

**STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY**

**A DEPARTMENT OF
THE CITY OF TUCUMCARI, NEW MEXICO**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Table Of Contents
For The Year Ended June 30, 2009

	<u>Exhibit / Statement / Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		11-12
BASIC FINANCIAL STATEMENTS:		
Statement of Net Assets	A-1	14-17
Statement of Revenues, Expenses and Changes in Net Assets	A-2	18-19
Statement of Cash Flows	A-3	20-23
NOTES TO FINANCIAL STATEMENTS		25-38
SUPPLEMENTARY INFORMATION		
INDIVIDUAL FUND STATEMENTS:		
Statement of Revenues, Expenses, and Changes in Net Assets – Budgetary (GAAP Basis) and Actual:		
Low Rent Public Housing Program	A-1	40
Capital Funds Program	A-2	41
Section 8 Housing Choice Vouchers Program	A-3	42
USDA FmHA Rural Housing Program	A-4	43
HOME Investment Partnership Program	A-5	44
SUPPORTING SCHEDULES		
Collateral Pledged by Depository for Public Funds	I	46
Schedule of Deposit and Investment Accounts	II	47
Financial Data Schedule	III	48-55
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		59-60
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		63-64
Schedule of Expenditures of Federal Awards	IV	65
Schedule of Findings and Questioned Costs	V	67-74
OTHER DISCLOSURES		75

(This page intentionally left blank)

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Official Roster
For the Year Ended June 30, 2009

City Mayor and Commission

Mayor	Antonio Apodaca
Commissioner	Robert Lumpkin
Commissioner	Jim Lafferty
Commissioner	Chris Maestas
Commissioner	Jim Witcher

Administrative Officials

City Manager	John Sutherland
City Clerk	Christine Dougherty
City Planning Director	Doug Powers
Assistant City Manager	Mike Cherry
City Finance Director	Marty Garcia
Executive Director – Housing Authority	Wilhemina Martin

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)



Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Santa Fe, New Mexico
and
Mayor and City Commissioner
Tucumcari Housing Authority
Tucumcari, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Tucumcari Housing Authority (the "Authority"), a department of the City of Tucumcari, New Mexico (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the Tucumcari Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the year ended June 30, 2009 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency'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 the 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.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of the City of Tucumcari as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tucumcari 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, in all material respects, the budgetary comparisons for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – 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

Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Tucumcari Housing Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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 financial statements that comprise the basic financial statements and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules I and 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 30, 2009

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Low Rent Public Housing Program</u>	<u>Capital Funds Program</u>	<u>Section 8 Housing Choice Vouchers Program</u>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 156,439	\$ -	\$ 160,832
Accounts receivable - tenants, net of allowance for doubtful accounts of \$558	265	-	7,603
Accounts receivable-grants	3,052	-	-
Accounts receivable - other	-	-	-
Due from other funds	-	-	13,020
Prepays	7,988	-	-
	<u>167,744</u>	<u>-</u>	<u>181,455</u>
<i>Total current assets</i>			
<i>Noncurrent Assets</i>			
Restricted cash and cash equivalents	10,788	-	96,012
Capital assets:			
Land, structures and equipment, net of accumulated depreciation	<u>1,705,421</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,883,953</u>	<u>\$ -</u>	<u>\$ 277,467</u>
<i>Total assets</i>			

The accompanying notes are an integral part of these financial statements

USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ 93,776	\$ -	\$ 411,047
835	-	8,703
5,732	-	8,784
-	-	-
-	-	13,020
-	-	7,988
<u>100,343</u>	<u>-</u>	<u>449,542</u>
91,388	-	198,188
<u>806,466</u>	<u>-</u>	<u>2,511,887</u>
<u>\$ 998,197</u>	<u>\$ -</u>	<u>\$ 3,159,617</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Low Rent Public Housing Program	Capital Funds Program	Section 8 Housing Choice Vouchers Program
LIABILITIES AND NET ASSETS			
<i>Current liabilities (payable from current assets):</i>			
Accounts payable	\$ 9,942	\$ -	\$ -
Accrued payroll	5,685	-	-
Accrued interest payable	-	-	-
Current portion of long term debt	-	-	-
Deferred revenue	-	-	-
Compensated absences, current portion	4,567	-	-
Due to other funds	56,127	-	-
<i>Total current liabilities (payable from current assets)</i>	<u>76,321</u>	<u>-</u>	<u>-</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	<u>6,823</u>	<u>-</u>	<u>-</u>
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,823</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities :</i>			
Notes payable, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total non-current liabilities (payable from restricted assets)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>83,144</u>	<u>-</u>	<u>-</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	1,705,421	-	-
Restricted net assets	3,965	-	96,012
Unrestricted net assets	<u>91,423</u>	<u>-</u>	<u>181,455</u>
<i>Total net assets</i>	<u>1,800,809</u>	<u>-</u>	<u>277,467</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,883,953</u>	<u>\$ -</u>	<u>\$ 277,467</u>

The accompanying notes are an integral part of these financial statements

USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ 1,777	\$ -	\$ 11,719
-	-	5,685
1,226	-	1,226
8,751	-	8,751
62	-	62
-	-	4,567
-	-	56,127
<u>11,816</u>	<u>-</u>	<u>88,137</u>
<u>3,417</u>	<u>-</u>	<u>10,240</u>
<u>3,417</u>	<u>-</u>	<u>10,240</u>
<u>714,351</u>	<u>-</u>	<u>714,351</u>
<u>714,351</u>	<u>-</u>	<u>714,351</u>
<u>729,584</u>	<u>-</u>	<u>812,728</u>
83,364	-	1,788,785
87,160	-	187,137
98,089	-	370,967
<u>268,613</u>	<u>-</u>	<u>2,346,889</u>
<u>\$ 998,197</u>	<u>\$ -</u>	<u>\$ 3,159,617</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Low Rent Public Housing Program	Capital Funds Program	Section 8 Housing Choice Vouchers Program
<i>Operating revenues:</i>			
Tenant charges	\$ 128,509	\$ -	\$ -
Other tenant revenue	20,485	-	-
<i>Total operating revenues</i>	<u>148,994</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>			
Administration	171,672	-	62,176
Personnel services	-	-	-
Contractual Services	47,686	-	3,300
Utilities	98,669	-	-
Ordinary maintenance and operations	24,993	3,052	-
Housing assistance payments	-	-	485,602
Depreciation	43,950	-	-
<i>Total operating expenses</i>	<u>386,970</u>	<u>3,052</u>	<u>551,078</u>
<i>Operating income (loss)</i>	<u>(237,976)</u>	<u>(3,052)</u>	<u>(551,078)</u>
<i>Non-operating revenues (expenses):</i>			
Operating grants	235,403	-	549,657
Interest income	512	-	169
Miscellaneous	-	-	1,341
Interest expense	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>235,915</u>	<u>-</u>	<u>551,167</u>
Capital grants	-	9,288	-
Transfers in	7,434	-	-
Transfers out	-	-	-
<i>Net capital grants and transfers</i>	<u>7,434</u>	<u>9,288</u>	<u>-</u>
<i>Change in net assets</i>	<u>5,373</u>	<u>6,236</u>	<u>89</u>
<i>Net assets - beginning of year</i>	1,765,236	-	277,378
<i>Restatement (Note 12.)</i>	<u>23,964</u>	<u>-</u>	<u>-</u>
<i>Net assets - beginning of year, as restated</i>	<u>1,789,200</u>	<u>-</u>	<u>277,378</u>
<i>Residual equity transfers in</i>	6,236	-	-
<i>Residual equity transfers out</i>	<u>-</u>	<u>(6,236)</u>	<u>-</u>
<i>Net assets - end of year</i>	<u>\$ 1,800,809</u>	<u>\$ -</u>	<u>\$ 277,467</u>

The accompanying notes are an integral part of these financial statements

USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ -	\$ -	\$ 128,509
23,769	-	44,254
23,769	-	172,763
21,944	-	255,792
25,896	-	25,896
15,738	-	66,724
6,716	-	105,385
30,739	-	58,784
-	-	485,602
28,077	-	72,027
129,110	-	1,070,210
(105,341)	-	(897,447)
138,432	-	923,492
-	7	688
16,919	-	18,260
(62,926)	-	(62,926)
92,425	7	879,514
-	-	9,288
-	-	7,434
-	(7,434)	(7,434)
-	(7,434)	9,288
(12,916)	(7,427)	(8,645)
194,369	7,427	2,244,410
87,160	-	111,124
281,529	7,427	2,355,534
-	-	6,236
-	-	(6,236)
\$ 268,613	\$ -	\$ 2,346,889

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Low Rent Public Housing Program</u>	<u>Capital Fund Program</u>
<i>Cash flows from operating activities:</i>		
Cash received from tenant charges	\$ 148,831	\$ -
Cash payments to employees for services	(144,728)	-
Cash payments to suppliers for goods and services	<u>(208,105)</u>	<u>(3,052)</u>
<i>Net cash provided by (used) for operating activities</i>	<u>(204,002)</u>	<u>(3,052)</u>
<i>Cash flows from noncapital financing activities:</i>		
Operating grants	235,403	-
Miscellaneous income	-	-
Miscellaneous expense	-	-
Interfund due to and due froms	56,127	-
Transfers	<u>7,434</u>	<u>-</u>
<i>Net cash provided by (used) for noncapital financing activities</i>	<u>298,964</u>	<u>-</u>
<i>Cash flows from capital and related financing activities:</i>		
Principal payments on notes	-	-
Interest payments on notes	-	-
Proceeds from capital grants	-	9,288
Acquisition of capital assets	<u>(9,667)</u>	<u>(6,236)</u>
<i>Net cash provided by (used) for capital and related financing activities</i>	<u>(9,667)</u>	<u>3,052</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	<u>512</u>	<u>-</u>
<i>Net cash provided by (used) for investing activities</i>	<u>512</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	85,807	-
<i>Cash and cash equivalents - beginning of year</i>	81,420	-
<i>Restatement (Note 12.)</i>	<u>-</u>	<u>-</u>
<i>Cash and cash equivalents - beginning of year, as restated</i>	<u>81,420</u>	<u>-</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 167,227</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ -	\$ 21,909	\$ -	\$ 170,740
(65,225)	(47,840)	-	(257,793)
(485,837)	(53,700)	-	(750,694)
<u>(551,062)</u>	<u>(79,631)</u>	<u>-</u>	<u>(837,747)</u>
549,657	84,140	-	869,200
1,341	16,919	-	18,260
-	-	-	-
(5,625)	-	(12,500)	38,002
-	-	(7,434)	-
<u>545,373</u>	<u>101,059</u>	<u>(19,934)</u>	<u>925,462</u>
-	(8,021)	-	(8,021)
-	(13,140)	-	(13,140)
-	-	-	9,288
-	-	-	(15,903)
<u>-</u>	<u>(21,161)</u>	<u>-</u>	<u>(27,776)</u>
169	-	7	688
<u>169</u>	<u>-</u>	<u>7</u>	<u>688</u>
(5,520)	267	(19,927)	60,627
262,364	97,737	19,927	461,448
-	87,160	-	87,160
<u>262,364</u>	<u>184,897</u>	<u>19,927</u>	<u>548,608</u>
<u>\$ 256,844</u>	<u>\$ 185,164</u>	<u>\$ -</u>	<u>\$ 609,235</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Low Rent Public Housing Program</u>	<u>Capital Fund Program</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ (237,976)	\$ (3,052)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	43,950	-
Changes in assets and liabilities		
Receivables	(163)	-
Inventory	1	-
Prepaid expenses	27,143	-
Accounts payable	(8,731)	-
Accrued payroll expenses	(21,565)	-
Current accrued compensated absences	(2,918)	-
Customer deposits	(3,743)	-
Deferred revenue	-	-
	<u> </u>	<u> </u>
<i>Net cash (used) by operating activities</i>	<u><u>\$ (204,002)</u></u>	<u><u>\$ (3,052)</u></u>

The accompanying notes are an integral part of these financial statements

<u>Section 8 Housing Choice Vouchers Program</u>	<u>USDA FmHA Rural Housing Program</u>	<u>HOME Investment Partnership Program</u>	<u>Total</u>
\$ (551,078)	\$ (105,341)	\$ -	\$ (897,447)
-	28,077	-	72,027
16	(1,135)	-	(1,282)
-	-	-	1
-	-	-	27,143
-	(507)	-	(9,238)
-	-	-	(21,565)
-	-	-	(2,918)
-	(787)	-	(4,530)
-	62	-	62
<u>\$ (551,062)</u>	<u>\$ (79,631)</u>	<u>\$ -</u>	<u>\$ (837,747)</u>

(This page intentionally left blank)

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tucumcari Housing Authority, Tucumcari, New Mexico was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in July 1970. The contract provided for 90 low-rent housing units, the construction of which was financed by bonds guaranteed by the U.S. Government. The terms of the agreement provided that HUD shall provide annual contributions to cover the debt service on bonds used for the construction and subsidies for operations of the program. The City of Tucumcari agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

The primary goal of the Low Rent Housing program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development of operation of a Low Rent Housing program. The PHA is a local housing authority (LHA) governed by an appointed board of directors who employ an administrative staff headed by an executive director.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Authority has implemented Government Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2009. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

The Authority reports the following quantitatively major enterprise funds:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- **Section 8 Housing Choice Vouchers Program** – These programs, funded through direct grants from HUD, provide rental assistance to qualified families through rent subsidies paid directly to third-party landlords.
- **USDA FmHA Rural Housing Program** – USDA, Rural Development (RD), provides Federal subsidy to the Tucumcari Housing Authority for the purpose of housing people eligible for occupancy as provided in Section 514 or Section 515 of the Title V of the Housing Act of 1949, as amended, and Rural Development (RD)/FMHA regulations for a 20 year period beginning December 31, 2000.

The Authority reports the following funds as major due to their potential importance to the users of the financial statements:

- **Capital Funds Program** –A grant program funded by HUD that is intended to improve public housing properties and management.
- **HOME Investment Partnership Program** – A HUD funded program passed through the New Mexico Finance Authority. The program is designed to provide eligible low-income families with the opportunity to purchase their own homes.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *Financial Reporting Entity*

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its residents and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; the Housing Authority is a department of the City of Tucumcari.

B. *Basis of Accounting and Measurement Focus*

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All of the Authority's funds meet the requirements for being reported as major funds under GASB Statement No. 34.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the 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 this definition are reported as nonoperating revenues and expenses.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *Basis of Accounting and Measurement Focus (continued)*

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned.

The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as nonoperating revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. *Assets, Liabilities, and Net Assets*

Deposits and Investments

The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an agency of the United States. 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 regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

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.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Receivables and Payables (continued)

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Restricted Assets

Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

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, and equipment assets, are defined by the Authority 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the Authority's capital assets reported in the basic financial statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

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.

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

Net Assets

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

Unrestricted and Restricted Revenues

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

Estimates

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund from expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

The Authority adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures for the Capital Fund Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net assets. The Authority does not budget for depreciation expense.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Authority's Board of Directors for approval.
5. The Board of Director's approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level.

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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 a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the coverage for public unit demand deposits at the same institution. On October 14, 2008, the FDIC announced a temporary Transaction Account Guarantee Program that provides depositors with unlimited coverage for noninterest-bearing transaction accounts if the bank elects to participate in the Temporary Liquidity Guarantee Program. Wells Fargo participates in the program, so all noninterest bearing accounts are insured by FDIC at 100% through December 31, 2013.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

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's policy regarding types of deposits allowed and collateral requirements is to deposit monies in compliance with state statute. 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 amount on deposit with the institution. As of June 30, 2009, \$310,099 of the Authority's deposits of \$662,498 was exposed to custodial credit risk. \$228,770, was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and \$81,329 was uninsured and uncollateralized.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	Wells Fargo Bank	New Mexico Bank & Trust	First National Bank	Total
Total amounts of deposits	\$ 560,099	\$ 91,387	\$ 11,012	\$ 662,498
FDIC Coverage	<u>(250,000)</u>	<u>(91,387)</u>	<u>(11,012)</u>	<u>(352,399)</u>
Total uninsured public funds	<u>310,099</u>	<u>-</u>	<u>-</u>	<u>310,099</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	<u>228,770</u>	<u>-</u>	<u>-</u>	<u>228,770</u>
Uninsured and uncollateralized	<u><u>\$ 81,329</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 81,329</u></u>
Collateral requirement (50% of uninsured funds)	\$ 155,050	\$ -	\$ -	\$ 155,050
Pledged Collateral	<u>228,770</u>	<u>-</u>	<u>-</u>	<u>228,770</u>
Over (Under) collateralized	<u><u>\$ 73,720</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,720</u></u>

The collateral pledged is listed on Schedule I of this report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Reconciliation to Statement of Net Assets

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

Cash and cash equivalents per Exhibit A-1	\$ 411,047
Restricted cash per Exhibit A-1	<u>198,188</u>
Total Cash and cash equivalents per Exhibit A-1	609,235
Add: outstanding checks and other reconciling items	54,787
Less: deposits in transit and other reconciling items	(1,274)
Less: petty cash	<u>(250)</u>
Reconciled balance of deposits	<u>\$ 662,498</u>

NOTE 3. ACCOUNTS RECEIVABLES

The Authority's accounts receivable at June 30, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	Reim- bursements	Grants Receivable	Tenant Accounts Receivable	Allowance	Net Receivable
Low Rent Public Housing Program	\$ -	\$ 3,052	\$ 823	\$ (558)	\$ 3,317
Section 8 Housing Choice Vouchers Program	3,819	-	7,569	(3,785)	7,603
USDA FmHA Rural Housing Program	<u>-</u>	<u>5,732</u>	<u>835</u>	<u>-</u>	<u>6,567</u>
Totals	<u>\$ 3,819</u>	<u>\$ 8,784</u>	<u>\$ 9,227</u>	<u>\$ (4,343)</u>	<u>\$ 17,487</u>

NOTE 4. INTERFUND BALANCES AND TRANSFERS

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

Business Type Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
From HOME Investment Partnership Program to: Low Rent Public Housing Program	\$ - <u>7,434</u>	\$ 7,434 <u>-</u>
	<u>\$ 7,434</u>	<u>\$ 7,434</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 4. INTERFUND BALANCES AND TRANSFERS (continued)

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2009 is as follows:

Business Type Activities:	Due To	Due From
From Low Rent Public Housing Program to:	\$ -	\$ 13,020
Section 8 Housing Choice Vouchers Program	13,020	-
From Low Rent Public Housing Program to:	-	43,107
City of Tucumcari	43,107	-
	\$ 56,127	\$ 56,127

Interfund balances are expected to be repaid within one year from the date of the financial statements.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 5. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land and construction in process are not subject to depreciation.

	Balance, July 1, 2008	Additions / Transfers	Disposals / Adjustments	Balance, June 30, 2009
Assets that are not being depreciated:				
Land - Low Rent Public Housing Program	\$ 68,890	\$ -	\$ -	\$ 68,890
Land - USDA FmHA Rural Housing Program	27,120	-	-	27,120
Total assets that are not being depreciated	<u>96,010</u>	<u>-</u>	<u>-</u>	<u>96,010</u>
Assets that are being depreciated:				
Low Rent Public Housing Program				
Furniture, fixtures and equipment	410,906	-	-	410,906
Land improvements	1,115,150	5,059	-	1,120,209
Buildings and building improvements	1,872,337	10,844	-	1,883,181
Total Public Housing	<u>3,398,393</u>	<u>15,903</u>	<u>-</u>	<u>3,414,296</u>
USDA FmHA Rural Housing Program				
Furniture, fixtures and equipment	54,344			54,344
Buildings and building improvements	940,412	-	-	940,412
Total Rural Housing	<u>994,756</u>	<u>-</u>	<u>-</u>	<u>994,756</u>
Total property and equipment	<u>4,489,159</u>	<u>15,903</u>	<u>-</u>	<u>4,505,062</u>
Less Accumulated Depreciation:				
Furniture, fixtures and equipment	218,116	42,250	-	260,366
Land improvements	767,166	20,814	-	787,980
Buildings and building improvements	935,867	24,453	15,491	944,829
Total accumulated depreciation	<u>1,921,149</u>	<u>87,517</u>	<u>15,491</u>	<u>1,993,175</u>
Total property and equipment, net of depreciation	<u>\$ 2,568,010</u>	<u>\$ (71,614)</u>	<u>\$ (15,491)</u>	<u>\$ 2,511,887</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2009, totaled \$72,027.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 6. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2009.

	Balance, July 1, 2008	Additions	Retirements	Balance, June 30, 2009	Due Within One Year
Accrued compensated absences	\$ 7,485	\$ 8,413	\$ 11,331	\$ 4,567	\$ 4,567
Notes Payable	731,123	-	8,021	723,102	8,751
Totals	\$ 738,608	\$ 8,413	\$ 19,352	\$ 727,669	\$ 13,318

On December 31, 2000 the City of Tucumcari purchased a 24 unit apartment complex (Chaparral Apartments) from a private owner. Tucumcari Housing Authority manages the units on behalf of the City.

At purchase, certain agreements including a Section 515, Rural Housing Rental Assistance agreement and a mortgage were assumed by the City. The debt is owed to the Farmers Home Administration (FmHA), a division of the United States Department of Agriculture.

The Rental Assistance Agreements is similar in many respects to the subsidized rental program administered by the U.S. Department of Housing and Urban Development, in that, it is primarily directed toward providing housing to qualified low income citizens. The agreement binds the Government to provide the difference between the approved shelter cost for the project and the monthly tenant contribution as calculated and certified for each tenant household in accordance with government regulations.

Additionally, the units are subject to an Interest Credit and Rental Assistance Agreement, which provides for additional subsidy for mortgage payments of \$4,047 monthly.

Both of these agreements require the City to adhere to all USDA regulations. Violation of any terms, conditions or program regulations permit the U.S. Government, at its option, to suspend or terminate the agreement. Additionally, the U.S. Government may suspend, terminate or modify the agreement, at its option, should it determine that a subsidy is no longer required for the benefit of the tenants.

Subsidy budgets for Rural Housing Projects are approved and awarded by the FmHA for five year periods.

The loan and subsidy agreements require monthly contributions to a reserve account, which may only be used to ensure mortgage payments are made timely, or, with the permission of FmHA, make renovation or betterments to the units.

No money was transferred during the year ended June 30, 2009 from the reserve account for improvements. Monthly payments of \$665 were made into the reserve account during the year.

At June 30, 2009 the outstanding indebtedness owed to FmHA was \$723,102. Total principal and interest installments of \$5,973 are due monthly (including the \$4,047 debt service subsidy payment). The effective interest over the term of the loan (because of the debt service subsidy payment) is approximately 1%. Principal payments during the year were \$8,021.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 6. LONG-TERM LIABILITIES (continued)

The following schedule shows the aggregate maturities of the indebtedness owed to FmHA over the life of the loan based upon current estimated debt subsidies:

	Principal Payment	Total Interest Payment	Debt Service Subsidy	Net Interest Payment
2010	\$ 8,751	\$ 62,926	\$ 48,560	\$ 14,366
2011	9,549	62,129	48,560	13,569
2012	10,419	61,259	48,560	12,699
2013	11,368	60,310	48,560	11,750
2014	12,403	59,274	48,560	10,714
2015-2019	81,168	277,219	242,798	34,421
2020-2024	125,517	232,871	242,798	(9,928)
2025-2029	194,095	164,292	242,798	(78,507)
2030-2034	269,832	58,682	222,565	(163,883)
Total	<u>\$ 723,102</u>	<u>\$ 1,038,961</u>	<u>\$ 1,193,759</u>	<u>\$ (154,798)</u>

NOTE 7. NON CASH REVENUE AND EXPENSES

During the year ended June 30, 2009, the Tucumcari Housing Authority recognized revenue and expenses, each in the amount of \$48,560 in relation to its Interest Credit and Rental Assistance Agreement. Payments were made on the Authority's behalf, though were not received or made by the Authority. As such the Authority recognizes both non cash revenue and expenses in this amount.

NOTE 8. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE 9. RISK MANAGEMENT

Tucumcari 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.

NOTE 10. 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 Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, 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. 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.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 10. PERA PENSION PLAN (continued)

Funding Policy: Plan members are required to contribute 16.3% for policemen and 9.15% of their gross salary for other employees. The City is required to contribute 16.3% for policemen and 9.15% for other employees. The contribution requirements of plan members and the City of Tucumcari are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

Payroll is completed by the City of Tucumcari. The contribution for all City employees, including employees of the Housing Authority, is reported in the general purpose financial statements for the City of Tucumcari.

NOTE 11. POST EMPLOYMENT BENEFITS

Plan Description: The Authority contributes to the New Mexico 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 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.

The Retiree Health Care Act (Section 10-7C-15 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 financed 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.

Payroll is completed by the City of Tucumcari. The contribution for all City employees, including employees of the Housing Authority, is reported in the general purpose financial statements for the City of Tucumcari.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 12. CONCENTRATIONS

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

NOTE 13. RESTATEMENT

In the fiscal year ended June 30, 2008, insurance expense in the amount of \$23,964 was erroneously recognized in the Low Rent Public Housing Program fund. This amount is properly recognized in fiscal year ended June 30, 2009. The restatement is shown on the Statement of Revenues, Expenses and Changes in Net Assets for June 30, 2008 in the Low Rent Public Housing Program fund.

The Low Rent Public Housing Program fund is also restated on a budgetary basis for the \$23,964 discussed above and for \$(193,816) to correct for previous errors in fund balance.

The restatement in the amount of \$87,160 for the USDA FmHA Rural Housing Program fund for fiscal year ended June 30, 2009 occurred because prior year reserve of cash for repair and replacement was not included in the financial statements.

NOTE 14. TROUBLED AGENCY STATUS

During the fiscal year ended June 30, 2009, the Authority continued to have a "Troubled" Agency status with HUD. This status entails increased HUD oversight and review of the Authority and in extreme circumstances could result in HUD assuming direct responsibility of the Authority. The Authority is actively working with HUD to eliminate its troubled status.

NOTE 15. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Authority is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of The City of Tucumcari
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
Low Rent Public Housing Program
For the Year Ended June 30, 2009

Statement A-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 132,000	\$ 132,000	\$ 128,509	\$ (3,491)
Other tenant revenue	6,542	6,542	20,485	13,943
<i>Total operating revenues</i>	<u>138,542</u>	<u>138,542</u>	<u>148,994</u>	<u>10,452</u>
<i>Operating expenses:</i>				
Administration	153,283	153,283	171,672	(18,389)
Contractual services	37,401	37,401	47,686	(10,285)
Utilities	90,800	90,800	98,669	(7,869)
Ordinary maintenance and operations	30,300	30,300	24,993	5,307
<i>Total operating expenses</i>	<u>311,784</u>	<u>311,784</u>	<u>343,020</u>	<u>(31,236)</u>
<i>Operating income (loss)</i>	<u>(173,242)</u>	<u>(173,242)</u>	<u>(194,026)</u>	<u>(20,784)</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	144,001	144,001	235,403	91,402
Interest income	173	173	512	339
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>144,174</u>	<u>144,174</u>	<u>235,915</u>	<u>91,741</u>
<i>Change in net assets</i>	<u>(29,068)</u>	<u>(29,068)</u>	<u>41,889</u>	<u>70,957</u>
Designated cash (budgeted increase in cash)	29,068	29,068	-	(29,068)
Capital grants	-	-	-	-
Transfers in	-	-	7,434	7,434
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>49,323</u>	<u>49,323</u>
<i>Net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,959,052</u>	<u>1,959,052</u>
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>(169,852)</u>	<u>(169,852)</u>
<i>Net Assets, beginning of year after restatement</i>	<u>-</u>	<u>-</u>	<u>1,789,200</u>	<u>1,789,200</u>
<i>Net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,838,523</u>	<u>\$ 1,887,846</u>
Change in net assets (above)			\$ 49,323	
No adjustments to revenues			-	
Adjustments to expenses for depreciation			<u>(43,950)</u>	
Change in net assets (Exhibit A-2)			<u>\$ 5,373</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
Capital Funds Program
For the Year Ended June 30, 2009

Statement A-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Administration	-	-	-	-
Contractual services	-	-	-	-
Utilities	-	-	-	-
Ordinary maintenance and operations	3,052	3,052	3,052	-
<i>Total operating expenses</i>	3,052	3,052	3,052	-
<i>Operating income (loss)</i>	(3,052)	(3,052)	(3,052)	-
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
<i>Change in net assets</i>	(3,052)	(3,052)	(3,052)	-
Designated cash (budgeted increase in cash)	(6,236)	(6,236)	-	6,236
Capital grants	9,288	9,288	9,288	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	-	-	6,236	6,236
<i>Net assets, beginning of year</i>	-	-	6,059	6,059
<i>Net assets, end of year</i>	\$ -	\$ -	\$ 12,295	\$ 18,531
Change in net assets (above)			\$ 6,236	
No adjustments to revenues			-	
No adjustments to expenses			-	
Change in net assets (Exhibit A-2)			\$ 6,236	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
Section 8 Housing Choice Vouchers Program
For the Year Ended June 30, 2009

Statement A-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
Other tenant revenue	-	-	-	-
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>				
Administration	49,382	49,382	62,176	(12,794)
Contractual services	4,500	4,500	3,300	1,200
Utilities	-	-	-	-
Ordinary maintenance and operations	-	-	-	-
Housing assistance payments	618,372	618,372	485,602	132,770
<i>Total operating expenses</i>	<u>672,254</u>	<u>672,254</u>	<u>551,078</u>	<u>121,176</u>
<i>Operating income (loss)</i>	<u>(672,254)</u>	<u>(672,254)</u>	<u>(551,078)</u>	<u>121,176</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	688,884	688,884	549,657	(139,227)
Interest income	-	-	169	169
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	1,341	1,341
<i>Total non-operating revenues (expenses)</i>	<u>688,884</u>	<u>688,884</u>	<u>551,167</u>	<u>(137,717)</u>
<i>Change in net assets</i>	16,630	16,630	89	(16,541)
Designated cash (budgeted increase in cash)	(16,630)	(16,630)	-	16,630
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	-	-	89	89
<i>Net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>277,378</u>	<u>277,378</u>
<i>Net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,467</u>	<u>\$ 277,556</u>
Change in net assets (above)			\$ 89	
No adjustments to revenues			-	
No adjustments to expenses			<u>-</u>	
Change in net assets (Exhibit A-2)			<u>\$ 89</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
USDA FmHA Rural Housing Program
For the Year Ended June 30, 2009

Statement A-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
Other tenant revenue	3,400	3,400	23,769	20,369
<i>Total operating revenues</i>	<u>3,400</u>	<u>3,400</u>	<u>23,769</u>	<u>20,369</u>
<i>Operating expenses:</i>				
Administration	28,781	28,781	21,944	6,837
Personnel services	6,745	6,745	25,896	(19,151)
Contractual services	-	-	15,738	(15,738)
Utilities	13,900	13,900	6,716	7,184
Ordinary maintenance and operations	33,816	33,816	30,739	3,077
Extraordinary maintenance	29,250	29,250	-	29,250
<i>Total operating expenses</i>	<u>112,492</u>	<u>112,492</u>	<u>101,033</u>	<u>11,459</u>
<i>Operating income (loss)</i>	<u>(109,092)</u>	<u>(109,092)</u>	<u>(77,264)</u>	<u>31,828</u>
<i>Non-operating revenues (expenses):</i>				
Operating grants	122,729	122,729	138,432	15,703
Interest income	-	-	-	-
Interest expense	(60,000)	(60,000)	(62,926)	(2,926)
Miscellaneous expense	(23,118)	(23,118)	-	23,118
Miscellaneous income	-	-	16,919	16,919
<i>Total non-operating revenues (expenses)</i>	<u>39,611</u>	<u>39,611</u>	<u>92,425</u>	<u>52,814</u>
<i>Change in net assets</i>	<u>(69,481)</u>	<u>(69,481)</u>	<u>15,161</u>	<u>84,642</u>
Designated cash (budgeted increase in cash)	69,481	69,481	-	(69,481)
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>15,161</u>	<u>15,161</u>
<i>Net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>194,369</u>	<u>194,369</u>
<i>Restatement</i>	<u>-</u>	<u>-</u>	<u>87,160</u>	<u>87,160</u>
<i>Net Assets, beginning of year after restatement</i>	<u>-</u>	<u>-</u>	<u>281,529</u>	<u>281,529</u>
<i>Net assets, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,690</u>	<u>\$ 311,851</u>
Change in net assets (above)			\$ 15,161	
No adjustments to revenues			-	
Adjustments to expenses for depreciation			(28,077)	
Change in net assets (Exhibit A-2)			<u>\$ (12,916)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
HOME Investment Partnership Program
For the Year Ended June 30, 2009

Statement A-5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses:</i>				
Administration	-	-	-	-
Contractual services	-	-	-	-
Utilities	-	-	-	-
Ordinary maintenance and operations	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	7	7
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	7	7
<i>Change in net assets</i>	-	-	7	7
Designated cash (budgeted increase in cash)	-	-	-	-
Capital grants	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(7,434)	(7,434)
<i>Change in net assets</i>	-	-	(7,427)	(7,427)
<i>Net assets, beginning of year</i>	-	-	7,427	7,427
<i>Net assets, end of year</i>	\$ -	\$ -	\$ -	\$ (7,427)
Change in net assets (above)			\$ (7,427)	
No adjustments to revenues			-	
No adjustments to expenses			-	
Change in net assets (Exhibit A-2)			\$ (7,427)	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Collateral Pledged by Depository for Public Funds
For the Year Ended June 30, 2009

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market or Par Value June 30, 2009
Pledged by Wells Fargo Bank, N.A.:				
Federal Home Loan Bank	FGIOH0H00895	6/1/2037	3128MS7G9	\$ 33,568
	FNCL 257004	10/1/2037	31371NNV3	90,504
	FNCL 879100	5/1/2036	31409UUZ6	<u>104,699</u>
	Total Wells Fargo Bank Pledged Securities			<u>228,770</u>
	Total pledged securities			<u><u>\$ 228,770</u></u>

Note:

All pledged collateral held in safekeeping by Wells Fargo in San Francisco, California

See independent auditors' report

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2009

Schedule II

<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Wells Fargo Bank					
Checking Accounts					
Public Housing	\$ 169,641	\$ 1,094	\$ 42,745	\$ -	\$ 127,990
CIAP	5,143	-	-	-	5,143
Section 8	263,919	-	7,075	-	256,844
Chaparral	38,397	-	3,190	-	35,207
Chaparral Business Cash Mgmt.	59,742	50	1,423	-	58,369
Savings Account					
CIAP Savings	516	-	-	-	516
CD Account					
Certificate of Deposit	22,741	-	-	-	22,741
Total Wells Fargo Bank	<u>560,099</u>	<u>1,144</u>	<u>54,433</u>	<u>-</u>	<u>506,810</u>
New Mexico Bank & Trust					
Checking Account					
Chaparral Reserve	4,227	-	-	-	4,227
Chaparral Security Deposit	87,160	-	-	-	87,160
Total New Mexico Bank & Trust	<u>91,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,387</u>
First National Bank of NM					
Checking Accounts					
Security Deposit Fund	11,012	130	354	-	10,788
Total First National Bank	<u>11,012</u>	<u>130</u>	<u>354</u>	<u>-</u>	<u>10,788</u>
Total deposits	<u>\$ 662,498</u>	<u>\$ 1,274</u>	<u>\$ 54,787</u>	<u>\$ -</u>	<u>608,985</u>
Petty cash					<u>250</u>
Total cash and cash equivalents (Exhibit A-1)					<u>\$ 609,235</u>
Statement of Net Assets (Exhibit A-1):					
Cash and cash equivalents					\$ 411,047
Restricted cash and cash equivalents					<u>198,188</u>
					<u>\$ 609,235</u>

See independent auditors' report

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2009

Line Item Number	Description	Low Rent Public Housing Program	Capital Fund Program
111	Cash - Unrestricted	\$ 156,439	\$ -
114	Cash - Tenant Security Deposits	10,788	-
100	Total Cash	<u>167,227</u>	<u>-</u>
121	Accounts Receivable - PHA projects	-	-
122-020	Accounts Receivable - HUD Other Projects- Capital fund	3,052	-
124	Accounts Receivable - other government	-	-
125	Accounts Receivable - Miscellaneous	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	823	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(558)	-
126.2	Allowance for Doubtful Accounts - Other	-	-
127	Notes, Loans, & Mortgages receivables- current	-	-
128	Fraud Recovery	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-
129	Accrued interest receivable	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>3,317</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	7,988	-
144	Interprogram Due From	-	-
145	Assets Held for Sale	-	-
150	Total Current Assets	<u>178,532</u>	<u>-</u>
161	Land	68,890	-
162	Buildings	1,866,890	-
163	Furniture, Equipment & Machinery - Dwellings	192,597	-
164	Furniture, Equipment & Machinery - Administration	124,230	-
165	Leasehold Improvements	1,120,209	-
166	Accumulated Depreciation	<u>(1,667,395)</u>	<u>-</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>1,705,421</u>	<u>-</u>
180	Total Non Current Assets	<u>1,705,421</u>	<u>-</u>
190	Total Assets	<u>\$ 1,883,953</u>	<u>\$ -</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ 160,832	\$ 93,776	\$ -	\$ 411,047
96,012	4,228	-	111,028
<u>256,844</u>	<u>185,164</u>	<u>-</u>	<u>609,235</u>
-	-	-	-
-	-	-	3,052
-	5,732	-	5,732
-	-	-	-
3,819	835	-	5,477
-	-	-	(558)
-	-	-	-
-	-	-	-
7,569	-	-	7,569
(3,785)	-	-	(3,785)
-	-	-	-
<u>7,603</u>	<u>6,567</u>	<u>-</u>	<u>17,487</u>
-	-	-	7,988
13,020	-	-	13,020
-	-	-	-
<u>277,467</u>	<u>191,731</u>	<u>-</u>	<u>647,730</u>
-	27,120	-	96,010
-	691,919	-	2,558,809
-	54,344	-	246,941
-	-	-	124,230
-	248,493	-	1,368,702
-	(215,410)	-	(1,882,805)
-	<u>806,466</u>	<u>-</u>	<u>2,511,887</u>
-	<u>806,466</u>	<u>-</u>	<u>2,511,887</u>
<u>\$ 277,467</u>	<u>\$ 998,197</u>	<u>\$ -</u>	<u>\$ 3,159,617</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2009

Line Item Number	Description	Low Rent Public Housing Program	Capital Fund Program
312	Accounts Payable <= 90 Days	\$ 9,942	\$ -
321	Accrued Wage/Payroll Taxes Payable	5,685	-
322	Accrued Compensated Absences - Current Portion	4,567	-
341	Tenant Security Deposits	6,823	-
342	Deferred Revenues	-	-
343	Current portion of long term debt- capital projects	-	-
345	Other Current Liabilities	-	-
347	Interprogram Due To	56,127	-
310	Total Current Liabilities	<u>83,144</u>	<u>-</u>
351	Long-term debt-mortgages	-	-
354	Accrued Compensated Absences - Noncurrent	-	-
350	Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
300	Total Liabilities	<u>83,144</u>	<u>-</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,705,421	-
511	Restricted Net Assets	10,788	-
512.1	Unrestricted	84,600	-
513	Total Equity/Net Assets	<u>1,800,809</u>	<u>-</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,883,953</u>	<u>\$ -</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ -	\$ 1,777	\$ -	\$ 11,719
-	-	-	5,685
-	-	-	4,567
-	3,417	-	10,240
-	62	-	62
-	8,751	-	8,751
-	1,226	-	1,226
-	-	-	56,127
-	15,233	-	98,377
-	714,351	-	714,351
-	-	-	-
-	714,351	-	714,351
-	729,584	-	812,728
-	83,364	-	1,788,785
96,012	87,160	-	193,960
181,455	98,089	-	364,144
277,467	268,613	-	2,346,889
<u>\$ 277,467</u>	<u>\$ 998,197</u>	<u>\$ -</u>	<u>\$ 3,159,617</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2009

Line Item Number	Description	Low Rent Public Housing Program	Capital Fund Program
70300	Net Tenant Rental Revenue	\$ 128,509	\$ -
70400	Tenant Revenue - Other	-	-
70500	Total Tenant Revenue	<u>128,509</u>	<u>-</u>
70600	HUD PHA Operating Grants	235,403	3,052
70800	Other Governmental Grants	-	6,236
71100	Investment Income - Unrestricted	512	-
71500	Other Revenue	20,485	-
7000	Total Revenue	<u>384,909</u>	<u>9,288</u>
91100	Administrative Salaries	37,943	-
91200	Auditing Fees	25,223	-
91300	Outside Management Fees	-	-
91310	Bookkeeping Fee	6,558	-
91500	Employee Benefit Contributions - Administrative	41,616	-
91600	Office Expenses	14,065	-
91900	Other Operating - Administrative	-	-
91000	Total Operating - Administrative	<u>125,405</u>	<u>-</u>
93100	Water	55,273	-
93200	Electricity	5,625	-
93300	Gas	37,771	-
93800	Other Utilities	-	-
93000	Total Utilities	<u>98,669</u>	<u>-</u>
94100	Ordinary Maintenance & Operation - Labor	45,682	-
94200	Ordinary Maintenance & Operation - Materials & Other	23,325	-
94300-120	Ordinary Maintenance & Operation - Contract Costs - Misc Contracts	11,789	-
94300	Ordinary Maintenance & Operation Contracts	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	11,007	-
94000	Total Maintenance	<u>91,803</u>	<u>-</u>
96110	Property Insurance	27,143	-
96100	Total Insurance Premiums	<u>27,143</u>	<u>-</u>
96400	Bad Debt - Tenant Rents	-	-
96700	Interest expense	-	-
96000	Total Other General	<u>27,143</u>	<u>-</u>
96900	Total Operating Expenses	<u>343,020</u>	<u>-</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>41,889</u>	<u>9,288</u>
97100	Extraordinary Maintenance	-	3,052
97300	Housing Assistance Payments	-	-
97400	Depreciation Expense	43,950	-
97500	Fraud Losses	-	-
90000	Total Expenses	<u>\$ 386,970</u>	<u>\$ 3,052</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ -	\$ 27,267	\$ -	\$ 155,776
-	-	-	-
-	27,267	-	155,776
549,657	-	-	788,112
-	138,432	-	144,668
169	-	7	688
1,341	16,919	-	38,745
551,167	182,618	7	1,127,989
45,600	8,210	-	91,753
-	-	-	25,223
-	10,680	-	10,680
-	-	-	6,558
6,000	-	-	47,616
10,091	2,288	-	26,444
-	-	-	-
61,691	21,178	-	208,274
-	-	-	55,273
-	-	-	5,625
-	-	-	37,771
-	6,716	-	6,716
-	6,716	-	105,385
-	18,602	-	64,284
-	30,739	-	54,064
-	-	-	11,789
-	15,738	-	15,738
-	7,280	-	18,287
-	72,359	-	164,162
-	780	-	27,923
-	780	-	27,923
3,785	3,498	-	7,283
-	62,926	-	62,926
3,785	67,204	-	98,132
65,476	167,457	-	575,953
485,691	15,161	7	552,036
-	-	-	3,052
485,602	-	-	485,602
-	28,077	-	72,027
-	-	-	-
\$ 551,078	\$ 195,534	\$ -	\$ 1,136,634

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2009

Line Item Number	Description	Low Rent Public Housing Program	Capital Fund Program
10010	Operating Transfers In	\$ (7,434)	\$ -
10020	Operating Transfers Out	<u>-</u>	<u>-</u>
10100	Total Other Financing Sources (Uses)	<u>(7,434)</u>	<u>-</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	5,373	6,236
11030	Beginning Equity	<u>1,765,236</u>	<u>-</u>
11040-010	Prior period adjustment and correction of errors	23,964	-
11040-070	Equity Transfers	<u>6,236</u>	<u>(6,236)</u>
11040	Prior period adjustments, equity transfers and correction of errors	<u>30,200</u>	<u>(6,236)</u>
11170-001	Administrative Fee Equity - Beginning Balance	-	-
11170-0101	Administrative Fee Revenue	-	-
11170-050	Other Revenue	-	-
11170-060	Total Admin Fee Revenues	-	-
11170-080	Total Operating Expenses	-	-
11170-002	Net Administrative Fee	-	-
11170-003	Administrative Fee - Ending Equity	-	-
11170	Administrative Fee Equity	-	-
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	-
11180-010	Housing Assistance Payments Revenue	-	-
11180-030	Total HAP Revenues	-	-
11180-080	Housing Assistance Payments	-	-
11180-100	Total Housing Assistance Payments	-	-
11180-002	Net Housing Assistance Payments	-	-
11180-003	Housing Assistance Payments Equity - Ending Balance	-	-
11180	Housing Assistance Payments Equity	<u>-</u>	<u>-</u>
	Ending Equity (deficit)	<u>\$ 1,800,809</u>	<u>\$ -</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	HOME Investment Partnership Program	Total
\$ -	\$ -	\$ -	\$ (7,434)
-	-	(7,434)	(7,434)
-	-	(7,434)	(14,868)
89	(12,916)	(7,427)	(8,645)
277,378	194,369	7,427	2,244,410
-	87,160	-	111,124
-	-	-	-
-	87,160	-	111,124
182,593	-	-	182,593
62,828	-	-	62,828
1,510	-	-	1,510
64,338	-	-	64,338
65,476	-	-	65,476
(1,138)	-	-	(1,138)
181,455	-	-	181,455
181,455	-	-	181,455
94,785	-	-	94,785
486,829	-	-	486,829
486,829	-	-	486,829
485,602	-	-	485,602
485,602	-	-	485,602
1,227	-	-	1,227
96,012	-	-	96,012
96,012	-	-	96,012
<u>\$ 277,467</u>	<u>\$ 268,613</u>	<u>\$ -</u>	<u>\$ 2,346,889</u>

(This page intentionally left blank)

COMPLIANCE SECTION

(This page intentionally left blank)



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
Santa Fe, New Mexico
and
Mayor and City Commissioner
Tucumcari Housing Authority
Tucumcari, New Mexico

We have audited the financial statements of the business-type activities of the Tucumcari Housing Authority (the “Authority”), a department of the City of Tucumcari, New Mexico (the “City”), as of and for the year ended June 30, 2009, which collectively comprise the Tucumcari Housing Authority’s basic financial statements as listed in the table of contents and have issued our report thereon dated November 30, 2009. We have also audited the budgetary comparisons for the year ended June 30, 2009 listed as supplementary information in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Tucumcari Housing 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 Tucumcari 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 Tucumcari 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 Tucumcari Housing Authority’s financial statements that is more than inconsequential will not be prevented or detected by the Authority’s internal control. We consider the deficiencies described as items 2008-08 and 2009-01 in the accompanying schedule of findings and questioned costs 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 Tucumcari 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 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. However, of the significant deficiencies described above, we consider item 2008-08 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Tucumcari 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item FA 2009-01.

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 questioned costs as findings 2008-07, 2009-02 and FA 2009-02.

Tucumcari Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tucumcari Housing 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, City Commission, the New Mexico Department of Finance and Administration, the Office of the State Auditor, the New Mexico Legislature and applicable 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
November 30, 2009

FEDERAL FINANCIAL ASSISTANCE

(This page intentionally left blank)



Accounting & Consulting Group, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Santa Fe, New Mexico
and
Mayor and City Commissioner
Tucumcari Housing Authority
Tucumcari, New Mexico

COMPLIANCE

We have audited the compliance of Tucumcari Housing Authority, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Tucumcari Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tucumcari Housing Authority's management. Our responsibility is to express an opinion on Tucumcari Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tucumcari Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Tucumcari Housing Authority's compliance with those requirements.

As described in item FA 09-01 in the accompanying schedule of findings and questioned costs, the City of Tucumcari Housing Authority did not comply with the requirement regarding calculation of tenants qualifying income that is applicable to its Section 8 and Public Housing Low Rent programs. Compliance with such requirement is necessary, in our opinion, for the City of Tucumcari to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Tucumcari Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of Tukumcari Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Tukumcari Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tukumcari Housing Authority's internal control over compliance.

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

A *control deficiency* in Tukumcari Housing Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Tukumcari Housing Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Tukumcari Housing Authority's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-11 and FA 2009-01 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Tukumcari Housing Authority's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-11 and FA 09-01 to be material weaknesses.

Tukumcari Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tukumcari Housing 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, City Commission, the New Mexico Department of Finance and Administration, the Office of the State Auditor, the New Mexico State Legislature, 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
November 30, 2009

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule IV

Federal Grantor Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Low Rent Public Housing Program	14.850	\$ 255,888 *
Capital Funds Program	14.872	9,288
Section 8 Housing Choice Vouchers Program	14.871	<u>551,078 *</u>
Total U.S. Department of Housing and Urban Development		<u>816,254</u>
<u>U.S. Department of Agriculture:</u>		
Direct programs:		
Rural rental assistance payments	10.415, 10.515	89,872
Rural rental assistance interest subsidy	10.415, 10.515	<u>48,560</u>
Total U.S. Department of Agriculture		<u>138,432</u>
Total Expenditures of Federal Awards		<u><u>\$ 954,686</u></u>

* Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Tucumcari Housing Authority (Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The Authority did not provide any federal awards to sub-recipients during the year.

3. Debt Service Subsidy

The Housing Authority did not receive any noncash assistance. However, a debt service subsidy payment was received and applied against interest payments due in the amount of \$48,560. This amount has been included in the amount reflected under Farmers Home.

4. Loan amount

Housing Authority owed \$723,102 to FmHA at June 30, 2009.

See independent auditors' report

(This page intentionally left blank)

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Findings and Questioned Costs
June 30, 2009

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | | | | | | |
|---|---|-----------------|--------|------------------------------------|--------|---|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | Yes | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Qualified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Public Rent Public Housing Program</td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers Program</td> </tr> </table> | CFDA
Number | Federal Program | 14.850 | Public Rent Public Housing Program | 14.871 | Section 8 Housing Choice Vouchers Program | |
| CFDA
Number | Federal Program | | | | | | |
| 14.850 | Public Rent Public Housing Program | | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers Program | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings

- | | |
|---|-----------------------|
| 2005-02: Employee Training | Resolved |
| 2006-02: Timeliness of Bank Deposits and Acceptance of Cash | Resolved |
| 2007-01: Segregation of Duties in Cash Management | Resolved |
| 2007-11: Lack of Adequate Internal Controls over Compliance | Modified and Repeated |
| 2008-07: Security Deposits Not Matching the Restricted Cash Account | Modified and Repeated |
| 2008-08: Lack of Adequate Internal Controls | Modified and Repeated |

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2008-07 — Security Deposits Not Matching the Restricted Cash Account

Condition: The restricted tenant deposits accounts do not match the liability accounts for the deposits. For the Low Rent Public Housing Program, the cash account is overfunded by \$3,965. For the USDA FmHA Rural Housing Program, the cash account is overfunded by \$811. These accounts are specifically set up for tenants' deposits that are owed to the individual upon cancellation of service or to reimburse the Housing Authority for damages to the property by the tenant.

Criteria: The deposit liability should be reconciled to the deposit bank account regularly.

Effect: Funds returned to tenants or used to repair damages were not reimbursed to operating account resulting in an understatement of unrestricted cash.

Cause: The deposit liability cash account is not being properly managed and reconciled. Expenses paid by the operating fund for repair of damages are not being adequately reimbursed by the deposit liability cash account.

Auditors' Recommendation: The tenant deposits liability account should be reconciled with the tenant deposits account throughout the year and any necessary adjustments and reimbursements made at the time of reconciliation.

Agency's Response: A new fee accountant was hired to assist. We have implemented policies and procedures that will review and balance the security deposit account monthly. This has been done since October 19, 2009 it will no longer be a finding..

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2008-08 - Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition: The Housing Authority does not have a comprehensive documented internal control structure. The internal control structure should include controls that the governing body is required to exercise effective oversight of the internal control and financial reporting processing. Also, controls in certain specific areas are not operating as designed. These include:

- Errors in the recording or failure to record insurance expenses were not detected in a timely manner.
- Failure to track and record payable amounts for balances owed to primary government was not detected in a timely manner.
- There is not a fraud risk assessment done at the Housing Authority

Criteria: As required by NMSA 1978 Section 6-6-3, the Housing Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Under SAS 112, the internal control and financial reporting process should have adequate oversight provided by body charged with governance.

Effect: Because there is not an adequate internal control structure or oversight by governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the fiscal year 2009 management and staff did not have expertise and/or training to implement an adequate internal control structure. The Body charged with governance was unaware of requirements under SAS 112 to provide effective oversight of internal control and financial reporting processing.

Auditors' Recommendation: The Housing Authority should ensure that a comprehensive internal control structure is designed, documented and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Additionally, the Housing Authority management should give annual consideration to how fraud might occur in their organization, develop procedures to address fraud risk and document those risks and procedures.

Agency's Response: The Housing Authority will ensure that a comprehensive Internal Control Structure designed, documented, implemented and monitored. The governing body and City Manager will provide effective oversight of the internal control and financial reporting process. We will ensure that we have clearer policies and procedures in place by April 12, 2010 to make our financial obligations are met in a timely manner. In addition, we will continue to having tickler reporting system and fee accountant to assist in compliance.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2009-01 Preparation of Financial Statements

Condition: Financial statements and related footnote disclosures were not prepared by the Authority.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Housing Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Auditors' Recommendation: We recommend the Housing Authority's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Housing Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Housing Authority does not have funding to support a position to comply with this finding. However, we will comply with training on understanding the requirements of external financial reporting.

The financial statements are prepared by the auditor with substantial assistance from the City Management. A written policies and procedure manual will be prepared by April 1, 2010 which will help the city detect or prevent possible misstatements in its financial statements. The City will seek training courses and seminars in order to train staff and additional cross-training will be mandatory.

Additionally, the City Management feel this should be a note in the audit, not a finding as many other municipalities have this issue documented as such in their audit reports.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2009-02 – Low Rent Public Housing Program Budget Over-expended

Condition: Operating expenses in the Low Rent Public Housing Program exceeded budgeted amounts by \$31,236.

Criteria: The Housing Authority must have its budget and adjustments approved by its governing body. The Authority is also required to present a budget to HUD and it is constrained by the approved budget.

Effect: Because of the failure to obtain budget amendments for the funds that were over-expended, or not budgeted for, the Housing Authority is in violation of the applicable laws, regulations and policies established by its governing board and the City of Tucumcari.

Cause: The Housing Authority did not monitor and compare its expenditures to the approved budget.

Auditors' Recommendation: We recommend that the Housing Authority establish policies and procedures to ensure that all expenditures are budgeted for and funds are not over-expended.

Agency's Response: The Housing Authority will do budget revisions as needed to insure compliance and control over financials with the assistance of the fee accountant. The Housing Authority will establish policies and procedures by April 1, 2010 that will ensure that all expenditures are budgeted and funds not overspent.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2007-11 — Lack of Adequate Internal Controls over Compliance

Federal program information:

Funding agency:	U.S. Department Housing and Urban Development
Title:	Section 8 and Public Housing Low Rent Programs
CFDA number:	14.871 and 14.850

Condition: The Housing Authority does not have a comprehensive documented internal control structure.

Criteria: The Housing Authority is required to follow the Single Audit requirements stipulated by *U.S. Office of Management and Budget (OMB) Circular A-133* when receiving federal funds in excess of \$500,000. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. (*OMB) Circular A-133 Compliance Supplement Part I, 1-6.*

Questioned Costs: None.

Effect: Lack of adequate internal controls results in an inability to ensure compliance with applicable requirements of Federal programs and could result in reduced funding for programs.

Cause: The Housing Authority had difficulty in submission of required financial reports and maintenance of its tenant files.

Auditors' Recommendation: Management should ensure that a comprehensive internal control structure is designed and implemented. The body charged with governance should provide effective oversight of the internal control.

Agency's Response: The Housing Authority is current working with the city to establish additional control methods and procedures to ensure future compliance and ability to identify compliance issues that may arise. The Housing Authority will continue to receive training and mentoring in compliance.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

FA 2009-01: Incorrect Calculation of Tenants Income

Federal program information:

Funding agency: U.S. Department Housing and Urban Development
Title: Section 8 and Public Housing Low Rent Programs
CFDA number: 14.871 and 14.850

Condition: The Housing Authority incorrectly computed the income of three tenants out of 20 for Section 8 by miscalculating medical expense allowances. There were also two tenants out of 20 for Public Housing Low Rent whose income was not correctly computed due to the miscalculation of medical allowances. There was one tenant out of 20 for Public Housing Low Rent for which appropriate support of medical allowance was missing.

Criteria: HUD guidelines for the completion of Form 50058 allow for elderly tenants to deduct allowable medical expenses incurred - to include medical insurance premiums and Medicare premiums - greater than 3% of the their annual income in arriving at adjusted income for income calculation on Form 50058.

Effect: The Housing Authority is not properly calculating income, and therefore not making the proper determination of tenant rent. This can result in understatements of tenant rent and therefore a reduction of the Housing Authority's resources available to the public.

Questioned Costs: None.

Cause: The Housing Authority staff person responsible for completing and entering the data for Form 50058 had not had sufficient training to accurately and effectively identify and calculate appropriate medical allowance to arrive at tenants adjusted annual income.

Auditors' Recommendation: We recommend that Housing Authority staff be sufficiently trained to perform all assigned job functions and encouraged to obtain relevant HUD certifications related to assigned job functions. We further recommend that management periodically review tenant income and rent calculations for accuracy and compliance with HUD requirements.

Agency's Response: Tucumcari Housing Authority has taken steps to ensure accurate information is available and that staff has been and continuing to receive training to correctly verify tenant income and determine exclusions. Tucumcari Housing Authority management will review 10 files a month for calculations to ensure compliance.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

FA 2009-02: Failure to Obtain Adequate Immigration Status Verification

(Not considered to be a compliance finding that has a direct and material effect on the major program, therefore this finding will be reported under the provisions of Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16)

Federal program information:

Funding agency: U.S. Department Housing and Urban Development
Title: Public Housing Low Rent Programs
CFDA number: 14.871 and 14.850

Condition: The Housing Authority failed to obtain adequate immigration status verification for one out of 20 files tested. The Housing Authority obtained a signed Form I-9 from the prospective tenant, but the form was incomplete in that the tenant did not mark their immigration status.

Criteria: HUD guidelines at 24 CFR 5.510 require that Public Housing Low Rent Programs obtain verification of prospective tenant's immigration status.

Effect: The Housing Authority is not able to appropriately determine and document the prospective tenant's eligibility as required by the funding agency.

Questioned Costs: None.

Cause: This appears to have been the result of an oversight resulting from human error.

Auditors' Recommendation: We recommend that management stress the importance of obtaining complete and accurate data to all staff and that management perform periodic reviews to ascertain that all data is complete and accurate.

Agency's Response: Tucumcari Housing Authority has implemented a check list effective immediately to assist intake personal with addressing all items needed to be in compliance. Furthermore the Housing Management will review this check list when conducting the file review on 10 files per month.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Other Disclosures
For the Year Ended June 30, 2009

OTHER DISCLOSURES:

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for Tucumcari Housing Authority to prepare its own GAAP-basis financial statements, it is felt that the Tucumcari Housing Authority's personnel did not have the available time to prepare them. Therefore, the outside auditor assisted with the preparation of the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of the report for the Tucumcari Housing Authority were discussed on November 30, 2009. The following individuals were in attendance.

Tucumcari Housing Authority and City of Tucumcari Officials

Wilhemina Martin, Housing Authority Executive Director
Jim Lafferty, District #5 Commissioner
Marty Garcia, City Finance Director
Vicki Strand, Deputy Finance Director
Antonio J. Apodaca, Mayor
Bobbie Rose, City Manager
Christine Dougherty, City Clerk
Mike Cherry, Assistant City Manager

Accounting and Consulting Group, LLP

Jeffrey W. McWhorter, CPA, Director