

**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, 2010**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
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June 30, 2010

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STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Official Roster
June 30, 2010

City Mayor and Commission

Jim Witcher	Mayor
Robert Lumpkin	Commissioner
Jimmy Sandoval	Commissioner
Arniel Curnutt	Commissioner
Antonio Apodaca	Commissioner

Administrative Officials

Bobbye Rose	City Manager
Christine Dougherty	City Clerk
Doug Powers	City Planning Director
Mike Cherry	Assistant City Manager
Dennis Dysart	City Finance Director
Viki Riddle	Housing Authority Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
Mayor and City Commissioners
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, 2010, 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, 2010 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2010, in conformity with a budgetary basis more fully described in Note 2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, 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, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 30, 2010

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Assets
June 30, 2010

	Low Rent Public Housing Program	Capital Funds Program	Section 8 Housing Choice Vouchers Program
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 291,658	\$ -	\$ 171,902
Investments	22,742	-	-
Accounts receivable - tenants	-	-	-
Accounts receivable - grants	-	80,235	2,841
Accounts receivable - other	-	-	2,866
Due from other funds	-	-	21,429
Prepays	25,482	-	-
	339,882	80,235	199,038
<i>Noncurrent Assets</i>			
Restricted cash and cash equivalents	7,935	-	174,295
<i>Capital assets:</i>			
Land, structures and equipment, net of accumulated depreciation	1,629,266	277,071	-
<i>Total assets</i>	\$ 1,977,083	\$ 357,306	\$ 373,333

The accompanying notes are an integral part of these financial statements

USDA	
FmHA Rural	
<u>Housing Program</u>	<u>Total</u>
\$ 118,051	\$ 581,611
-	22,742
3,275	3,275
-	83,076
-	2,866
-	21,429
-	25,482
<u>121,326</u>	<u>740,481</u>
99,944	282,174
<u>778,390</u>	<u>2,684,727</u>
<u>\$ 999,660</u>	<u>\$ 3,707,382</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Assets
June 30, 2010

	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	\$ 9,972	80,235	\$ -
Due to other governments	-	-	2,866
Accrued payroll	14,755	-	-
Accrued interest payable	-	-	-
Current portion of long term debt	-	-	-
Deferred revenue	-	-	-
Compensated absences	3,989	-	-
Due to other funds	21,429	-	-
<i>Total current liabilities (payable from current assets)</i>	<u>50,145</u>	<u>80,235</u>	<u>2,866</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	7,472	-	-
<i>Total current liabilities (payable from restricted assets)</i>	<u>7,472</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities :</i>			
Notes payable, net of current portion	-	-	-
<i>Total non-current liabilities (payable from restricted assets)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>57,617</u>	<u>80,235</u>	<u>2,866</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	1,629,266	277,071	-
Restricted net assets	463	-	174,295
Unrestricted net assets	289,737	-	196,172
<i>Total net assets</i>	<u>1,919,466</u>	<u>277,071</u>	<u>370,467</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,977,083</u>	<u>\$ 357,306</u>	<u>\$ 373,333</u>

The accompanying notes are an integral part of these financial statements

USDA FmHA Rural Housing Program		Total	
\$	1,565	\$	91,772
	-		2,866
	-		14,755
	1,226		1,226
	9,549		9,549
	23		23
	-		3,989
	-		21,429
	<u>12,363</u>		<u>145,609</u>
	<u>3,848</u>		<u>11,320</u>
	<u>3,848</u>		<u>11,320</u>
	<u>704,801</u>		<u>704,801</u>
	<u>704,801</u>		<u>704,801</u>
	<u>721,012</u>		<u>861,730</u>
	64,040		1,970,377
	96,096		270,854
	118,512		604,421
	<u>278,648</u>		<u>2,845,652</u>
\$	<u>999,660</u>	\$	<u>3,707,382</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

	Low Rent Public Housing Program	Capital Funds Program	Section 8 Housing Choice Vouchers Program
<i>Operating revenues:</i>			
Tenant charges	\$ 139,055	\$ -	\$ -
Other tenant revenue	12,203	-	-
Operating grants	379,392	-	575,528
<i>Total operating revenues</i>	<u>530,650</u>	<u>-</u>	<u>575,528</u>
<i>Operating expenses:</i>			
Administration	125,532	56,785	47,561
Contractual Services	12,912	-	11,527
Utilities	89,885	-	500
Ordinary maintenance and operations	107,622	-	-
Housing assistance payments	-	-	427,185
Depreciation	76,155	-	-
<i>Total operating expenses</i>	<u>412,106</u>	<u>56,785</u>	<u>486,773</u>
<i>Operating income (loss)</i>	<u>118,544</u>	<u>(56,785)</u>	<u>88,755</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	113	-	87
Debt service contributions	-	-	-
Miscellaneous	-	-	4,158
Interest expense	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>113</u>	<u>-</u>	<u>4,245</u>
<i>Income (loss) before contributions and transfers</i>	<u>118,657</u>	<u>(56,785)</u>	<u>93,000</u>
Capital grants	-	333,856	-
Transfers in	-	-	-
Transfers out	-	-	-
<i>Net capital grants and transfers</i>	<u>-</u>	<u>333,856</u>	<u>-</u>
<i>Change in net assets</i>	118,657	277,071	93,000
<i>Net assets - beginning of year</i>	<u>1,800,809</u>	<u>-</u>	<u>277,467</u>
<i>Net assets - end of year</i>	<u>\$ 1,919,466</u>	<u>\$ 277,071</u>	<u>\$ 370,467</u>

The accompanying notes are an integral part of these financial statements

USDA			
FmHA Rural			
Housing Program		Total	
\$ 24,513		\$ 163,568	
1,341		13,544	
93,132		1,048,052	
<u>118,986</u>		<u>1,225,164</u>	
15,387		245,265	
10,837		35,276	
2,783		93,168	
39,107		146,729	
-		427,185	
28,076		104,231	
<u>96,190</u>		<u>1,051,854</u>	
<u>22,796</u>		<u>173,310</u>	
1,605		1,805	
48,560		48,560	
-		4,158	
(62,926)		(62,926)	
<u>(12,761)</u>		<u>(8,403)</u>	
<u>10,035</u>		<u>164,907</u>	
-		333,856	
-		-	
-		-	
<u>-</u>		<u>333,856</u>	
10,035		498,763	
<u>268,613</u>		<u>2,346,889</u>	
<u>\$ 278,648</u>		<u>\$ 2,845,652</u>	

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows
For the Year Ended June 30, 2010

	<u>Low Rent Public Housing Program</u>	<u>Capital Funds Program</u>
<i>Cash flows from operating activities:</i>		
Cash received from tenant charges	\$ 154,575	\$ -
Cash payments to employees for services	(132,836)	-
Cash payments to suppliers for goods and services	(211,437)	(56,785)
Operating grants	379,392	-
Other operating cash payments	-	-
	<hr/>	<hr/>
<i>Net cash provided (used) by operating activities</i>	<u>189,694</u>	<u>(56,785)</u>
<i>Cash flows from noncapital financing activities:</i>		
Miscellaneous income	-	-
Debt service contributions	-	-
Interfund activity	(34,698)	-
	<hr/>	<hr/>
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(34,698)</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	-	333,856
Acquisition of capital assets	-	(277,071)
	<hr/>	<hr/>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>56,785</u>
<i>Cash flows from investing activities:</i>		
Conversion of cash equivalent to investment	(22,742)	-
Interest on investments	113	-
	<hr/>	<hr/>
<i>Net cash provided (used) by investing activities</i>	<u>(22,629)</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	132,367	-
<i>Cash and cash equivalents - beginning of year</i>	<hr/> 167,226	<hr/> -
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 299,593</u></u>	<u><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	Total
\$ -	\$ 29,538	\$ 184,113
(65,225)	-	(198,061)
10,399	(68,326)	(326,149)
575,528	93,132	1,048,052
<u>(427,185)</u>	<u>-</u>	<u>(427,185)</u>
93,517	54,344	280,770
4,158	-	4,158
-	48,560	48,560
<u>(8,409)</u>	<u>-</u>	<u>(43,107)</u>
<u>(4,251)</u>	<u>48,560</u>	<u>9,611</u>
-	(8,752)	(8,752)
-	(62,926)	(62,926)
-	-	333,856
-	-	<u>(277,071)</u>
-	<u>(71,678)</u>	<u>(14,893)</u>
-	-	(22,742)
87	1,605	1,805
<u>87</u>	<u>1,605</u>	<u>(20,937)</u>
89,353	32,831	254,551
<u>256,844</u>	<u>185,164</u>	<u>609,234</u>
<u>\$ 346,197</u>	<u>\$ 217,995</u>	<u>\$ 863,785</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows
For the Year Ended June 30, 2010

	<u>Low Rent Public Housing Program</u>	<u>Capital Funds Program</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 118,544	\$ (56,785)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	76,155	-
Changes in assets and liabilities		
Receivables	3,317	-
Interfund balances	-	-
Prepaid expenses	(17,493)	-
Accounts payable	30	-
Accrued payroll expenses	9,070	-
Current accrued compensated absences	(578)	-
Customer deposits	649	-
Deferred revenue	-	-
	<u>\$ 189,694</u>	<u>\$ (56,785)</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ 189,694</u>	<u>\$ (56,785)</u>

<u>Section 8 Housing Choice Vouchers Program</u>	<u>USDA FmHA Rural Housing Program</u>	<u>Total</u>
\$ 88,755	\$ 22,796	\$ 173,310
-	28,076	104,231
4,762	3,292	11,371
-	-	-
-	-	(17,493)
-	(212)	(182)
-	-	9,070
-	-	(578)
-	431	1,080
-	(39)	(39)
<u>\$ 93,517</u>	<u>\$ 54,344</u>	<u>\$ 280,770</u>

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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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 Authority in accordance with the requirements of HUD.

The primary goal of the Low Rent Public 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 and operation of a Low Rent Public 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 No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2010. 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 rental units built and owned by the Authority.
- **Capital Funds Program** –A grant program funded by HUD that is intended to improve public housing properties and management.
- **Section 8 Housing Choice Vouchers Program** – This program, funded through direct grants from HUD, provides 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.

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, 2010

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, 2010

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 uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value.

Receivables and Payables

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 the life of the asset 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 improvements	10-40 years
Furniture, fixtures and equipment	3-15 years

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Notes to the Financial Statements
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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
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 Funds 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 Directors 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.

The Authority did not submit its budget to the State of New Mexico Department of Finance and Administration.

NOTE 3. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, the State Treasurer's Local Government Investment Pool (LGIP), money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2010.

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 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.

STATE OF NEW MEXICO
Tucumcari Housing Authority
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NOTE 3. DEPOSITS AND INVESTMENTS (continued)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (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 \$250,000 coverage for public unit demand deposits at the same institution. However, on October 14, 2008, the FDIC announced a new Transaction Account Guarantee (TAG) Program, that provides depositors with unlimited coverage through December 31, 2010, for insured depository institutions (IDIs) currently participating in the TAG program, with the possibility of an additional extension of up to 12 months without additional rulemaking, upon a determination by the FDIC's Board of Directors that continuing economic difficulties warrant further extension. With regards to this Transaction Guarantee Program, noninterest-bearing checking accounts include Demand Deposit Accounts (DDA's) and any other transaction accounts that have unlimited withdrawals and that cannot earn interest. Also included in this program are low-interest NOW accounts that cannot earn more than 0.5% interest. The Authority's accounts with balances greater than \$250,000 are not covered through the TAG Program.

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, 2010, \$458,784 of the Authority's deposits totaling \$897,607 were exposed to custodial credit risk. \$458,784 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name, and \$0 was uninsured and uncollateralized.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation 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 held collateral exceeding the amount required by law.

	Wells Fargo Bank	New Mexico Bank & Trust	First National Bank	Total
Total amounts of deposits	\$ 789,404	\$ 99,944	\$ 8,259	\$ 897,607
FDIC Coverage	(330,620)	(99,944)	(8,259)	(438,823)
Total uninsured public funds	458,784	-	-	458,784
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	458,784	-	-	458,784
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured funds)	\$ 229,392	\$ -	\$ -	\$ 229,392
Pledged Collateral	460,257	-	-	460,257
Over (Under) collateralized	\$ 230,865	\$ -	\$ -	\$ 230,865

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

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Tucumcari Housing Authority
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 3. 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 net assets as follows:

Cash and cash equivalents per Exhibit A-1	\$ 581,611
Restricted cash per Exhibit A-1	<u>282,174</u>
Total Cash and cash equivalents per Exhibit A-1	863,785
Add: outstanding checks and other reconciling items	18,723
Add: certificate of deposit included in investments	22,742
Less: deposits in transit and other reconciling items	(7,393)
Less: petty cash	<u>(250)</u>
Reconciled balance of deposits	<u><u>\$ 897,607</u></u>

NOTE 4. ACCOUNTS RECEIVABLE

The Authority's accounts receivable at June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows:

	Related Party Receivable	Grants Receivable	Tenant Accounts Receivable	Allowance	Net Receivable
Capital Funds Program	\$ -	\$ 80,235	\$ -	\$ -	\$ 80,235
Section 8 Housing Choice Vouchers Program	2,866	2,841	7,569	(7,569)	5,707
USDA FmHA Rural Housing Program	<u>-</u>	<u>-</u>	<u>3,275</u>	<u>-</u>	<u>3,275</u>
Totals	<u>\$ 2,866</u>	<u>\$ 83,076</u>	<u>\$ 10,844</u>	<u>\$ (7,569)</u>	<u>\$ 89,217</u>

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Internal balances have primarily been recorded when funds pay expenditures on behalf of other funds. The composition of interfund balances as of June 30, 2010 is as follows:

Business Type Activities:	<u>Due To</u>	<u>Due From</u>
From Section 8 Housing Choice Vouchers Program to:	\$ -	\$ 21,249
Low Rent Public Housing Program	<u>21,249</u>	<u>-</u>
	<u>\$ 21,249</u>	<u>\$ 21,249</u>

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

No operating transfers were made between funds during the year ended June 30, 2010.

STATE OF NEW MEXICO
Tucumcari Housing Authority
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010 follows. Land and construction in progress are not subject to depreciation.

	Balance, July 1, 2009	Additions / Transfers	Disposals / Adjustments	Balance, June 30, 2010
Assets that are not being depreciated:				
Land - Low Rent Public Housing Program	\$ 68,890	\$ -	\$ -	\$ 68,890
Land - USDA FmHA Rural Housing	27,120	-	-	27,120
Construction in progress - Capital Funds	-	277,071	-	277,071
	<u>96,010</u>	<u>277,071</u>	<u>-</u>	<u>373,081</u>
Assets that are being depreciated:				
Low Rent Public Housing Program				
Furniture, fixtures and equipment	410,906	-	-	410,906
Land improvements	1,120,209	-	-	1,120,209
Buildings and building improvements	1,883,181	-	-	1,883,181
Total Public Housing	<u>3,414,296</u>	<u>-</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>4,505,062</u>	<u>277,071</u>	<u>-</u>	<u>4,782,133</u>
Less Accumulated Depreciation:				
Furniture, fixtures and equipment	260,366	29,348	-	289,714
Land improvements	787,980	31,429	-	819,409
Buildings and building improvements	944,829	43,454	-	988,283
Total accumulated depreciation	<u>1,993,175</u>	<u>104,231</u>	<u>-</u>	<u>2,097,406</u>
Total property and equipment, net of depreciation	<u>\$ 2,511,887</u>	<u>\$ 172,840</u>	<u>\$ -</u>	<u>\$ 2,684,727</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, 2010 totaled \$104,231.

STATE OF NEW MEXICO
Tucumcari Housing Authority
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 7. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2010.

	Balance, July 1, 2009	Additions	Retirements	Balance, June 30, 2010	Due Within One Year
Accrued compensated absences	\$ 4,567	\$ 7,533	\$ 8,111	\$ 3,989	\$ 3,989
Notes Payable	723,102	-	8,752	714,350	9,549
Totals	<u>\$ 727,669</u>	<u>\$ 7,533</u>	<u>\$ 16,863</u>	<u>\$ 718,339</u>	<u>\$ 13,538</u>

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 Agreement 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 federal 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, 2010 from the reserve account for improvements. Monthly payments of \$665 were made into the reserve account during the year.

At June 30, 2010 the outstanding indebtedness owed to FmHA was \$714,350. 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 \$8,752.

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, 2010

NOTE 7. 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
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	13,533	58,144	48,560	9,584
2016-2020	88,562	269,825	242,798	27,027
2021-2025	136,951	221,437	242,798	(21,361)
2026-2030	211,777	146,610	242,798	(96,188)
2031-2035	219,788	37,047	174,006	(136,959)
Total	<u>\$ 714,350</u>	<u>\$ 976,035</u>	<u>\$ 1,145,200</u>	<u>\$ (169,165)</u>

NOTE 8. NON CASH REVENUE AND EXPENSES

During the year ended June 30, 2010, 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 not received or made by the Authority. As such, the Authority recognizes both non cash revenue and expenses in this amount.

NOTE 9. 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 10. 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 11. PERA PENSION PLAN

Plan Description. Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

STATE OF NEW MEXICO
Tucumcari Housing Authority
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 11. PERA PENSION PLAN (continued)

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Authority is also required to contribute 9.15% of employees' gross salaries. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

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

NOTE 12. POST EMPLOYMENT BENEFITS

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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Tucumcari Housing Authority
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Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 12. POST EMPLOYMENT BENEFITS (continued)

Also, employers joining the program after 1/1/98 are 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 Authority, is reported in the financial statements for the City of Tucumcari.

NOTE 13. 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 14. RELATED PARTY RECEIVABLE

During the year ended June 30, 2010, Housing Assistance Payments made to a member of the governing body of the Authority were investigated by HUD. The Authority is required to remit funds equal to the HAP payments made to this individual to HUD. The Authority has booked a related-party receivable for \$2,866, the total payments made, and will attempt to collect the questioned payments from the governing board member.

NOTE 15. TROUBLED AGENCY STATUS

During the fiscal year ended June 30, 2010, 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.

NOTE 16. COMMITMENTS

The Authority's commitments as of June 30, 2010, consisted of amounts due under a construction contract for site improvements on public housing. The total contract price for the improvements was \$118,858, of which \$71,077 had been paid or accrued at June 30, 2010, leaving a balance to complete the contract of \$47,781.

NOTE 17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2010:

Low Rent Public Housing Program	\$	335,951
Capital Funds Program		56,785
Section 8 Housing Choice Vouchers Program		486,773
USDA FmHA Rural Housing Program		131,040

STATE OF NEW MEXICO
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A Department of the City of Tucumcari
Notes to the Financial Statements
For the Year Ended June 30, 2010

NOTE 18. SUBSEQUENT EVENT

The date to which events occurring after June 30, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 1, 2010 which is the date on which the financial statements were available to be issued.

On November 17, 2010, the Authority was notified by HUD that its Troubled status had been removed and that it was no longer subject to the restrictions and requirements of that status.

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 (non-GAAP Basis) and Actual
Low Rent Public Housing Program
For the Year Ended June 30, 2010

Statement A-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ 139,055	\$ 139,055
Other tenant revenue	-	-	12,203	12,203
Operating grants	-	-	379,392	379,392
<i>Total operating revenues</i>	-	-	530,650	530,650
<i>Operating expenses:</i>				
Administration	-	-	125,532	(125,532)
Contractual services	-	-	12,912	(12,912)
Utilities	-	-	89,885	(89,885)
Ordinary maintenance and operations	-	-	107,622	(107,622)
<i>Total operating expenses</i>	-	-	335,951	(335,951)
<i>Operating income (loss)</i>	-	-	194,699	194,699
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	113	113
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	113	113
<i>Change in net assets</i>	-	-	194,812	194,812
<i>Net assets, beginning of year</i>	-	-	1,838,523	1,838,523
<i>Net assets, end of year</i>	\$ -	\$ -	\$ 2,033,335	\$ 2,033,335
Change in net assets (<i>above</i>)			\$ 194,812	
<i>No adjustments to revenues</i>			-	
<i>Adjustments to expenses for depreciation</i>			(76,155)	
Change in net assets (<i>Exhibit A-2</i>)			\$ 118,657	

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 (non-GAAP Basis) and Actual
Capital Funds Program
For the Year Ended June 30, 2010

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	-	-	56,785	(56,785)
Contractual services	-	-	-	-
Utilities	-	-	-	-
Ordinary maintenance and operations	-	-	-	-
<i>Total operating expenses</i>	-	-	56,785	(56,785)
<i>Operating income (loss)</i>	-	-	(56,785)	(56,785)
<i>Non-operating revenues (expenses):</i>				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
Capital grants	-	-	333,856	333,856
<i>Change in net assets</i>	-	-	277,071	277,071
<i>Net assets, beginning of year</i>	-	-	-	-
<i>Net assets, end of year</i>	\$ -	\$ -	\$ 277,071	\$ 277,071
Change in net assets (above)			\$ 277,071	
<i>No adjustments to revenues</i>			-	
<i>No adjustments to expenses</i>			-	
Change in net assets (Exhibit A-2)			\$ 277,071	

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 (non-GAAP Basis) and Actual
Section 8 Housing Choice Vouchers Program
For the Year Ended June 30, 2010

Statement A-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ -	\$ -
Other tenant revenue	-	-	-	-
Operating grants	-	-	575,528	575,528
<i>Total operating revenues</i>	-	-	575,528	575,528
<i>Operating expenses:</i>				
Administration	-	-	47,561	(47,561)
Contractual services	-	-	11,527	(11,527)
Utilities	-	-	500	(500)
Ordinary maintenance and operations	-	-	-	-
Housing assistance payments	-	-	427,185	(427,185)
<i>Total operating expenses</i>	-	-	486,773	(486,773)
<i>Operating income (loss)</i>	-	-	88,755	88,755
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	87	87
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	4,158	4,158
<i>Total non-operating revenues (expenses)</i>	-	-	4,245	4,245
<i>Change in net assets</i>	-	-	93,000	93,000
<i>Net assets, beginning of year</i>	-	-	277,467	277,467
<i>Net assets, end of year</i>	\$ -	\$ -	\$ 370,467	\$ 370,467
<i>Change in net assets (above)</i>			\$ 93,000	
<i>No adjustments to revenues</i>			-	
<i>No adjustments to expenses</i>			-	
<i>Change in net assets (Exhibit A-2)</i>			\$ 93,000	

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 (non-GAAP Basis) and Actual
USDA FmHA Rural Housing Program
For the Year Ended June 30, 2010

Statement A-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ -	\$ 24,513	\$ 24,513
Other tenant revenue	-	-	1,341	1,341
Operating grants	-	-	141,692	141,692
<i>Total operating revenues</i>	-	-	167,546	167,546
<i>Operating expenses:</i>				
Administration	-	-	15,387	(15,387)
Contractual services	-	-	10,837	(10,837)
Utilities	-	-	2,783	(2,783)
Ordinary maintenance and operations	-	-	26,620	(26,620)
Extraordinary maintenance	-	-	12,487	(12,487)
<i>Total operating expenses</i>	-	-	68,114	(68,114)
<i>Operating income (loss)</i>	-	-	99,432	99,432
<i>Non-operating revenues (expenses):</i>				
Interest income	-	-	1,605	1,605
Interest expense	-	-	(62,926)	(62,926)
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	(61,321)	(61,321)
<i>Change in net assets</i>	-	-	38,111	38,111
<i>Net assets, beginning of year</i>	-	-	296,690	296,690
<i>Net assets, end of year</i>	\$ -	\$ -	\$ 334,801	\$ 334,801
Change in net assets (<i>above</i>)			\$ 38,111	
<i>No adjustments to revenues</i>			-	
<i>Adjustments to expenses for depreciation</i>			(28,076)	
Change in net assets (<i>Exhibit A-2</i>)			\$ 10,035	

The accompanying notes are an integral part of these financial statements

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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, 2010

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market or Par Value June 30, 2010
Pledged by Wells Fargo Bank, N.A.:				
Federal Home Loan Bank	PL#G01838	7/1/2035	3128LXBF6	\$ 29,912
	FGIOH0H00895	6/1/2037	3128MS7G9	25,316
	FNCL 257004	10/1/2037	31371NNV3	63,754
	FNCL 879100	5/1/2036	31409UUZ6	<u>80,402</u>
	Total Wells Fargo Bank Pledged Securities			<u>199,384</u>
	Various *			<u>260,873</u>
	Total pledged securities			<u><u>\$ 460,257</u></u>

Note:

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

* Securities pledged for account legally held by the primary government

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, 2010

Schedule II

<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo Bank				
Checking Accounts				
Public Housing	\$ 296,513	\$ 1,401	\$ 11,966	\$ 285,948
CIAP	5,143	-	-	5,143
Section 8	347,830	-	1,633	346,197
Chaparral	57,362	5,962	4,770	58,554
Chaparral Business Cash Mgmt.	59,298	-	-	59,298
Savings Account				
CIAP Savings	516	-	-	516
CD Account				
Certificate of Deposit - Investment	22,742	-	-	22,742
Total Wells Fargo Bank	<u>789,404</u>	<u>7,363</u>	<u>18,369</u>	<u>778,398</u>
New Mexico Bank & Trust				
Checking Account				
Chaparral Reserve	4,143	-	-	4,143
Chaparral Security Deposit	95,801	-	-	95,801
Total New Mexico Bank & Trust	<u>99,944</u>	<u>-</u>	<u>-</u>	<u>99,944</u>
First National Bank				
Checking Accounts				
Security Deposit Fund	8,259	30	354	7,935
Total First National Bank	<u>8,259</u>	<u>30</u>	<u>354</u>	<u>7,935</u>
Total deposits	<u>\$ 897,607</u>	<u>\$ 7,393</u>	<u>\$ 18,723</u>	<u>886,277</u>
Petty cash				<u>250</u>
Total cash and deposit accounts:				<u>\$ 886,527</u>
Statement of Net Assets (Exhibit A-1):				
Cash and cash equivalents				\$ 581,611
Restricted cash and cash equivalents				282,174
Investments				<u>22,742</u>
				<u>\$ 886,527</u>

See independent auditors' report

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program	Capital Funds Program
111	Cash - Unrestricted	\$ 291,658	\$ -
112	Cash - Restricted - Modernization and Development	-	-
113	Cash - Other Restricted	-	-
114	Cash - Tenant Security Deposits	7,935	-
100	Total Cash	<u>299,593</u>	<u>-</u>
122	Accounts Receivable - HUD Other Projects	-	-
122-020	Accounts Receivable - HUD Other Projects - Capital fund	-	80,235
125	Accounts Receivable - Miscellaneous	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	-	-
128	Fraud Recovery	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>-</u>	<u>80,235</u>
131	Investments - unrestricted	22,742	-
130	Total Investments	<u>22,742</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	25,482	-
144	Interprogram Due From	-	-
150	Total Current Assets	<u>347,817</u>	<u>80,235</u>
161	Land	68,890	-
162	Buildings	1,883,181	-
163	Furniture, Equipment & Machinery - Dwellings	286,676	-
164	Furniture, Equipment & Machinery - Administration	124,230	-
165	Leasehold Improvements	1,120,209	-
166	Accumulated Depreciation	(1,853,920)	-
167	Construction in progress	-	277,071
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>1,629,266</u>	<u>277,071</u>
180	Total Non Current Assets	<u>1,629,266</u>	<u>277,071</u>
190	Total Assets	<u>\$ 1,977,083</u>	<u>\$ 357,306</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
\$ 171,902	\$ 118,051	\$ 581,611
-	95,801	95,801
174,295	-	174,295
-	4,143	12,078
<u>346,197</u>	<u>217,995</u>	<u>863,785</u>
2,841	-	2,841
-	-	80,235
2,866	-	2,866
-	3,275	3,275
7,569	-	7,569
<u>(7,569)</u>	<u>-</u>	<u>(7,569)</u>
5,707	3,275	89,217
-	-	22,742
-	-	22,742
-	-	25,482
<u>21,429</u>	<u>-</u>	<u>21,429</u>
<u>373,333</u>	<u>221,270</u>	<u>1,022,655</u>
-	27,120	96,010
-	691,919	2,575,100
-	54,344	341,020
-	-	124,230
-	248,493	1,368,702
-	(243,486)	(2,097,406)
-	-	277,071
-	<u>778,390</u>	<u>2,684,727</u>
-	<u>778,390</u>	<u>2,684,727</u>
<u>\$ 373,333</u>	<u>\$ 999,660</u>	<u>\$ 3,707,382</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program	Capital Funds Program
312	Accounts Payable <= 90 Days	\$ 9,972	\$ 80,235
321	Accrued Wage/Payroll Taxes Payable	14,755	-
322	Accrued Compensated Absences - Current Portion	3,989	-
331	Accounts payable - HUD PHA programs	-	-
341	Tenant Security Deposits	7,472	-
342	Deferred Revenues	-	-
343	Current portion of long-term debt - Capital Projects	-	-
345	Other Current Liabilities	-	-
347	Interprogram Due To	21,429	-
310	Total Current Liabilities	<u>57,617</u>	<u>80,235</u>
351	Long-term debt - Mortgages	-	-
350	Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
300	Total Liabilities	<u>57,617</u>	<u>80,235</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,629,266	277,071
511	Restricted Net Assets	463	-
512.1	Unrestricted	289,737	-
513	Total Equity/Net Assets	<u>1,919,466</u>	<u>277,071</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,977,083</u>	<u>\$ 357,306</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
\$ -	\$ 1,565	\$ 91,772
-	-	14,755
-	-	3,989
2,866	-	2,866
-	3,848	11,320
-	23	23
-	9,549	9,549
-	1,226	1,226
-	-	21,429
<u>2,866</u>	<u>16,211</u>	<u>156,929</u>
<u>-</u>	<u>704,801</u>	<u>704,801</u>
<u>-</u>	<u>704,801</u>	<u>704,801</u>
<u>2,866</u>	<u>721,012</u>	<u>861,730</u>
-	64,040	1,970,377
174,295	96,096	270,854
196,172	118,512	604,421
<u>370,467</u>	<u>278,648</u>	<u>2,845,652</u>
<u>\$ 373,333</u>	<u>\$ 999,660</u>	<u>\$ 3,707,382</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program	Capital Funds Program
70300	Net Tenant Rental Revenue	\$ 139,055	\$ -
70400	Tenant Revenue - Other	12,203	-
70500	Total Tenant Revenue	<u>151,258</u>	<u>-</u>
70600	HUD PHA Operating Grants	379,392	-
70610	Capital Grants	-	333,856
70800	Other Governmental Grants	-	-
71100	Investment Income - Unrestricted	113	-
71500	Other Revenue	-	-
72000	Investment Income - Restricted	-	-
7000	Total Revenue	<u>530,763</u>	<u>333,856</u>
91100	Administrative Salaries	60,132	-
91200	Auditing Fees	5,878	-
91300	Outside Management Fees	-	-
91400	Advertising and marketing	274	-
91500	Employee Benefit Contributions - Administrative	19,239	-
91600	Office Expenses	19,678	-
91900	Other Operating - Administrative	16,884	56,785
91000	Total Operating - Administrative	<u>122,085</u>	<u>56,785</u>
93100	Water	45,907	-
93200	Electricity	4,030	-
93300	Gas	39,948	-
93800	Other Utilities	-	-
93000	Total Utilities	<u>89,885</u>	<u>-</u>
94100	Ordinary Maintenance & Operation - Labor	50,531	-
94200	Ordinary Maintenance & Operation - Materials & Other	28,853	-
94300	Ordinary Maintenance & Operation Contracts	13,739	-
94500	Employee Benefit Contributions - Ordinary Maintenance	14,499	-
94000	Total Maintenance	<u>107,622</u>	<u>-</u>
96110	Property Insurance	9,557	-
96130	Workmen's Compensation	1,365	-
96100	Total Insurance Premiums	<u>10,922</u>	<u>-</u>
96200	Other General Expenses	117	-
96400	Bad Debt - Tenant Rents	5,320	-
96700	Interest expense	-	-
96000	Total Other General	<u>5,437</u>	<u>-</u>
96900	Total Operating Expenses	<u>335,951</u>	<u>56,785</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>194,812</u>	<u>277,071</u>
97100	Extraordinary Maintenance	-	-
97300	Housing Assistance Payments	-	-
97400	Depreciation Expense	76,155	-
97500	Fraud Losses	-	-
90000	Total Expenses	<u>\$ 412,106</u>	<u>\$ 56,785</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
\$ -	\$ 24,513	\$ 163,568
-	1,341	13,544
-	25,854	177,112
575,528	93,132	1,048,052
-	-	333,856
-	48,560	48,560
87	944	1,144
4,158	-	4,158
-	661	661
579,773	169,151	1,613,543
27,137	7,909	95,178
8,817	-	14,695
-	10,720	10,720
-	-	274
8,549	4,211	31,999
1,100	274	21,052
9,400	1,423	84,492
55,003	24,537	258,410
-	1,054	46,961
-	668	4,698
-	-	39,948
-	1,062	1,062
-	2,784	92,669
-	10,694	61,225
-	11,219	40,072
-	4,706	18,445
-	-	14,499
-	26,619	134,241
800	769	11,126
-	616	1,981
800	1,385	13,107
-	-	117
3,785	302	9,407
-	62,926	62,926
3,785	63,228	72,450
59,588	118,553	570,877
520,185	50,598	1,042,666
-	12,487	12,487
417,342	-	417,342
9,843	28,076	114,074
-	-	-
\$ 486,773	\$ 159,116	\$ 1,114,780

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program	Capital Funds Program
10010	Operating Transfers In	\$ -	\$ -
10020	Operating Transfers Out	-	-
10100	Total Other Financing Sources (Uses)	-	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	118,657	277,071
11030	Beginning Equity	1,800,809	-
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	-	-
	Ending Equity (deficit)	<u>\$ 1,919,466</u>	<u>\$ 277,071</u>

See independent auditors' report

Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
\$ -	\$ -	\$ -
-	-	-
-	-	-
93,000	10,035	498,763
<u>277,467</u>	<u>268,613</u>	<u>2,346,889</u>
181,455	-	181,455
70,060	-	70,060
4,245	-	4,245
74,305	-	74,305
59,588	-	59,588
14,717	-	14,717
196,172	-	196,172
196,172	-	196,172
96,012	-	96,012
505,468	-	505,468
505,468	-	505,468
427,185	-	427,185
427,185	-	427,185
78,283	-	78,283
174,295	-	174,295
<u>174,295</u>	<u>-</u>	<u>174,295</u>
<u>\$ 370,467</u>	<u>\$ 278,648</u>	<u>\$ 2,845,652</u>

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP

Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
To the Mayor and City Commissioners
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, 2010, 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, 2010. We have also audited the budgetary comparisons for the year ended June 30, 2010 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-08 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-01, 2010-01, and 2010-04 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2009-02, 2010-02 and 2010-03.

We also noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* January 2007 Revision paragraphs 5.14 and 5.16, and pursuant to section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding 2008-07.

The 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 the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the 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, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 30, 2010

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
To the Mayor and City Commissioners
Tucumcari Housing Authority
Tucumcari, New Mexico

Compliance

We have audited Tucumcari Housing Authority's (Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The 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 the Authority's management. Our responsibility is to express an opinion on the 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 the 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 the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the 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 the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2007-11. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The 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 the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the 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, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 30, 2010

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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, 2010

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		379,392 *
Capital Funds Program	14.872	(7)	181,363 *
Capital Funds Program - ARRA	14.885	(7)	152,493 *
Section 8 Housing Choice Vouchers Program	14.871		<u>486,773 *</u>
Total U.S. Department of Housing and Urban Development			<u>1,200,021</u>
<u>U.S. Department of Agriculture:</u>			
Direct programs:			
Rural rental assistance payments	10.415, 10.515		93,132
Rural rental assistance interest subsidy	10.415, 10.515		<u>48,560</u>
Total U.S. Department of Agriculture			<u>141,692</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,341,713</u></u>

() Denotes cluster
* 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 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 the USDA FmHA program.

4. Loan amount

The Authority owed \$714,350 to FmHA at June 30, 2010.

See independent auditors' report

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STATE OF NEW MEXICO
 Tucumcari Housing Authority
 A Department of the City of Tucumcari
 Schedule of Findings and Questioned Costs
 June 30, 2010

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses 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? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified |
| 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: | |

CFDA Number	Federal Program
14.850	Public Rent Public Housing Program
14.871	Section 8 Housing Choice Vouchers Program
14.872/14.885	Capital Funds 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

2008-07: Security Deposits Not Matching the Restricted Cash Account	Modified and Repeated
2008-08: Deficiencies in Internal Control Structure Design, Operation, and Oversight	Modified and Repeated
2009-01: Preparation of Financial Statements	Modified and Repeated
2009-02: Low Rent Public Housing Program Budget Over-Expended	Modified and Repeated
2007-11: Lack of Adequate Internal Controls over Compliance	Modified and Repeated
FA 2009-01: Incorrect Calculation of Tenants Income	Resolved
FA 2009-02: Failure to Obtain Adequate Immigration Status Verification	Resolved

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 \$463. For the USDA FmHA Rural Housing Program, the cash account is overfunded by \$295. 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 the 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: As of January 2010, Tucumcari Housing Authority has undergone a complete staff turnover. We are in the process of developing and implementing control systems to monitor the Security Deposit /Restricted Cash Account to insure funds are distributed properly between accounts on a monthly basis.

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 allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:

- There is not a fraud risk assessment done at the Housing Authority
- There is inadequate segregation of duties.
- Bank reconciliations are prepared by an outside fee accountant and no review by management is performed.
- Changes to customer and vendor master files are not reviewed.

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 the body charged with governance.

Effect: Because there is not an adequate internal control structure or oversight by the 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 2010 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control structure.

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: As of January 2010 Tucumcari Housing Authority has undergone complete re-staffing: new policies and documentation have or will be implemented.

- There is not a fraud risk assessment done at the Housing Authority – Fraud policy has been prepared for Board review and approval.
- There is inadequate segregation of duties. – Due to staff size, duties are aligned by program specialists and cross-training is ongoing.
- Bank reconciliations are prepared by an outside fee accountant and no review by management is performed. – All documents prepared by fee accountant will be reviewed/initialed
- Changes to customer and vendor master files are not reviewed.- Vendor accounts will be reviewed quarterly and removed if determined vendor has been inactive for more than 12 months.

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)
 - Department of Housing and Urban Development (HUD)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
 - Financial Data Schedule
 - Schedule of Expenditures of Federal Awards
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the 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: Tucumcari Housing has undergone complete re-staffing since January 2010. Training is ongoing and the Housing Authority is working closely with fee accountant and City of Tucumcari finance staff. Policies and procedures are or will be designed to prevent or detect the potential of misstatements in financial statements and related footnote disclosures.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Findings and Questioned Costs
June 30, 2010

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

2009-02: Budgets Over-Expended

Condition: The Authority over expended its budgetary authority at the fund level in the following funds due to its failure to submit its proposed budget for the 2010 fiscal year to the New Mexico Department of Finance and Administration (DFA) by June 1, 2009:

Low Rent Public Housing Program	\$	335,951
Capital Funds Program		56,785
Section 8 Housing Choice Vouchers Program		486,773
USDA FmHA Rural Housing Program		68,114

Criteria: Section 6-6-2A, NMSA 1978, requires each local public body to furnish and file with the local government division, on or before June 1 of each year, a proposed budget for the next fiscal year. At this point, the budget becomes legally enforceable.

Effect: Because of the failure to obtain DFA approval of its budgets, the Housing Authority is in violation of the applicable laws, regulations and policies established by the State of New Mexico.

Cause: The Housing Authority was not aware of the requirement to submit the proposed budget to DFA as well as to HUD.

Auditors' Recommendation: We recommend that the Authority file their proposed budgets as required by state statutes and establish policies and procedures to ensure that all expenditures are budgeted for and funds are not over-expended.

Agency's Response: Tucumcari Housing submitted the budget to HUD Albuquerque field office meeting all requirements. Submission was approved by HUD Albuquerque field office. Because Tucumcari Housing is a component of the City of Tucumcari, budget should have been submitted by the City of Tucumcari to NMDFA. If it is determined that the City of Tucumcari should have submitted to NMDFA the City of Tucumcari will comply by January 1, 2011. *Tucumcari Housing Authority strongly disagrees with this finding.*

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

FS 2010-01: Incorrect Bank Reconciliation

Condition: The bank reconciliation for the Public Housing operating checking account does not agree to the general ledger. The difference is \$19,168.11.

Criteria: Bank reconciliations are required to agree to cash balances per the general ledger.

Effect: Several improper reconciling items were included on the bank reconciliation, causing the reconciled balance on the bank reconciliation to be greater than the cash balance on the general ledger by \$19,168.11.

Cause: A software failure during the year required the Authority's fee accountant to reprocess one month's worth of data. Several reconciling items were not removed from the system properly during this process.

Auditors' Recommendation: We recommend that bank reconciliations be reviewed by management on a monthly basis for accuracy.

Agency's Response: New staff began in January 2010. Training is ongoing and procedures have been put in place to review all reconciliations on a monthly basis.

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

FS 2010-02: Stale Dated Checks and Voided Checks

Condition: The Authority is in violation of state statute regarding stale dated checks. In the Public Housing operating account, the Authority has 7 checks at June 30, 2010 that are over one year old. They are written in the amounts of \$2.00, \$30.00, \$28.00, \$282.00, \$517.26, \$232.50, and \$81.00. In addition, the auditor noted that two checks had been physically voided and retained by the Authority but not voided in the accounting system. The checks were written for \$231.00 and \$247.00.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written. When it is necessary to void a check, the check should be voided both physically and in the accounting system.

Effect: The Authority is in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978. Also, the Authority's cash balances are not accurately reflected as a result of stale-dated checks and voided checks appearing on the outstanding check listings.

Cause: The Authority was unaware of the requirement to escheat these checks to the State and the physically voided checks were overlooked by management and the fee accountant.

Auditors' Recommendation: We recommend that the Authority implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided and escheated to the State. In addition, we recommend that the Authority develop procedures for the handling of voided checks in the accounting system, in addition to the existing controls over the physical process of voiding checks.

Agency's Response: Tucumcari Housing has undergone new staffing since January 2010. Policy is in place and we will be working closely with fee accountant to insure outstanding checks and voided checks are handled properly and in a timely manner.

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

FS 2010-03: Travel and Per Diem

Condition: We noted the following problems in four out of our testwork of five travel and per diem checks written:

- One per diem travel advance check was calculated incorrectly, inappropriately applying the high-cost rate to travel to Albuquerque and applying the 80% travel advance limit to only a portion of the per diem calculated.
- One employee received both reimbursement for actual lodging expenses and per diem for the same days. Per diem for this trip was calculated using the IRS table rates instead of those rates spelled out by State statute. In addition, reimbursement for airfare for this trip was overpaid by \$9.65 according to the receipt submitted for reimbursement.

Criteria: The Mileage and Per Diem Act, DFA Rule 95-1 and proper internal controls require that mileage, travel reimbursement, and per diem paid be calculated accurately, in accordance with State Statute, and be supported by adequate documentation.

Effect: Employees of the Housing Authority were overpaid with public funds for travel and per diem reimbursements.

Cause: The Housing Authority follows the City of Tucumcari's travel and per diem policies and procedures, which do not conform to State statute.

Auditors' Recommendation: We recommend that the Authority put into place, policies and procedures to be followed to ensure compliance with The Mileage and Per Diem Act and the DFA Rule 95-1. In addition, we recommend that travel and per diem calculations be reviewed by an individual familiar with the State statutes prior to the issuance of checks.

Agency's Response: Tucumcari Housing is in the process of implementing policies and procedures that ensure compliance the DFA Rule 95-1. As a component to the City of Tucumcari, Tucumcari Housing uses the City's rule and will have calculations reviewed by the individual who is familiar with State statutes prior to issuance of checks for travel/per diem.

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

FS 2010-04 – Information Technology

Condition: During our audit, we noted that:

- Adequate controls have not been established for the protection of IT resources including data and information in the following areas:
 1. Backup and data recovery processes have not been established.

Criteria: Sound accounting and risk management principles require the protection and security of electronic records and information. An appropriate policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.

Effect: Lack of IT policies and lack of contingency planning leave the Authority at risk for loss or misuse of data and information.

Cause: The Authority is not properly safeguarding IT assets and resources. The following deficiencies were noted:

- Lack of IT policies to prevent data loss

Auditors' Recommendation: The Authority should consider implementing the following recommendations:

- Establish policies to backup and data recovery

Agency's Response: Tucumcari Housing Authority is working with the City of Tucumcari to establish and offsite location for back up and data recovery. THA also has the ability to retrieve potentially lost data from their fee accountant with regard to financial information and Public Housing/Section 8 data from the software company.

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, Public Housing Low Rent, and Capital Fund Programs
CFDA number: 14.871, 14.850, and 14.872/14.885
Award period: July 1, 2009 – June 30, 2010

Condition: The Housing Authority does not have a comprehensive documented internal control structure. Also, controls in certain specific areas are not operating as designed. These include:

- Required reports are not reviewed and approved prior to submittal
- Supporting documentation was missing for one disbursement from the Section 8 program, out of 51 tested. The check for this disbursement did not clear the bank and was not paid.

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: For the fiscal year 2010 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control over compliance structure.

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 controls.

Agency's Response: Tucumcari Housing Authority has undergone complete re-staffing since January 2010 and is developing an internal policy designed to provide control methods ensuring compliance. THA is working closely with The City of Tucumcari and continues to receive training.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Other Disclosures
For the Year Ended June 30, 2010

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 29, 2010. The following individuals were in attendance.

Tucumcari Housing Authority and City of Tucumcari Officials

Viki Riddle, Housing Authority Executive Director
Bobbie Rose, City Manager
Jim Witcher, Mayor

Accounting and Consulting Group, LLP

Ray Roberts, CPA, Managing Partner
Gwen Raley, CPA, Senior Accountant