

**STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY**

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
Board of Commissioners and Management
June 30, 2011**

City Mayor and Commission

Mayor	Armiel Curnutt
Mayor Pro-Tem	Daniel Lopez
Commissioner	Robert Lumpkin
Commissioner	Jimmy Sandoval
Commissioner	Dora Salinas-McTigue

Administrative Officials

City Manager	Doug Powers
City Clerk	Angelica Gray
City Finance Director	Dennis Dysart
Housing Authority Executive Director	Viki Riddle

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**STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
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FOR THE YEAR ENDED JUNE 30, 2012**

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FINANCIAL SECTION

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Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas,
New Mexico State Auditor
The Office of Management and Budget
and
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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's individual enterprise funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the City's financial position, the results of operations and the cash flows, where applicable, of its proprietary fund types 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 financial position of the business-type activities of the Tucumcari Housing Authority as of June 30, 2012, 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 respective financial position of the individual enterprise funds of the Tucumcari Housing Authority as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparison for all enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2012 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.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and 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 Financial Data Schedule is required by the U.S. Department of Housing and Urban Development. The additional schedules listed as "Supporting Schedules" and the Financial Data Schedule listed in the table of contents are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GRIEGO PROFESSIONAL SERVICES, LLC

A handwritten signature in cursive script that reads "Griego Professional Services, LLC".

Albuquerque, NM
November 21, 2012

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BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
BALANCE SHEET
PROPRIETARY FUND TYPES
JUNE 30, 2012

Exhibit A

ASSETS

Current assets:

Cash and cash equivalents	\$ 657,311
Short term investments	22,804
Accounts receivable - tenants, net of allowance for doubtful accounts	5,235
Accounts receivable - governments	7,438
Prepaid assets	4,806
<i>Total current assets</i>	<u>697,594</u>

Noncurrent assets:

Restricted cash and cash equivalents	191,297
Land, Structures and equipment, net of accumulated depreciation	2,581,079
<i>Total noncurrent assets</i>	<u>2,772,376</u>

<i>Total assets</i>	<u>\$ 3,469,970</u>
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LIABILITIES

Current liabilities (payable from current assets):

Accounts payable	\$ 13,299
Accrued salaries and benefits	2,955
Accrued interest payable	1,017
Deferred revenue-prepaid rents	32
Compensated absences, current portion	4,524
Note payable, current portion	11,368
<i>Total current liabilities (payable from current assets)</i>	<u>33,195</u>

Current liabilities (payable from restricted assets)

Tenant deposits	12,451
<i>Total current liabilities (payable from restricted assets)</i>	<u>12,451</u>

Non-current liabilities :

Note payable, net of current portion	683,015
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<i>Total liabilities</i>	<u>728,661</u>
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NET ASSETS

Invested in capital assets	1,886,696
Restricted	178,846
Unrestricted	675,767
<i>Total net assets</i>	<u>2,741,309</u>

<i>Total liabilities and net assets</i>	<u>\$ 3,469,970</u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2012

Exhibit B

<i>Operating revenues:</i>	
Charges for services	\$ 162,048
Miscellaneous	6,940
	<u>168,988</u>
<i>Total operating revenues</i>	<u>168,988</u>
 <i>Operating expenses:</i>	
Administration	221,630
Utilities	90,386
Ordinary maintenance and operations	229,564
Insurance expenses	42,523
Capital fund operating costs	5,015
Other general expenses	9,868
Depreciation	133,557
	<u>732,543</u>
<i>Total operating expenses</i>	<u>732,543</u>
<i>Operating loss</i>	<u>(563,555)</u>
 <i>Non-operating revenues(expenses):</i>	
Interest income (expense)	(60,830)
Operating grants	662,697
Capital grants	26,604
Housing assistance payments	(390,498)
	<u>237,973</u>
<i>Total non-operating revenues</i>	<u>237,973</u>
<i>Change in net assets</i>	(325,582)
<i>Total net assets - beginning of year</i>	<u>3,066,395</u>
<i>Prior period adjustments</i>	496
<i>Total net assets - beginning of year - restated</i>	<u>3,066,891</u>
<i>Total net assets - end of year</i>	<u>\$ 2,741,309</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2012

Exhibit C

	Net Assets Invested in Capital Assets	Restricted Net Assets	Unrestricted Net Assets	Total
Balance June 30, 2011	\$ 2,709,100	\$ 411,015	\$ (53,720)	\$ 3,066,395
Net change in net assets for the year ended June 30, 2012	<u>(822,404)</u>	<u>(232,169)</u>	<u>729,487</u>	<u>(325,086)</u>
Balance June 30, 2012	<u>\$ 1,886,696</u>	<u>\$ 178,846</u>	<u>\$ 675,767</u>	<u>\$ 2,741,309</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2012

Exhibit D

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 177,608
Cash paid to suppliers and employees	(592,296)
<i>Net cash (used) by capital financing activities</i>	<u>(414,688)</u>
 <i>Cash flows used by noncapital financing activities:</i>	
Intergovernmental HUD operating subsidy	662,697
Housing assistance payments	(390,498)
<i>Net cash provided by noncapital financing activities</i>	<u>272,199</u>
 <i>Cash flows used by capital financing activities:</i>	
Acquisition and construction of capital assets	(5,536)
Intergovernmental HUD capital subsidy	26,604
Principal payments on notes	(10,419)
Interest payments on notes	(61,050)
Prior period adjustment	496
<i>Net cash provided by capital financing activities</i>	<u>(49,905)</u>
 <i>Cash flows from investing activities:</i>	
Interest received	220
<i>Net cash provided by investing activities</i>	<u>220</u>
 <i>Net (decrease) in cash and cash equivalents</i>	 (192,174)
 <i>Cash and cash equivalents - beginning of year</i>	 <u>1,063,586</u>
 <i>Cash and cash equivalents - end of year</i>	 <u><u>\$ 871,412</u></u>
 <i>Reconciliation of operating (loss) to net cash</i>	
<i>(used) by operating activities:</i>	
Operating (loss)	\$ (563,555)
Adjustments to reconcile operating (loss)	
to net cash (used) by operating activities:	
Depreciation	133,557
(Increase) decrease in:	
Accounts receivable	8,631
Prepaid expenses	19,233
Increase (decrease) in:	
Accounts payable	(678)
Accrued expenses	(5,083)
Accrued interest	(209)
Deferred revenue	(11)
Tenant security deposits	767
Compensated absences	(7,340)
 <i>Net cash (used) by operating activities</i>	 <u><u>\$ (414,688)</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies

The Tucumcari Housing Authority (the Authority) was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in July 1970. The agreement 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 Authority is department of the City of Tucumcari, New Mexico.

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.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the City's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units.

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 Authority has implemented Governmental 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, 2012. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. 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 more significant of the Authority's accounting policies are described below.

The following programs are maintained as major enterprise funds by the Authority:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the overall objective of the Low Rent Public Housing Program is to provide cost-effective, decent, safe and affordable dwellings for lower income families through reduced rate rental units built and owned by the Authority.
- **Capital Fund Projects** – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing, and modernization of public housing developments and for management improvements. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program on the Financial Statements.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies (continued)

- **Section 8 Programs** – These programs, funded through direct grants from HUD, provide rental and utilities 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 Title V of the Housing Act of 1949, as amended, and RD/FmHA regulations for a 20 year period beginning December 1, 2000.

A. *Financial Reporting Entity*

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the financial reporting entity was made by applying the criteria set forth in GASB #14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a department of the City of Tucumcari.

B. *Basis of Presentation*

All of the Authority's programs are accounted for as business-type activities using proprietary (enterprise) funds for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary. That category, in turn, is divided into separate "funds".

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies (Continued)

B. *Basis of Presentation (continued)*

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's operating revenues consist primarily of charges for services and operating grants. Operating expenses include administration, utilities and ordinary repairs and maintenance expenses as well as general expenses, housing assistance payments, and depreciation expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

D. *Assets, Liabilities, and Equity*

Cash and Cash Equivalents

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations.

New Mexico Statutes require that financial institutions with public monies on deposit to pledge collateral to the owner of such public monies in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Note 2).

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Accounts Receivable

All trade receivables and tenant receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services that are applicable to future accounting periods.

Land, Structures and Equipment

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at the time the contribution is made. Repairs and maintenance are recorded as expenses, while renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more, per section 12-6-10 NMSA 1978, and a useful life of more than one year. Pursuant to the implementation of GASB Statement No. 34, the historical costs 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.

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.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Land Improvements	5-20 years
Buildings & Building Improvements	10-40 years
Machinery & Equipment	3-15 years

Accounts Payable

Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Accrued Expenses

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

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. Vested or accumulated vacation leave is reported as an expenditure and a liability of the program that will pay it.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Interfund Transactions

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

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

Estimates

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

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 the outstanding debt that is attributable to the acquisition, construction and improvement of the assets: debt related to the 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.

Restricted Assets

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited.

The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (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 in the accompanying financial statements.

E. *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 submitted its budget to the State of New Mexico Department of Finance and Administration.

Note 2 Cash and Cash Equivalents

State statutes authorize the investment of the Authority's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2012.

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.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 Cash and Cash Equivalents (continued)

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

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, until December 31, 2012, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

Deposits

NM 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 a least one half of the amount on deposit with the institution. The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Authority's deposits.

	Wells Fargo Bank	First National Bank	New Mexico Bank & Trust	Total
Total amounts of deposits	\$ 832,536	\$ 8,339	\$ 64,485	\$ 905,360
FDIC coverage	(305,804)	(8,339)	(64,485)	(378,628)
Total uninsured public funds	<u>\$ 526,732</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 526,732</u>
Pledged collateral held by pledging bank's trust department or agent in agency's name	<u>\$ 603,525</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 603,525</u>
Collateral requirement (50% of uninsured public funds)	263,366	—	—	263,366
Pledged security	<u>(603,525)</u>	<u>—</u>	<u>—</u>	<u>(603,525)</u>
(Over)/Under-collateralized	<u>\$ (340,159)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (340,159)</u>

At June 30, 2012, the carrying amount of the Authority's deposits was \$871,412.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2012, none of the Authority's bank balance of \$905,360 was exposed to custodial credit risk because the amount uninsured was collateralized by collateral held by the pledging bank's trust department in the Authority's name.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 Accounts Receivable

The Authority's accounts receivable at June 30, 2012, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts receivable – Tenants	\$ 5,755	\$ 520	\$ 5,235
Accounts receivable – HUD	7,438	—	7,438
Total	<u>\$ 13,193</u>	<u>\$ 520</u>	<u>\$ 12,673</u>

Note 4 Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as “due from other funds” or “due to other funds” on the balance sheet.

As of June 30, 2012, the Authority did not have any balances due between funds.

Note 5 Land, structures and equipment

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 6/30/2012</u>
Capital Assets, Not Being Depreciated:					
Land-Low Rent Public Housing	\$ 68,890	\$ —	\$ —	—	\$ 68,890
Land-USDA FmHA Rural Housing	27,120	—	—	—	27,120
Construction in Progress	<u>48,083</u>	<u>5,536</u>	<u>—</u>	<u>—</u>	<u>53,619</u>
Capital Assets, Not Being Depreciated:	<u>144,093</u>	<u>5,536</u>	<u>—</u>	<u>—</u>	<u>149,629</u>
Capital Assets, Being Depreciated:					
Low Rent Public Housing Program					
Furniture, fixtures, & equipment	439,152	—	—	—	439,152
Land improvements	1,193,781	—	—	—	1,193,781
Buildings & building improvement	<u>2,151,413</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,151,413</u>
Total Public Housing Program	<u>3,784,346</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,784,346</u>
USDA FmHA Rural Housing Program					
Furniture, fixtures, & equipment	54,344	—	—	—	54,344
Buildings & building improvements	<u>940,412</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>940,412</u>
Total Rural Housing Program	<u>994,756</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>994,756</u>
Total Capital Assets, Being Depreciated:	<u>4,779,102</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,779,102</u>
Accumulated Depreciation:					
Low Rent Public Housing Program					
Furniture, fixtures, & equipment	(256,170)	(41,825)	—	—	(297,995)
Land improvements	(853,605)	(17,574)	—	—	(871,179)
Buildings & building improvement	<u>(832,758)</u>	<u>(46,082)</u>	<u>—</u>	<u>—</u>	<u>(878,840)</u>
Total Public Housing Program	<u>(1,942,533)</u>	<u>(105,481)</u>	<u>—</u>	<u>—</u>	<u>(2,048,014)</u>

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 Land, structures and equipment (continued)

USDA FmHA Rural Housing Program

Furniture, fixtures, & equipment	(54,344)	—	—	—	(54,344)
Buildings & building improvements	<u>(217,218)</u>	<u>(28,076)</u>	<u>—</u>	<u>—</u>	<u>(245,294)</u>
Total Rural Housing Program	<u>(271,562)</u>	<u>(28,076)</u>	<u>—</u>	<u>—</u>	<u>(299,638)</u>
Total Accumulated Depreciation:	<u>(2,214,095)</u>	<u>(133,557)</u>	<u>—</u>	<u>—</u>	<u>(2,347,652)</u>
Total Capital Assets, Net of Depreciation:	<u>\$ 2,709,100</u>	<u>\$ (128,021)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>2,581,079</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, 2012, totaled \$133,557.

Note 6 Long-Term Debt

The following summarizes changes in long-term liabilities during the year ended June 30, 2012.

	Balance <u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2012</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 11,864	\$ 8,236	\$ 15,576	\$ 4,524	\$ 4,524
Note Payable	<u>704,802</u>	<u>—</u>	<u>10,419</u>	<u>694,383</u>	<u>11,368</u>
Total	<u>\$ 716,666</u>	<u>\$ 8,236</u>	<u>\$ 25,995</u>	<u>\$ 698,907</u>	<u>\$ 15,892</u>

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. The liability related to compensated absences included increases (additions) of \$8,236 and decreases (deletions) of \$15,576 resulting in a net decrease of \$7,340 (\$11,864 at June 30, 2011 to \$4,524 at June 30, 2012) during the year ended June 30, 2012. The amount of this liability due within one year is \$4,524.

Note Payable

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.

STATE OF NEW MEXICO
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JUNE 30, 2012

Note 6 Long-Term Debt (continued)

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, 2012 from the reserve account for improvements. Monthly payments of \$665 were made into the reserve account during the year.

At June 30, 2012 the outstanding indebtedness owed to FmHA was \$694,383. 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 \$10,419.

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:

	<u>Principal</u>	<u>Total Interest</u>	<u>Interest Subsidy</u>	<u>Net Interest</u>
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	14,766	56,912	48,560	8,352
2017	16,111	55,567	48,560	7,007
2018-2022	105,433	252,955	242,798	10,157
2023-2027	163,038	195,349	242,798	(47,449)
2028-2032	252,118	106,269	242,798	(136,529)
2033-2037	<u>105,613</u>	<u>7,868</u>	<u>77,321</u>	<u>(69,453)</u>
Total	<u>\$ 694,383</u>	<u>\$ 852,648</u>	<u>\$ 1,048,515</u>	<u>\$ (195,867)</u>

Note 7 Non-Cash Revenue & Expenses

During the year ended June 30, 2012, 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.

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Note 8 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 9 PERA Pension Plan

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

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

Because the Authority is a department of the City of Tucumcari, payroll is completed by the City. The contribution for all City employees, including employees of the Housing Authority, is reported in the financial statements for the City of Tucumcari. The total amount of contributions for the years ending June 30, 2012 and 2011 for Housing Authority staff were \$24,609 and \$25,166, respectively. Amounts expended were equal to the amount of the required contributions for the year.

Note 10 Post Employment Benefits—State Retiree Health Care Plans

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 10 Post Employment Benefits—State Retiree Health Care Plans (continued)

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 based 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 year ended June 30, 2012, the statute requires each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee is required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

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

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

Because the Authority is a department of the City of Tucumcari, payroll is completed by the City. The contribution for all City employees, including employees of the Housing Authority, is reported in the financial statements for the City of Tucumcari. The total amount of contributions for the year ending June 30, 2012 and 2011 for Housing Authority staff was \$3,699 and \$3,437, respectively. Amounts expended were equal to the amount of the required contributions for the year.

Note 11 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 Authority expects such amounts, if any, to be immaterial.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12 Concentrations

Approximately 80% percent of the Authority's revenues are derived from grants from various federal agencies. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

Note 13 Commitments

The Authority's commitments as of June 30, 2012, consisted of amounts due under a construction contract for site improvements on public housing. The total contract price for the improvements was \$64,540, of which \$9,680 had been paid or accrued at June 30, 2012, leaving a balance to complete the contract of \$54,860.

Note 14 Other Required Individual Fund Disclosures

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

Excess of expenditures over appropriations: There were no funds which exceeded approved budgetary authority for the year ended June 30, 2012.

Note 15 Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 21, 2012. There were no events noted as of this date.

Note 16 Prior Period Adjustments

During the year ended June 30, 2012 the Agency adjusted \$3,084 of prior year expenditures in the Low-Rent Public Housing fund and voided \$3,580 in prior year checks in the Section 8 fund. Per HUD regulations these were classified as prior period adjustments of (\$3,084) and \$3,580 in each fund, respectively. The net effect of these prior period adjustments is \$496 as noted in Exhibit B.

Note 17 Subsequent Accounting Standard Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In December of 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 17 Subsequent Accounting Standard Pronouncements (continued)

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

Statement A-1

ASSETS	Low-Rent Public Housing	Section 8	USDA FMHA Rural Housing Program	Total
<i>Current assets:</i>				
Cash and cash equivalents	\$ 489,884	\$ 134,033	\$ 33,394	\$ 657,311
Accounts receivable - tenants, net of allowance for doubtful accounts	4,677	-	558	5,235
Accounts receivable - governments	-	-	7,438	7,438
Prepaid assets	4,806	-	-	4,806
<i>Total current assets</i>	<u>499,367</u>	<u>134,033</u>	<u>41,390</u>	<u>674,790</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	8,007	118,805	64,485	191,297
Investments	22,804	-	-	22,804
Land, structures and equipment, net of accumulated depreciation	1,858,841	-	722,238	2,581,079
<i>Total assets</i>	<u>\$2,389,019</u>	<u>\$ 252,838</u>	<u>\$ 828,113</u>	<u>\$3,469,970</u>
LIABILITIES AND NET ASSETS				
<i>Current liabilities (payable from current assets):</i>				
Accounts payable	\$ 10,544	-	2,755	13,299
Accrued salaries & benefits	2,955	-	-	2,955
Accrued interest payable	-	-	1,017	1,017
Deferred revenue-prepaid rents	-	-	32	32
Compensated absences, current portion	4,524	-	-	4,524
Note payable, current portion	-	-	11,368	11,368
<i>Total current liabilities (payable from current assets)</i>	<u>18,023</u>	<u>-</u>	<u>15,172</u>	<u>33,195</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	8,007	-	4,444	12,451
<i>Total current liabilities (payable from restricted assets)</i>	<u>8,007</u>	<u>-</u>	<u>4,444</u>	<u>12,451</u>
<i>Non-current liabilities :</i>				
Compensated absences, net of current portion	-	-	-	-
Notes payable, net of current portion	-	-	683,015	683,015
<i>Total liabilities</i>	<u>26,030</u>	<u>-</u>	<u>702,631</u>	<u>728,661</u>
<i>Net assets:</i>				
Net assets invested in capital assets, net of related debt	1,858,841	-	27,855	1,886,696
Restricted Net Assets	-	118,805	60,041	178,846
Unrestricted net assets	504,148	134,033	37,586	675,767
<i>Total Net assets</i>	<u>2,362,989</u>	<u>252,838</u>	<u>125,482</u>	<u>2,741,309</u>
<i>Total liabilities and net assets</i>	<u>\$2,389,019</u>	<u>\$ 252,838</u>	<u>\$ 828,113</u>	<u>\$3,469,970</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS - ALL ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2012

Statement A-2

	Low-Rent Public Housing Program	Section 8	USDA FMHA Rural Housing Program	Total
<i>Operating revenues:</i>				
Charges for services	\$ 147,501	\$ -	\$ 14,547	\$ 162,048
Miscellaneous	5,666	-	1,274	6,940
<i>Total operating revenues</i>	<u>153,167</u>	<u>-</u>	<u>15,821</u>	<u>168,988</u>
<i>Operating expenses:</i>				
Administration	130,196	60,023	31,411	221,630
Utilities	84,113	-	6,273	90,386
Ordinary maintenance and operations	105,885	-	123,679	229,564
Insurance expenses	40,278	800	1,445	42,523
Capital fund expenditures	5,015	-	-	5,015
Other general expenses	8,739	-	1,129	9,868
Depreciation	105,481	-	28,076	133,557
<i>Total operating expenses</i>	<u>479,707</u>	<u>60,823</u>	<u>192,013</u>	<u>732,543</u>
<i>Operating Income/(loss)</i>	<u>(326,540)</u>	<u>(60,823)</u>	<u>(176,192)</u>	<u>(563,555)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income (expense)	153	67	(61,050)	(60,830)
Operating grants	273,687	243,019	145,991	662,697
Capital grants	26,604	-	-	26,604
Housing assistance payments	-	(390,498)	-	(390,498)
<i>Total non-operating revenues (expenses)</i>	<u>300,444</u>	<u>(147,412)</u>	<u>84,941</u>	<u>237,973</u>
<i>Income (loss) before contributions</i>	<u>(26,096)</u>	<u>(208,235)</u>	<u>(91,251)</u>	<u>(325,582)</u>
<i>Total net assets - beginning of year</i>	<u>2,392,169</u>	<u>457,493</u>	<u>216,733</u>	<u>3,066,395</u>
<i>Prior period adjustment</i>	(3,084)	3,580	-	496
<i>Total net assets - beginning of year - restated</i>	<u>2,389,085</u>	<u>461,073</u>	<u>216,733</u>	<u>3,066,891</u>
<i>Total net assets - end of year</i>	<u>\$ 2,362,989</u>	<u>\$ 252,838</u>	<u>\$ 125,482</u>	<u>\$ 2,741,309</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
LOW RENT PUBLIC HOUSING
FOR THE YEAR ENDED JUNE 30, 2012

Statement A-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	150,000	150,000	147,501	(2,499)
Other operating revenue	14,010	14,010	5,666	(8,344)
<i>Total revenues</i>	164,010	164,010	153,167	(10,843)
<i>Expenditures:</i>				
Current				
Administration	141,931	141,931	130,196	11,735
Tenant services	-	-	-	-
Utilities	102,000	102,000	84,113	17,887
Ordinary maintenance and operations	95,645	95,645	105,885	(10,240)
Insurance expenses	33,300	33,300	40,278	(6,978)
Insurance expenses	9,000	9,000	8,739	261
Capital fund operating costs	5,500	5,500	5,015	485
<i>Total expenditures</i>	387,376	387,376	374,226	13,150
<i>Operating Income (loss)</i>	(223,366)	(223,366)	(221,059)	2,307
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	276,000	276,000	273,687	(2,313)
HUD capital project grants	-	-	26,604	26,604
Investment income	75	75	153	78
<i>Total non-operating revenues (expenses)</i>	276,075	276,075	300,444	24,369
<i>Change in Net Assets before GAAP adjustments</i>	52,709	52,709	79,385	26,676
<i>(Expenses) not budgeted</i>				
Depreciation			(105,481)	
<i>Change in net assets as reported in statement of revenues, expenses and changes in net assets</i>			(26,096)	

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

STATE OF NEW MEXICO

Statement A-4

TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
HOUSING CHOICE VOUCHERS SECTION 8
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
<i>Revenues:</i>				
Tenant rent	-	-	-	-
Other operating revenue	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current				
Administration	62,000	62,000	60,023	1,977
Ordinary maintenance and operations	-	-	-	-
Tenant services	-	-	-	-
Insurance expenses	-	-	800	(800)
<i>Total expenditures</i>	62,000	62,000	60,823	1,177
<i>Operating Income (loss)</i>	(62,000)	(62,000)	(60,823)	1,177
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	244,178	244,178	243,019	(1,159)
Housing assistance payments	(395,000)	(395,000)	(390,498)	4,502
Investment income	-	-	67	67
<i>Total non-operating revenues (expenses)</i>	(150,822)	(150,822)	(147,412)	3,410
<i>Change in Net Assets before GAAP adjustments</i>	(212,822)	(212,822)	(208,235)	4,587
Change in net assets as reported in statement of revenues, expenses and changes in net assets			(208,235)	

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

STATE OF NEW MEXICO

Statement A-5

TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
USDA FMHA RURAL HOUSING PROGRAM
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	15,000	15,000	14,547	(453)
Other operating revenue	2,642	2,642	1,274	(1,368)
<i>Total revenues</i>	17,642	17,642	15,821	(1,821)
<i>Expenditures:</i>				
Current				
Administration	33,000	33,000	31,411	1,589
Tenant services	-	-	-	-
Ordinary maintenance and operations	124,000	124,000	123,679	321
Utilities	6,300	6,300	6,273	27
Insurance expense	1,500	1,500	1,445	55
Other general expenses	1,500	1,500	1,129	371
<i>Total expenditures</i>	166,300	166,300	163,937	2,363
<i>Operating Income (loss)</i>	(148,658)	(148,658)	(148,116)	542
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	150,000	150,000	145,991	(4,009)
Housing assistance payments	-	-	-	-
Investment income (expense)	-	-	(61,050)	(61,050)
<i>Total non-operating revenues (expenses)</i>	150,000	150,000	84,941	(65,059)
<i>Change in Net Assets before GAAP adjustments</i>	1,342	1,342	(63,175)	(64,517)
<i>(Expenses) not budgeted</i>				
Depreciation			(28,076)	
Change in net assets as reported in statement of revenues, expenses and changes in net assets			(91,251)	

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

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF CASH AND CASH EQUIVALENTS BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2012

Schedule I

Financial Institution	Account Type	Bank Balance	Reconciled Balance
Wells Fargo Bank, N.A.			
General Operating Fund	Checking	\$ 522,553	\$ 489,477
CIAP Savings Account	Savings	517	517
CIAP Operating Account	Checking	6	6
Section 8 Account	Checking	253,662	252,838
Certificate of Deposit	CD	22,804	22,804
Operating Account-Chaparral Apartments	Checking	32,994	32,994
Total Wells Fargo Bank, N.A.		<u>\$ 832,536</u>	<u>\$ 798,636</u>
First National Bank			
Security Deposit Fund	Checking	<u>\$ 8,339</u>	<u>\$ 7,841</u>
Total First National Bank		<u>\$ 8,339</u>	<u>\$ 7,841</u>
New Mexico Bank & Trust			
Security Deposits-Chaparral Apartments	Checking	\$ 4,500	\$ 4,500
Reserve Account-Chaparral Apartments	Checking	59,985	59,985
Total New Mexico Bank & Trust		<u>\$ 64,485</u>	<u>\$ 64,485</u>
Petty Cash			<u>450</u>
Total Cash - June 30, 2012			<u><u>\$ 871,412</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF DEPOSITORY COLLATERAL
PUBLIC FUNDS
JUNE 30, 2012

Schedule II

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2012
Wells Fargo Bank, N.A.	FN AH1616 12/1/2025 3.00% CUSIP 3138A2VJ6	318,219
Wells Fargo Bank, N.A.	FN MA0976 2/1/2042 3.50% CUSIP 31418ACM8	<u>285,306</u>
Total pledged securities		<u>\$ 603,525</u>

The accompanying notes are an integral part of these financial statements

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COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE

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Griego Professional Services, LLC

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

We have audited the financial statements of the business-type activities, the aggregate remaining fund information, and the combining and individual funds and related budgetary comparisons presented as supplemental information of 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, 2012, and have issued our report thereon dated November 21, 2012. 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

Management of agency is responsible for establishing and maintaining effective 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 weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses identified as FS 2008-08.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tucumcari Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items FS 2010-02 and FS 2011-02.

Other auditors noted no other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Authority, the New Mexico Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

GRIEGO PROFESSIONAL SERVICES, LLC

A handwritten signature in cursive script that reads "Griego Professional Services, LLC".

Albuquerque, NM
November 21, 2012

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GPS Griego Professional Services, LLC

Certified Public Accountants

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

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

Compliance

We have audited Tucumcari Housing Authority's (the "Authority"), a Department of the City of Tucumcari, New Mexico, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Agency's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's 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. 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 Agency 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2007-01.

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Internal Control Over Compliance

Management of the Agency 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 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 deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items FA 2007-01. 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 of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Agency, the New Mexico State Legislature and its committees, and the New Mexico Department of Finance and Administration, the State Auditor, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
November 21, 2012

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Schedule III

Federal Grantor Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct funding from U.S. Department of Housing and Urban Development</i>		
Public and Indian Housing	14.850	\$ 273,687
Section 8 Housing Choice Vouchers (1)	14.871	390,498
Capital Fund Projects	14.872	<u>26,604</u>
Total Direct U.S. Department of Housing and Urban Development		\$ 690,789
<u>U.S. Department of Agriculture</u>		
Rural Rental Assistance Payments	10.427	97,291
Rural Rental Assistance Interest Subsidy (1)	10.415	<u>48,560</u>
Total Direct U.S. Department of Agriculture		\$ 145,851
Total Federal Financial Assistance		<u><u>\$ 836,640</u></u>

(1) Denotes Major Federal Financial Assistance Program

The accompanying notes are an integral part of these financial statements

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Tucumcari Housing Authority (the 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. Subrecipients

The Authority did not provide any federal awards to subrecipients 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 \$694,383 to FmHA at June 30, 2012.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$	836,640
Total expenditures funded by other sources		<u>347,451</u>
Total expenditures	\$	<u>1,184,091</u>

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule IV

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?	No
c. Noncompliance material to financial statements noted?	No

Federal Awards:

1. Internal control over major programs:	
a. Material weakness identified?	No
b. Significant deficiencies identified?	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
14.871	Section 8 Housing Choice Voucher Program
14.415	Rural Rental Assistance Interest Subsidy

5. Dollar threshold used to distinguish between type A and type B programs:	\$300,000
6. Auditee qualified as low-risk auditee?	No

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule IV

Section I – Financial Statement Findings

FS 2008-08: Deficiencies in Internal Control Structure Design, Operation, and Oversight (Material Weakness)

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.

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, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For fiscal year 2012 management and the body charged with governance had not updated the Authority's internal control procedures documentation in order 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. The Housing Authority should update their current procedures manual.

Responsible Official's Views: Staff size limits internal control- Tucumcari Housing Authority will be working with the City of Tucumcari CFO to ensure effective oversight of internal control and financial reporting processes are compliant as required by NMSA 1978 Section 6-6-3.

FS 2010-02: Stale Dated Checks and Voided Checks (Compliance)

Condition: The Authority is in violation of state statute regarding stale dated checks. In the Public Housing operating account, the Authority has 16 checks totaling \$1,974 at June 30, 2012 that are over one year old.

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.

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 appearing on the outstanding check listings.

Cause: The Authority does not have a procedure in place to properly track and handle stale dated items..

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.

Responsible Official's Views: Tucumcari Housing will verify through HUD and follow-through with procedure(s) to handle stale dated checks.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule IV

Section I – Financial Statement Findings

FS 2011-02 Late Audit Report (Compliance)

Condition: The Agency's audit report for the year ended June 30, 2012 was submitted to the State Auditor by the required due date, December 3, 2012, however, the report was rejected and had to be resubmitted at a date subsequent to the deadline.

Criteria: Audit reports rejected and not resubmitted before the due date are considered to be late submissions under 2.2.2.9.E of the State Audit Rule.

Effect: The result was the late submission of the Agency's audit report for the year ended June 30, 2012.

Cause: Due to a misclassification within the Schedule of Expenditures of Federal Awards the Agency's audit report was rejected and had to be resubmitted to the State Auditor after the December 3, 2012 deadline.

Auditors' Recommendations: The Agency and their auditor should ensure through thorough review that items are properly classified on financial statements.

Management's Response: The Housing Authority will thoroughly review all items on financial statements with Auditor to ensure that they are properly classified so that the audit is submitted before or by the due date.

Section II – Federal Award Findings and Questioned Costs

2007-11 — Lack of Adequate Internal Controls over Compliance (Significant Deficiency) (Repeated)

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, 2011 – June 30, 2012

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

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

Questioned Costs: None.

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

Cause: For fiscal year 2012 management and the body charged with governance had not updated the Authority's internal control procedures documentation in order to implement an adequate internal control structure.

STATE OF NEW MEXICO
TUCUMCARI HOUSING AUTHORITY
A DEPARTMENT OF CITY OF TUCUMCARI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule IV

Section II – Federal Award Findings and Questioned Costs (continued)

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. The Housing Authority should update their current procedures manual.

Responsible Official's Views: Tukumcari Housing Authority is and will increase working with City of Tukumcari CFO to ensure compliance of oversight of internal controls.

Section III – Prior Year Audit Findings

FS 2008-08 Deficiencies in Internal Control Structure, Design, Operation, and Oversight, Revised & Repeated
FS 2009-01 Preparation of Financial Statements (Significant Deficiency), Resolved
FS 2010-02 Stale Dated Checks and Voided Checks (Compliance), Revised & Repeated
FS 2011-01 Pledged Collateral – Cash Equivalents and Deposits (Other Matter), Resolved
FS 2011-02 Late Audit Report (Significant Deficiency), Revised and Repeated
FA 2007-11 Lack of Adequate Internal Controls Over Compliance, Repeated

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Authority's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 28, 2012. The following individuals were in attendance:

Tukumcari Housing Authority & City of Tukumcari Officials

Viki Riddle, Housing Authority Executive Director
Doug Powers, City Manager
Dennis Dysart, City Finance Director
Amiel Curnutt, Mayor
Daniel Lopez, Mayor Pro-Tem
Dora Salinas-McTigue, Commissioner
Jimmy Sandoval, Commissioner
Robert Lumpkin, Commissioner
Vicki Strand, Human Resources Director
Angelica Gray, City Clerk

Griego Professional Services, LLC

J.J. Griego, CPA, Partner
Benjamin Martinez, CPA

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OTHER SUPPLEMENTAL INFORMATION

Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
111 Cash - Unrestricted	\$ 489,883	\$ 134,033	\$ 33,394	\$ 657,310
112 Cash - Restricted - Modernization and Development	-	-	-	-
113 Cash - Other Restricted	-	118,805	59,985	178,790
114 Cash - Tenant Security Deposits	8,007	-	4,500	12,507
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-
100 Total Cash	\$ 497,890	\$ 252,838	\$ 97,879	\$ 848,607
121 Accounts Receivable - PHA Projects	\$ -	\$ -	\$ -	\$ -
122 Accounts Receivable - HUD Other Projects	-	-	-	-
124 Accounts Receivable - Other Government	-	-	7,438	7,438
125 Accounts Receivable - Miscellaneous	-	-	-	-
126 Accounts Receivable - Tenants	5,197	-	558	5,755
126.1 Allowance for Doubtful Accounts - Tenants	(520)	-	-	(520)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-
128 Fraud Recovery	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 4,677	\$ -	\$ 7,996	\$ 12,673
131 Investments - Unrestricted	\$ 22,804	\$ -	\$ -	\$ 22,804
132 Investments - Restricted	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-
142 Prepaid Expenses and Other Assets	4,806	-	-	4,806
143 Inventories	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-
144 Inter Program Due From	-	-	-	-
145 Assets Held for Sale	-	-	-	-
150 Total Current Assets	\$ 530,177	\$ 252,838	\$ 105,875	\$ 888,890
161 Land	\$ 68,890	\$ -	\$ 27,120	\$ 96,010
162 Buildings	2,151,414	-	940,412	3,091,826
163 Furniture, Equipment & Machinery - Dwellings	277,659	-	54,344	332,003
164 Furniture, Equipment & Machinery - Administration	161,494	-	-	161,494
165 Leasehold Improvements	1,193,780	-	-	1,193,780
166 Accumulated Depreciation	(2,048,015)	-	(299,638)	(2,347,653)
167 Construction in Progress	53,618	-	-	53,618
168 Infrastructure	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 1,858,840	\$ -	\$ 722,238	\$ 2,581,078

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

Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
171 Notes, Loans and Mortgages Receivable - Non-Current	\$ -	\$ -	\$ -	\$ -
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-
174 Other Assets	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-
180 Total Non-Current Assets	\$ 1,858,840	\$ -	\$ 722,238	\$ 2,581,078
190 Total Assets	\$ 2,389,017	\$ 252,838	\$ 828,113	\$ 3,469,968
311 Bank Overdraft	\$ -	\$ -	\$ -	\$ -
312 Accounts Payable <= 90 Days	10,543	-	2,755	13,298
313 Accounts Payable >90 Days Past Due	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	2,955	-	-	2,955
322 Accrued Compensated Absences - Current Portion	4,524	-	-	4,524
324 Accrued Contingency Liability	-	-	-	-
325 Accrued Interest Payable	-	-	1,017	1,017
331 Accounts Payable - HUD PHA Programs	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-
341 Tenant Security Deposits	8,007	-	4,444	12,451
342 Deferred Revenues	-	-	32	32
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	11,368	11,368
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-
345 Other Current Liabilities	-	-	-	-
346 Accrued Liabilities - Other	-	-	-	-
347 Inter Program - Due To	-	-	-	-
348 Loan Liability - Current	-	-	-	-
310 Total Current Liabilities	\$ 26,029	\$ -	\$ 19,616	\$ 45,645
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ -	\$ -	\$ 683,015	\$ 683,015
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-
353 Non-current Liabilities - Other	-	-	-	-
354 Accrued Compensated Absences - Non Current	-	-	-	-
355 Loan Liability - Non Current	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-
357 Accrued Pension and OPEB Liabilities	-	-	-	-
350 Total Non-Current Liabilities	\$ -	\$ -	\$ 683,015	\$ 683,015
300 Total Liabilities	\$ 26,029	\$ -	\$ 702,631	\$ 728,660
508.1 Invested in Capital Assets, Net of Related Debt	\$ 1,858,840	\$ -	\$ 27,855	\$ 1,886,695
509.2 Fund Balance Reserved	-	-	-	-
511.2 Unreserved, Designated Fund Balance	-	-	-	-
511.1 Restricted Net Assets	-	118,805	60,041	178,846
512.1 Unrestricted Net Assets	504,148	134,033	37,586	675,767
512.2 Unreserved, Undesignated Fund Balance	-	-	-	-
513 Total Equity/Net Assets	\$ 2,362,988	\$ 252,838	\$ 125,482	\$ 2,741,308
600 Total Liabilities and Equity/Net Assets	\$ 2,389,017	\$ 252,838	\$ 828,113	\$ 3,469,968

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

Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
70300 Net Tenant Rental Revenue	\$ 156,919	\$ -	\$ 14,547	\$ 171,466
70400 Tenant Revenue - Other	-	-	-	-
70500 Total Tenant Revenue	\$ 156,919	\$ -	\$ 14,547	\$ 171,466
70600 HUD PHA Operating Grants	\$ 369,438	\$ 539,542	\$ -	\$ 908,980
70610 Capital Grants	150,854	-	-	150,854
70710 Management Fee	-	-	-	-
70720 Asset Management Fee	-	-	-	-
70730 Book Keeping Fee	-	-	-	-
70740 Front Line Service Fee	-	-	-	-
70750 Other Fees	-	-	-	-
70700 Total Fee Revenue	\$ 520,292	\$ 539,542	\$ -	\$ 1,059,834
70800 Other Government Grants	\$ -	\$ -	\$ 145,991	\$ 145,991
71100 Investment Income - Unrestricted	103	112	-	215
71200 Mortgage Interest Income	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-
71400 Fraud Recovery	-	-	-	-
71500 Other Revenue	5,018	-	1,274	6,292
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-
72000 Investment Income - Restricted	-	-	-	-
70000 Total Revenue	\$ 682,332	\$ 539,654	\$ 161,812	\$ 1,383,798
91100 Administrative Salaries	\$ 45,464	\$ 30,800	\$ 8,835	\$ 85,099
91200 Auditing Fees	3,050	9,163	-	12,213
91300 Management Fee	-	-	12,938	12,938
91310 Book-keeping Fee	-	-	-	-
91400 Advertising and Marketing	302	-	417	719
91500 Employee Benefit contributions - Administrative	29,399	5,967	4,018	39,384
91600 Office Expenses	22,589	6,225	1,012	29,826
91700 Legal Expense	1,261	-	236	1,497
91800 Travel	-	853	618	1,471
91810 Allocated Overhead	-	-	-	-
91900 Other	-	6,435	3,337	9,772
91000 Total Operating - Administrative	\$ 102,065	\$ 59,443	\$ 31,411	\$ 192,919

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Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
92000 Asset Management Fee	\$ -	\$ -	\$ -	\$ -
92100 Tenant Services - Salaries	-	-	-	-
92200 Relocation Costs	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-
92400 Tenant Services - Other	-	-	-	-
92500 Total Tenant Services	\$ -	\$ -	\$ -	\$ -
93100 Water	\$ 37,746	\$ -	\$ 2,311	\$ 40,057
93200 Electricity	4,453	-	1,841	6,294
93300 Gas	33,777	-	-	33,777
93400 Fuel	-	-	-	-
93500 Labor	-	-	-	-
93600 Sewer	-	-	2,121	2,121
93700 Employee Benefit Contributions - Utilities	-	-	-	-
93800 Other Utilities Expense	-	-	-	-
93000 Total Utilities	\$ 75,976	\$ -	\$ 6,273	\$ 82,249
94100 Ordinary Maintenance and Operations - Labor	\$ 63,476	\$ -	\$ 9,421	\$ 72,897
94200 Ordinary Maintenance and Operations - Materials and Other	24,008	-	34,750	58,758
94300 Ordinary Maintenance and Operations Contracts	19,471	-	79,508	98,979
94500 Employee Benefit Contributions - Ordinary Maintenance	11,392	-	-	11,392
94000 Total Maintenance	\$ 118,347	\$ -	\$ 123,679	\$ 242,026
95100 Protective Services - Labor	\$ -	\$ -	\$ -	\$ -
95200 Protective Services - Other Contract Costs	-	-	-	-
95300 Protective Services - Other	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-
95000 Total Protective Services	\$ -	\$ -	\$ -	\$ -
96110 Property Insurance	\$ 28,344	\$ -	\$ -	\$ 28,344
96120 Liability Insurance	-	-	12	12
96130 Workmen's Compensation	-	-	471	471
96140 All Other Insurance	-	726	962	1,688
96100 Total insurance Premiums	\$ 28,344	\$ 726	\$ 1,445	\$ 30,515
96200 Other General Expenses	\$ 58,996	\$ 21,695	\$ -	\$ 80,691
96210 Compensated Absences	4,567	-	-	4,567
96300 Payments in Lieu of Taxes	-	-	-	-
96400 Bad debt - Tenant Rents	-	-	1,129	1,129
96500 Bad debt - Mortgages	-	-	-	-
96600 Bad debt - Other	-	-	-	-
96800 Severance Expense	-	-	-	-
96000 Total Other General Expenses	\$ 63,563	\$ 21,695	\$ 1,129	\$ 86,387

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

Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
96710 Interest of Mortgage (or Bonds) Payable	\$ -	\$ -	\$ -	\$ -
96720 Interest on Notes Payable (Short and Long Term)	-	-	61,050	61,050
96730 Amortization of Bond Issue Costs	-	-	-	-
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ 61,050	\$ 61,050
96900 Total Operating Expenses	\$ 388,295	\$ 81,864	\$ 224,987	\$ 695,146
97000 Excess of Operating Revenue over Operating Expenses	\$ 294,037	\$ 457,790	\$ (63,175)	\$ 688,652
97100 Extraordinary Maintenance	\$ -	\$ -	\$ -	\$ -
97200 Casualty Losses - Non-capitalized	-	-	-	-
97300 Housing Assistance Payments	-	370,764	-	370,764
97350 HAP Portability-In	-	-	-	-
97400 Depreciation Expense	98,405	-	28,076	126,481
97500 Fraud Losses	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-
90000 Total Expenses	\$ 486,700	\$ 452,628	\$ 253,063	\$ 1,192,391
10010 Operating Transfer In	\$ 86,162	\$ -	\$ -	\$ 86,162
10020 Operating transfer Out	(86,162)	-	-	(86,162)
10030 Operating Transfers from/to Primary Government	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-	-
10060 Proceeds from Property Sales	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-
10093 Transfers between Program and Project - In	150,854	-	-	150,854
10094 Transfers between Project and Program - Out	(150,854)	-	-	(150,854)
10100 Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 195,632	\$ 87,026	\$ (91,251)	\$ 191,407

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Housing Authority of the City of Tucumcari (NM033)
TUCUMCARI, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	Total
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ 10,419	\$ 10,419
11030 Beginning Equity	\$ 2,392,169	\$ 457,493	\$ 216,733	\$ 3,066,395
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(3,084)	3,580	-	496
11050 Changes in Compensated Absence Balance	-	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-	-
11170 Administrative Fee Equity	\$ -	\$ 134,033	\$ -	\$ 134,033
11180 Housing Assistance Payments Equity	\$ -	\$ 118,805	\$ -	\$ 118,805
11190 Unit Months Available	1,080	1,680	-	2,760
11210 Number of Unit Months Leased	1,044	1,141	-	2,185
11270 Excess Cash	\$ 468,157	\$ -	\$ -	\$ 468,157
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	\$ 1,391	\$ -	\$ -	\$ 1,391
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ -	\$ -	\$ -	\$ -
11650 Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -
11660 Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -
13510 CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -

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