Inventory

Inventory is valued at cost, which approximates market using the first-in/first-out (FIFO) method. Inventory is recorded as expenditures when consumed rather than when purchased.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2. CASH

Cash consists of United States currency and financial institution checking accounts. The Housing Authority follows state law in regard to deposits and investments. At June 30, 2009, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

All financial institutions in which the Housing Authority has an account are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Cash on Deposit

	Bank Balance	Carrying Amounts
<u>Wells Fargo Bank</u>		
Public Fund – regular checking	\$160,625	\$152,505
Public Fund – interest checking	12,835	12,835
CFP – regular checking	381	381
CFP – regular checking	567	567
CFP – regular checking	(7)	(7)
Certificate of deposit – investments	38,334	38,334
Certificate of deposit – investments	32,429	32,429
<i>Total cash on deposit</i>	245,164	237,044
Petty cash		100
<i>Total cash</i>		\$237,144

There were no uninsured bank deposits (not covered by F.D.I.C).

	Wells Fargo Bank
Amount held in bank	\$245,164
Less F.D.I.C.	(245,164)
<i>Amount uninsured</i>	\$0
100% Collateral requirement	\$0

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3. ACCOUNTS RECEIVABLE AND MORTGAGES RECEIVABLE

Accounts receivable are reported at their gross value. Those amounts considered doubtful have been recorded as allowance for doubtful accounts in the amount of \$696.

NOTE 4. CHANGES IN CAPITAL ASSETS

Capital Assets are stated at historical cost. The following is a summary of changes in Capital Assets for the fiscal year in the proprietary funds:

	Balance June 30, 2008	Additions	Transfers	Balance June 30, 2009
Non Depreciable Assets:				
Land	\$41,101	\$0	\$0	\$41,101
Depreciable Assets:				
Buildings	2,327,556	0	0	2,327,556
Non dwelling structures	172,482	0	0	172,482
Machinery and equipment	70,012	0	0	70,012
<i>Total</i>	<u>2,611,151</u>	<u>0</u>	<u>0</u>	<u>2,611,151</u>
Less Accumulated Depreciation:				
Buildings	(1,817,193)	(105,193)	0	(1,922,386)
Non dwelling structures	(65,959)	(8,066)	0	(74,025)
Machinery and equipment	(62,284)	(3,864)	0	(66,148)
<i>Total accumulated depreciation</i>	<u>(1,945,436)</u>	<u>(117,123)</u>	<u>0</u>	<u>(2,062,559)</u>
<i>Net capital assets</i>	<u>\$665,715</u>	<u>(\$117,123)</u>	<u>\$0</u>	<u>\$548,592</u>

Depreciation expense for the year was \$117,133.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5. NET ASSETS

The unrestricted net assets represent the amounts available for budgeting future operations (i.e., current).

Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt – 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.

Restricted Net Assets – Net assets are reported as restricted when constraints placed on net asset 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.

Unrestricted Net Assets – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”

NOTE 6. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is a member of the New Mexico Self-Insurers’ Fund (the “Fund”). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for insurance coverage, and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its workers’ compensation liability, general liability, auto liability, auto physical damage, and property coverage. The Town’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums, and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member cities.

NOTE 7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

A.	Net Working Capital:	
	Proprietary Funds	\$234,237

NOTE 8. PERA PENSION PLAN

The Housing Authority employees participate in a public employee retirement system through the Town of Springer. For further disclosures, see the Town of Springer’s financial statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9. TRANSFERS AND DUE FROM/TO OTHER FUNDS

Transfers between funds were as follows:

Operating Transfers In:	<u>Operating Transfers Out</u>		Totals
	<u>Low Rent</u>	<u>CFP</u>	
Low Rent	\$0	\$30,031	\$30,031
CFP	0	0	0
<i>Total</i>	\$0	\$30,031	\$30,031

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

Capital Transfers In:	<u>Capital Transfers Out</u>		Totals
	<u>Low Rent</u>	<u>CFP</u>	
Low Rent	\$0	\$0	\$0
CFP	0	0	0
<i>Total</i>	\$0	\$0	\$0

Capital transfers arose from the purchase or construction of capital assets in one fund, which were then transferred to another fund where they are being utilized.

Due from Other Funds:	<u>Due to other funds</u>		Totals
	<u>Low Rent</u>	<u>CFP</u>	
Low Rent	\$0	\$0	\$0
CFP	913	0	913
<i>Total</i>	\$913	\$0	\$913

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds." All balances are expected to be paid within one year.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 10. CHANGES IN ACCRUED COMPENSATED ABSENCES

The following summarized the changes in accrued compensated absences during 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Amount Due Within One Year
Accrued compensated absences	\$4,847	\$3,880	\$6,700	\$2,027	\$0

NOTE 11. RESTATEMENTS

The beginning Net Assets were restated by \$3,472 to correct for the recording of prior year depreciation expense. In the prior year, depreciation expense in the amount of \$3,472 was incorrectly recorded in the Low Rent Fund. This amount should have been recorded in the CFP Fund.

SUPPLEMENTARY INFORMATION

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

LOW RENT

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$110,910	\$110,910	\$111,687	\$777
Other	3,390	3,390	2,653	(737)
<i>Total revenues</i>	114,300	114,300	114,340	40
OPERATING EXPENSES:				
Tenant services	1,250	1,250	800	450
Personnel	124,780	124,780	111,455	13,325
Admin expenses	50,520	50,520	60,778	(10,258)
Operating and maintenance	31,830	31,830	27,944	3,886
Capital outlay	0	0	0	0
Utilities	66,910	66,910	65,517	1,393
<i>Total operating expenses</i>	275,290	275,290	266,494	8,796
<i>Operating income (loss)</i>	(160,990)	(160,990)	(152,154)	8,836
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	150,481	150,481	151,155	674
Interest	4,480	4,480	1,713	(2,767)
Transfers in	30,030	30,030	30,031	1
<i>Total non-operating revenue (expenses)</i>	184,991	184,991	182,899	(2,092)
<i>Net income</i>	\$24,001	\$24,001	\$30,745	\$6,744

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2009, is presented below:

Net income (budgetary basis)	\$30,745
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(100,001)
Change in net assets (GAAP basis)	(\$69,256)

The Notes to Financial Statements are an integral part of these statements.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

CFP FUND

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Intergovernmental	\$0	\$0	\$0	\$0
Rental income	0	0	0	0
Other	0	0	0	0
Gain/loss on sale of asset	0	0	0	0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Operations	30,031	30,031	21,270	8,761
Audit costs	7,500	7,500	10,000	(2,500)
Capital outlay	181,802	181,802	0	181,802
Management improvements	2,500	2,500	0	2,500
Administration	5,000	5,000	5,000	0
Fees and costs	6,637	6,637	0	6,637
<i>Total operating expenses</i>	233,470	233,470	36,270	197,200
<i>Operating income (loss)</i>	(233,470)	(233,470)	(36,270)	197,200
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	233,470	233,470	66,300	(167,170)
Interest	0	0	0	0
Transfers (out)	0	0	(30,031)	(30,031)
<i>Total non-operating revenue (expenses)</i>	233,470	233,470	36,269	(197,201)
<i>Net income</i>	\$0	\$0	(\$1)	(\$1)

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2009, is presented below:

Net income (budgetary basis)	(\$1)
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(17,122)
Change in net assets (GAAP basis)	(\$17,123)

The Notes to Financial Statements are an integral part of these statements.

**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***

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Town of Springer Housing Authority
(A Component Unit of the Town of Springer)
Springer, New Mexico

We have audited the financial statements of each major fund and the aggregate remaining fund information of Town of Springer Housing Authority (a component unit of the Town of Springer), as of and for the year ended June 30, 2009, which collectively comprise the Town of Springer Housing Authority's basic financial statements and have issued our report thereon dated November 18, 2009. We also audited the budgetary comparisons presented as supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Town of Springer Housing Authority's internal control over financial reporting as a basis for designating 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 Town of Springer Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Springer Housing 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 Town of Springer Housing Authority'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 Town of Springer Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Town of Springer Housing Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, finding FS06-02.

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Town of Springer Housing Authority
(A Component Unit of the Town of Springer)
Springer, New Mexico
Page Two

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 the Town of Springer Housing Authority'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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Springer Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the Board of Directors, the Town of Springer, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

November 18, 2009

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

FS 05-07 – Lack of Oversight by Board

Resolved and not repeated.

FS 05-08 – Expenditures in Excess of Budget

Resolved and not repeated.

FS 05-09 – Late Filing of Audit Report

Resolved and not repeated.

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

Resolved and not repeated.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

FS 06-02 – Security Deposits Not Matching the Restricted Cash Accounts

Repeated with modification.

Statement of Condition – The restricted tenant deposits account does not match the liability account balances for the respective deposit. The tenant deposits account is specifically set up for tenants' deposits that are owed to the individual upon cancellation of service.

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

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 \$2,807.

Recommendation – The tenant deposits liability account should be reconciled with the tenant deposits account throughout the year.

Management's Response – The Springer Housing Authority's Executive Director and the Springer Housing Authority Board of Commissioners assures that the tenant deposit liability account will be reconciled with the tenant deposit account as soon as possible.

FS 06-03 – Overdrawn Cash Balances

Resolved and not repeated.

FS 06-05 – Agency Not Preparing Financial Statements

Resolved and not repeated.

TOWN OF SPRINGER HOUSING AUTHORITY

(A Component Unit of the Town of Springer)

EXIT CONFERENCE

JUNE 30, 2009

EXIT CONFERENCE:

The exit conference was held November 5, 2009 and was attended by the following:

From the Town of Springer Housing Authority:

James Caldwell, Chairman

Julie Martinez, Executive Director

From Kriegel/Gray/Shaw & Co., P.C.:

Ken Shaw, CPA, Shareholder

Vanessa Williams, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

The financial statements were prepared by Kriegel/Gray/Shaw & Co., P.C.