

**STATE OF NEW MEXICO**

**RIO ARRIBA COUNTY HOUSING AUTHORITY**  
**A Component Unit of Rio Arriba County**  
**FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2009**

**(With Independent Auditor's Report Thereon)**

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County

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JUNE 30, 2009

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Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County

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STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Official Roster  
June 30, 2009

Board of Commissioners

Position

Elias Coriz,

Chairperson

Alfredo L. Montoya,

Vice-Chair

Felipe D. Martinez,

Member

Authority Personnel

Title

Angie Pacheco

Executive Director

Valerie Cebada

Office Manager

Lorenzo Valdez

County Manager



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Executive Director and Board of Commissioners  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
P.O. Box 310  
737 La Joya St.  
Española, NM 87532

We have audited the accompanying financial statements of the business-type activities of the Rio Arriba County Housing Authority (the "Authority"), a component unit of Rio Arriba County, New Mexico (the "County"), as of and for the year ended June 30, 2009, which collectively comprise the Rio Arriba County Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the year ended June 30, 2008 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rio Arriba County Housing Authority as of June 30, 2009, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for each of the enterprise funds for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant

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agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. -The accompanying financial information listed as supporting Schedule I in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule II for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Office of the State Auditor*

OFFICE OF THE STATE AUDITOR

November 16, 2009

State of New Mexico  
Rio Arriba County Housing Authority  
Proprietary Funds  
Statement of Net Assets  
For the year Ended June 30, 2009

	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 78,877	\$ 59,801	\$ -	\$ 138,678
Investments	45,310	-	-	45,310
Accounts receivable - net of allowance for doubtful accounts of \$21,567	18,978	-	-	18,978
Accrued interest receivable	639	-	-	639
Due from other funds	22,460	-	-	22,460
Prepaid expenses	8,999	-	-	8,999
Total Current Assets	<u>175,262</u>	<u>59,801</u>	<u>-</u>	<u>235,063</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	14,254	-	-	14,254
Capital Assets	5,547,843	-	-	5,547,843
Less Accumulated Depreciation	<u>(3,457,034)</u>	<u>-</u>	<u>-</u>	<u>(3,457,034)</u>
Total Noncurrent Assets	<u>2,105,063</u>	<u>-</u>	<u>-</u>	<u>2,105,063</u>
Total Assets	<u>2,280,325</u>	<u>59,801</u>	<u>-</u>	<u>2,340,126</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	7,357	-	-	7,357
Accrued payroll	2,198	75	-	2,273
Payroll Benefit Payable	5,813	-	-	5,813
Deferred revenue	-	9,203	-	9,203
Due to other funds	-	22,460	-	22,460
Compensated absences, current portion	4,505	348	-	4,854
Total Current Liabilities (payable from current assets)	<u>19,873</u>	<u>32,086</u>	<u>-</u>	<u>51,959</u>
Other current liabilities:				
Tenant deposits	4,717	-	-	4,717
Total other current liabilities (payable from restricted assets)	<u>4,717</u>	<u>-</u>	<u>-</u>	<u>4,717</u>
Noncurrent liabilities:				
Compensated absences, noncurrent portion	4,910	380	-	5,290
Total noncurrent liabilities	<u>4,910</u>	<u>380</u>	<u>-</u>	<u>5,290</u>
Total liabilities	<u>29,500</u>	<u>32,465</u>	<u>-</u>	<u>61,966</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,090,809	-	-	2,090,809
Restricted	9,415	27,335	-	36,750
Unrestricted	150,601	-	-	150,601
Total net assets	<u>\$ 2,250,825</u>	<u>\$ 27,335</u>	<u>\$ -</u>	<u>\$ 2,278,160</u>

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

State of New Mexico  
Rio Arriba County Housing Authority  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2009

Exhibit 2

	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
Operating revenues:				
Charges for services	\$ 72,672	\$ 875	\$ -	\$ 73,547
Other tenant revenue	4,380	-	-	4,380
Total operating revenues	<u>77,052</u>	<u>875</u>	<u>-</u>	<u>77,927</u>
Operating expenses:				
Personnel services	106,295	18,064	19,147	143,505
Contractual services	24,797	1,385	-	26,182
Supplies	3,094	402	-	3,497
Maintenance and materials	133,231	-	-	133,231
Utilities	25,008	-	-	25,008
Other expenses: phone	7,397	360	-	7,757
Other expenses: insurance	14,019	-	-	14,019
Bad debt expenses	16,036	-	-	16,036
Depreciation	205,180	-	-	205,180
Housing assistance payments	-	76,059	-	76,059
Other expenses: miscellaneous	3,878	1,202	-	5,080
Total operating expenses	<u>538,935</u>	<u>97,472</u>	<u>19,147</u>	<u>655,554</u>
Operating income/(loss)	<u>(461,884)</u>	<u>(96,597)</u>	<u>(19,147)</u>	<u>(577,627)</u>
Non-operating revenues (expenses):				
Operating grants	118,885	96,200	19,147	234,232
Interest income	2,315	396	-	2,711
Interest expense	-	-	-	-
Miscellaneous	60,193	-	-	60,193
Total non-operating revenues (expenses)	<u>181,393</u>	<u>96,597</u>	<u>19,147</u>	<u>297,137</u>
Income before capital contributions, extraordinary items and transfers	<u>(280,490)</u>	<u>-</u>	<u>-</u>	<u>(280,490)</u>
Capital contributions	-	-	61,107	61,107
Extraordinary items-Insurance reimbursement	54,943	-	-	54,943
Extraordinary items-Restoration of property damaged by fire	(45,528)	-	-	(45,528)
Transfers in	61,107	-	-	61,107
Transfers out	-	-	(61,107)	(61,107)
Change in net assets	<u>(209,969)</u>	<u>-</u>	<u>-</u>	<u>(209,969)</u>
Net assets - beginning as reported	2,460,794	46,642	-	2,507,436
Restatements	-	(19,307)	-	(19,307)
Restated beginning net assets	<u>2,460,794</u>	<u>27,335</u>	<u>-</u>	<u>2,488,129</u>
Net assets - ending	<u>\$ 2,250,825</u>	<u>\$ 27,335</u>	<u>\$ -</u>	<u>\$ 2,278,160</u>

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



State of New Mexico  
Rio Arriba County Housing Authority  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2009

Exhibit 3

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
<b>Cash flows from operating activities</b>				
Cash received from tenant charges	\$ 77,052	\$ 875	\$ -	\$ 77,927
Cash payments to employees for services	(113,666)	(15,209)	-	(128,875)
Cash payments to suppliers for goods and services	(195,656)	(77,483)	(19,147)	(292,286)
Net cash provided (used) by operating activities	(232,270)	(91,817)	(19,147)	(343,234)
<b>Cash flows from noncapital financing activities:</b>				
Operating grants received	118,885	96,200	19,147	234,232
Change in noncurrent accrued compensated absences	2,987	160	-	3,147
Miscellaneous income (expense)	60,193	-	-	60,193
Interfund loans and transfers	61,107	-	(61,107)	-
Net cash provided (used) by noncapital financing activities	243,172	96,360	(41,959)	297,572
<b>Cash flows from capital and related financing activities:</b>				
Capital grants received	-	-	61,106	61,106
Proceeds of insurance reimbursements	54,943	-	-	54,943
Restoration of property damaged by fire	(45,528)	-	-	(45,528)
Purchase of capital assets	(62,346)	-	-	(62,346)
Net cash provided by capital and related financing activities	(52,931)	-	61,106	8,175
<b>Cash flows from investing activities</b>				
Interest on investments	2,315	396	-	2,711
Net cash provided (used) by investing activities	2,315	396	-	2,711
Net (decrease) increase in cash	(39,714)	4,939	-	(34,775)
Cash balances-beginning of the period	178,156	54,862	-	233,018
Cash balances-end of the period	\$ 138,442	\$ 59,801	\$ -	\$ 198,243
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating (loss)	\$ (461,884)	\$ (96,597)	\$ (19,147)	\$ (577,628)
Adjustments to reconcile operating (loss) to net cash				
Depreciation expense	205,180	-	-	205,180
Change in assets and liabilities:				
Receivables	24,346	283	-	24,629
Prepaid expenses	(953)	-	-	(953)
Accounts payable	(2,340)	14,618	-	12,278
Accrued payroll expense	4,316	75	-	4,391
Current accrued compensated absences	(1,062)	(92)	-	(1,154)
Customer deposits	924	-	-	924
Deferred revenue	(798)	(10,104)	-	(10,902)
Net cash provided (used) by operating activities	\$ (232,270)	\$ (91,817)	\$ (19,147)	\$ (343,234)

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

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2009

**Note 1. Summary of Significant Accounting Policies**

The Housing Authority of Rio Arriba County (Authority) was established in 1978. The Housing Authority's office is located in Espanola, New Mexico. However, the housing units are located in Tierra Amarilla and Ojo Caliente, New Mexico. The governing body of the Authority consists of three elected members of the Rio Arriba County board of commissioners. The Authority manages two low rent public housing developments containing 53 total units and administers Housing and Urban Development's (HUD) Housing Choice Voucher Section 8 housing assistance program. Also, the Authority manages 50 unit apartments for the Truth or Consequences Housing Authority.

The primary goal of the Low Income 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 low income.

This summary of significant accounting policies of Authority is presented to assist in the understanding of Authority's financial statements. The financial statements and notes are the representation of Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements and enterprise funds, subject to this same limitation. The Authority elected not to follow subsequent private-sector guidance.

The Authority administers the following federal award programs reported in the following major proprietary funds. The HUD enabling legislation by which HUD authorizes the housing authority to expend funds in the three different programs is Federal Regulation CFR Title 24.

- Low Rent Public Housing Program - Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- Section 8 Housing Choice Vouchers Program - These programs, funded through direct grants from HUD, provide rental assistance to qualified recipients through rent subsidies paid directly to third-party property owners.
- Capital Fund Program – These programs, funded through direct grants from HUD, account for acquisition of capital assets or construction of capital projects.

The more significant accounting policies and procedures of the Authority are more fully described below.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2009

A. Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14 as amended by GASB 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of Authority and is generally available to its residents and participants. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a blended component unit of Rio Arriba County.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Fund net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

STATE OF NEW MEXICO  
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Notes to Financial Statements  
June 30, 2009

All of the authority's programs are accounted for as one business-type activity for financial reporting purposes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Authority's financial statements.

1. 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 Choice Vouchers Program, 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 Housing Choice Vouchers Program. Such contributions are reflected as operating grants revenue in the accompanying financial statements. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

1. Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by the United States of America. Local public finance officials may also place deposits with the State Treasurer's local government investment pool pursuant to Sections 6-10-10.1 and 6-10-36 NMSA 1978.

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June 30, 2009

2. Receivables and Payables

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

3. Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits (\$4,839) held as insurance against the non-payment for services rendered, are classified on the statement of net assets as restricted because their use is limited.

The Authority maintains a restricted cash account (\$9,415) for the purpose of funding future costs of the restoration of fire damage. This restricted resource is only used for this purpose and, accordingly net assets are also restricted by the amount of cash held in this account at fiscal year-end. The Authority experienced a fire at one of the apartments on November 14, 2008. The impairment of the apartment was temporary. The restoration was in progress as of June 30, 2009 and additional \$9,415 is to be used for the repair of the apartment.

4. Prepaid Items

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

5. Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$250 (amount not rounded) and an estimated useful life in excess of one year. The Authority continues to use its policy of \$250 capitalization. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are to be included in the financial statements. However, infrastructure assets have not been included in the June 30, 2009 financial statements of Rio Arriba County Housing Authority, since the Authority did not own any infrastructure assets as of June 30, 2009. Donated capital assets are recorded at estimated fair value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are

STATE OF NEW MEXICO  
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Notes to Financial Statements  
June 30, 2009

capitalized as projects are constructed. There was no interest related to the cost of construction that required capitalization.

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

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

#### 6. Accrued Expenses

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

#### 7. Compensated Absences

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

#### 8. Net Assets

The difference between a government's assets and its liabilities is its net assets. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Net assets invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

#### 9. Unrestricted and Restricted Revenues

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

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Notes to Financial Statements  
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10. Estimates

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

11. Interfund Transactions

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

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

A. Budgetary Information

The Executive Director annually obtains from HUD the approved operating budgets for each fiscal year which commences on July 1. The Authority's Commission is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures, at the legal level of budgetary control, which is at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation. Budgetary data for the Authority's programs are included as supplementary information.

B. Excess of Expenditures Over Budget

HUD prohibits expenditures in excess of total budgeted expenditures. For the year ended June 30, 2009, the Authority's actual expenditures exceeded budgeted expenditures in the following funds by the amounts indicated: the Section 8 Housing Choice Vouchers Program Fund by \$67,812, Low Rent Public Housing Program Fund by \$177,027 and Capital Funds Program by \$19,147. To address these violations the Authority has completed its conversion to a new accounting program and is working on entering data in a timely manner. This will facilitate the Authority being able to make any necessary budget revisions in a timely manner.

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**Note 3. Deposits and Investments**

Pursuant to Section 6-10-36 NMSA 1978, deposits of funds may be made in: (1) non interest bearing checking accounts within the geographical boundaries of the County, to the extent the deposits are insured by an agency of the United States of America, or (2) in interest bearing deposits in one or more banks or savings, loan associations, or credit unions within the geographical boundaries of the County, that have qualified as public depositories by reason of insurance of the account by an agency of the United States or by depositing collateral security or by giving bond as provided by law.

Section 6-10-17 of NMSA 1978, requires that 50% of the balance all deposits not insured by the FDIC, in banks or savings and loan associations must be collateralized by securities specified in Section 16-10-16 NMSA 1978. According to the statute, securities that are obligations of the state of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be accepted as security at market value.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, money market deposit accounts and interest bearing NOW accounts of a public unit in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for public unit demand deposits at the same institution until December 31, 2013. At that time, the FDIC insurance limit will return to \$100,000 for both categories of deposits unless the United States Congress changes.

As of June 30, 2009, the authority held checking account deposits of \$152,032 and cash equivalent investment consisting of certificate of deposit with original maturity of three months or less from the date of acquisition of \$11,105 at a different financial institution, totaling \$163,137, all covered by FDIC insurance. Reconciling items consisting of \$10,205 of outstanding checks resulted in \$152,932 of cash and cash equivalents per the accounting records and related financial statements.

At a different financial institution, the Authority held investment consisting of certificates of deposit with more than three months maturity totaling \$45,310 as of June 30, 2009. All the investments were covered by FDIC insurance at the end of the fiscal year.

**A. 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. Housing does not have a 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 2009, all of the Housing's bank deposits totaling \$208,447 were fully insured by the Federal Deposit Insurance Corporation (FDIC) and were not subject to custodial credit risk.



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B. Reconciliation to the Statement of Net Assets

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

Reconciliation to Statement of Net Assets

Cash and cash equivalents per Exhibit 1	\$ 138,678
Investments per Exhibit 1	45,310
Restricted cash and cash equivalents per Exhibit 1	14,254
	198,242
Add outstanding checks and other reconciling items	10,205
Bank balance of deposits	\$ 208,447

**NOTE 4    Receivables**

Receivables as of June 30, 2009 are as follows:

	Low Income Public Housing	Housing Choice Vouchers Program
Tenant Receivable	\$ 40,545	\$ -
Accrued interest	639	-
Other	-	-
Allowance for doubtful accounts	(21,567)	-
Total	\$ 19,617	\$ -

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**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

Description	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
<b>Business Type-Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 109,735	\$ -	\$ -	\$ 109,735
Total capital assets not being depreciated	109,735	-	-	109,735
<b>Capital assets being depreciated:</b>				
Buildings	4,015,029	56,620	-	4,071,649
Buildings and improvements	1,232,008	1,563	-	1,233,571
Machinery and equipment	128,725	4,162	-	132,887
Totals capital assets being depreciated	5,375,762	62,345	-	5,438,107
<b>Less: Accumulated depreciation:</b>				
Buildings	2,543,211	150,581	-	2,693,791
Buildings and improvements	631,243	37,391	-	668,634
Machinery and equipment	77,399	17,209	-	94,608
Total accumulated depreciation	3,251,853	205,181	-	3,457,034
Total capital assets, net of depreciation	<u>\$ 2,233,644</u>	<u>\$ (142,836)</u>	<u>\$ -</u>	<u>\$ 2,090,808</u>

**Note 6. Contingent Liabilities**

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

There are two matters of litigation. They are interrelated. The first matter is the federal lawsuit filed by a tenant (husband and wife) against the Authority, Executive Director and the apartment unit Manager. The nature of this litigation is a claim by the plaintiff that their civil rights were

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violated. The progress of the case has been limited. No discovery has taken place. The second matter arises out of the eviction proceedings. After the Authority prevailed at the state magistrate court level on the eviction of the plaintiffs, the plaintiffs took an appeal to State District Court. Contained in that same appeal is a counter-claim against the Authority by the plaintiffs. The counter-claim alleges the same things alleged in the federal court. The progress of the appeal is that the Court will set a trial date for a hearing in December 2009.

A complaint was filed with HUD on July 20, 2009 alleging that the complainants were injured by a discriminatory act. The complainants have also alleged violations of Title IV of the 1964 Civil Rights Act of 1968 as amended by the Fair Housing Act of 1988. Based on the evidence obtained during the investigation, HUD has determined that no reasonable cause exists to believe that a discriminatory housing practice has occurred. Accordingly, HUD has completed its administrative processing of this complaint under the Act, and the complaint is hereby dismissed as of October 29, 2009.

Information available prior to issuance of financial statements does not indicate that it is probable that an assets had been impaired or a liability had been incurred at the date of the financial statements and the amount of loss can not be reasonably estimated.

**Note 7. Risk Management**

Rio Arriba County 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. 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 to the risk pool.

**Note 8. PERA Pension Plan**

Plan Description: All employees of the Authority who do not meet the criteria for exclusion participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, 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

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information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy: The Authority's plan members are covered under the Municipal Plan II. Under Plan II, members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% for all plan members. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ended June 30, 2009, 2008 and 2007 were \$10,633, \$10,101 and \$6,108 equal to the amount of the required contributions for the year.

**Note 9. Post-Employment Benefits – Retiree Health Care Plan**

The Authority has not elected to participate in New Mexico Public Employee Health Care Act plan and there are no required contributions for fiscal year ending June 30, 2009.

**Note 10. Concentrations**

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

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**Note 11. Interfund Balances and Transfers**

The interfund balances due to/from other funds are expected to be paid within one year by the named fund. The balances are due to payroll and certain other operating expenses which were paid by the Low Income Public Housing. The composition of interfund balances as of June 30, 2009 is as follows:

Interfund Balances:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Low Income Public Housing Program	\$ 22,460	\$ -
Housing Choice Vouchers Program	-	22,460
Total	<u>\$ 22,460</u>	<u>\$ 22,460</u>

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

Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Income Public Housing Program	\$ 61,107	\$ -
Capital Fund Program	-	61,107
Total	<u>\$ 61,107</u>	<u>\$ 61,107</u>

**Note 12. Compensated Absences**

The following summarizes changes in compensated absences during the fiscal year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 8,150	\$ 6,467	\$ 4,473	\$ 10,144	\$ 4,854
Total	<u>\$ 8,150</u>	<u>\$ 6,467</u>	<u>\$ 4,473</u>	<u>\$ 10,144</u>	<u>\$ 4,854</u>

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**Note 13. Restatement of Net Assets**

The net assets were restated due to an error that occurred in the prior year in the transactions of deferred revenue in the Section 8 Choice Vouchers Program as follows:

	Balance
Beginning net assets	
Section 8 Housing Choice Vouchers Program	\$ 46,642
Restatement of net assets to deferred revenue	(19,307)
Beginning net assets restated	\$ 27,335

**Note 14. Deferred Revenue**

Accounting principles generally accepted in the United States of America require that grant revenue recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as deferred revenues. Deferred revenue consists of \$9,203 of the Section 8 Choice Vouchers Program grants as of June 30, 2009.

**Note 15. Temporary Impairment and Insurance Recoveries Due to Fire Damage**

A fire occurred in one of the Authority's apartments damaging the interior of the apartment on November 14, 2008. The structure of the apartment was not damaged; therefore, restoration of the apartment will not extend the useful life of the apartment. The estimated restoration costs were \$54,943 and the associated insurance recovery was \$54,943. The incident and the insurance recovery occurred in the same year. The carrying amount of the impaired capital assets is \$17,750. As of June 30, 2009, \$45,528 was used for the restoration and the remaining balance of \$9,415 will be used for completion of the restoration. The proceeds of insurance reimbursements and the restoration of the property damaged by the fire are classified as extraordinary items. The Authority determined this impairment of the apartment is temporary impairment. The Authority is planning to lease the apartment as soon as the restoration is completed. Fourteen vacancies out of 53 total apartment units and limited restoration time produced no change in service utility and the useful life remained unchanged because fire damage was limited to the interior of the apartment unit.

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Low Rent Public Housing Program Fund  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

Statement 1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Charges for Services	\$ -	\$ -	\$ 77,052	\$ 77,052
Total operating revenues	-	-	77,052	77,052
Operating expenses:				
Personnel services	94,662	94,662	106,295	(11,633)
Contractual services	3,600	3,600	24,797	(21,197)
Supplies	13,140	13,140	3,094	10,046
Maintenance and materials	9,600	9,600	133,231	(123,631)
Utilities	13,760	13,760	32,405	(18,645)
Collection loss	-	-	16,036	(16,036)
Housing assistance payments	-	-	-	-
Miscellaneous	21,966	21,966	17,897	4,069
Total operating expenses	156,728	156,728	333,755	(177,027)
Operating Income (Loss)	(156,728)	(156,728)	(256,703)	(99,975)
Non-operating revenues (expenses):				
Operating grants	-	-	118,885	118,885
Interest income	-	-	2,315	2,315
Interest expense	-	-	-	-
Miscellaneous	-	-	60,193	60,193
Total non-operating revenues (expenses)	-	-	181,393	181,393
Capital grants	-	-	-	-
Extraordinary items-Insurance reimbursemen	-	-	54,943	54,943
Extraordinary items-Restoration of property damaged by fire	-	-	(45,528)	(45,528)
Designated cash	156,728	156,728	-	(156,728)
Transfers in	-	-	61,107	61,107
Transfers (out)	-	-	-	-
Capital grants and net transfers	156,728	156,728	70,522	(86,206)
Change in net assets before GAAP adjustments	\$ -	\$ -	(4,788)	\$ (4,788)
Expenses not budgeted				
Depreciation			(205,180)	
Change in fund net assets as reported in statement of revenues, expenses and changes in fund net assets			\$ (209,968)	

The notes to the financial statements are an integral part of these statements.

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Rio Arriba County Housing Authority  
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Capital Fund Program  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

Statement 2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-
Operating expenses:				
Personnel services	-	-	19,147	(19,147)
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Collection loss	-	-	-	-
Housing assistance payments	-	-	-	-
Miscellaneous	-	-	-	-
Total operating expenses	-	-	19,147	(19,147)
Operating Income (Loss)	-	-	(19,147)	(19,147)
Non-operating revenues (expenses):				
Operating grants	-	-	19,147	19,147
Interest income	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous	-	-	-	-
Total non-operating revenues (expenses)	-	-	19,147	19,147
Capital grants	-	-	61,107	61,107
Proceeds of insurance reimbursements for the fire damage on property	-	-	-	-
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(61,107)	(61,107)
Capital grants and net transfers	-	-	-	-
Change in net assets before GAAP adjustments	-	-	-	-
Expenses not budgeted				
Depreciation			-	
Change in fund net assets as reported in statement of revenues, expenses and changes in fund net assets			\$ -	

The notes to the financial statements are an integral part of these statements.



STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Section 8 Housing Program Fund  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2009

Statement 3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Charges for Services	\$ -	\$ -	\$ 875	\$ 875
Total operating revenues	<u>-</u>	<u>-</u>	<u>875</u>	<u>875</u>
Operating expenses:				
Personnel services	25,590	25,590	18,064	7,526
Contractual services	-	-	1,385	(1,385)
Supplies	-	-	402	(402)
Maintenance and materials	-	-	-	-
Utilities	-	-	360	(360)
Collection loss	-	-	-	-
Housing assistance payments	-	-	76,059	(76,059)
Miscellaneous	4,070	4,070	1,202	2,868
Total operating expenses	<u>29,660</u>	<u>29,660</u>	<u>97,472</u>	<u>(67,812)</u>
Operating Income (Loss)	<u>(29,660)</u>	<u>(29,660)</u>	<u>(96,597)</u>	<u>(66,937)</u>
Non-operating revenues (expenses):				
Operating grants	-	-	96,201	96,201
Investment income	-	-	396	396
Interest expense	-	-	-	-
Miscellaneous	-	-	-	-
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>96,597</u>	<u>96,597</u>
Capital grants	-	-	-	-
Proceeds of insurance reimbursements for the fire damage on property	-	-	-	-
Designated cash	29,660	29,660	-	29,660
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Capital grants and net transfers	<u>29,660</u>	<u>29,660</u>	<u>-</u>	<u>29,660</u>
Change in net assets before GAAP adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Expenses not budgeted				
Depreciation			-	
Change in fund net assets as reported in statement of revenues, expenses and changes in fund net assets			<u>\$ -</u>	

The notes to the financial statements are an integral part of these statements.

STATE OF NEW MEXICO  
 Rio Arriba County Housing Authority  
 A Component Unit of Rio Arriba County  
 Schedule of Deposit and Investment Accounts  
 June 30, 2009

<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Deposit in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
<b>Valley National Bank</b>					
<b>Checking Accounts</b>					
Low Income	\$ 86,252	\$ -	\$ 9,065	\$ -	\$ 77,187
Section 8	60,830	-	1,029	-	59,801
Security Deposit Fund	4,950	-	110	-	4,840
Subtotal Valley National Bank	<u>152,031</u>	<u>-</u>	<u>10,204</u>	<u>-</u>	<u>141,827</u>
<b>Century Bank</b>					
CD-Cash Equivalent	11,105	-	-	-	11,105
CD-Investment	11,266	-	-	-	11,266
CD-Investment	34,044	-	-	-	34,044
Subtotal Century Bank	<u>56,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,415</u>
<b>Total Deposits and Investments- June 30, 2009</b>	<u><u>\$ 208,446</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,204</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 198,242</u></u>
<b>Shown on Statement of Net Assets as:</b>					
Cash and cash equivalents					\$ 138,678
Investments					45,310
Restricted cash and cash equivalents					<u>14,254</u>
<b>Total Deposits and Investments - June 30, 2009</b>					<u><u>\$ 198,242</u></u>

See accompanying independent auditor's report.

State of New Mexico  
Rio Arriba County Housing Authority  
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Financial Data Schedule  
June 30, 2009

Schedule II

		Low Rent Public Housing 14.850	Housing Choice Vouchers 14.871	Public Housing Capital Fund 14.872	Total
<b>ASSETS</b>					
111	Cash-unrestricted	\$ 78,877	\$ 59,801	\$ -	\$ 138,678
112	Cash-restricted-restoration, modernization and development	9,415	-	-	9,415
113	Cash-other restricted	-	-	-	-
114	Cash-tenant security deposits	4,840	-	-	4,840
115	Cash - Restricted for payment of current liability	-	-	-	-
100	<b>Total Cash</b>	<u>93,131</u>	<u>59,801</u>	<u>-</u>	<u>152,932</u>
121	Accounts receivable - PHA projects	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-
124	Account receivable - other government	-	-	-	-
125	Account receivable - miscellaneous	5,006	-	-	5,006
126	Accounts receivable - tenants	35,539	-	-	35,539
126.1	Allowance for doubtful accounts - tenants	(21,567)	-	-	(21,567)
126.2	Allowance for doubtful accounts - other	-	-	-	-
128	Fraud recovery	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-
129	Accrued interest receivable	639	-	-	639
120	<b>Total receivables, net of allowance for doubtful accounts</b>	<u>19,617</u>	<u>-</u>	<u>-</u>	<u>19,617</u>
131	Investments - unrestricted	45,310	-	-	45,310
132	Investments - restricted	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-
142	Prepaid expenses and other assets	8,999	-	-	8,999
143	Inventories	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-
144	Inter program - due from	22,460	-	-	22,460
145	Assets held for sale	-	-	-	-
150	<b>Total Current Assets</b>	<u>189,516</u>	<u>59,801</u>	<u>-</u>	<u>249,317</u>
161	Land	109,735	-	-	109,735
162	Buildings	4,071,649	-	-	4,071,649
163	Furniture, equipment and machinery - dwellings	45,980	-	-	45,980
164	Furniture, equipment and machinery - administration	86,907	-	-	86,907
165	Leasehold improvements	1,233,571	-	-	1,233,571
166	Accumulated depreciation	(3,457,034)	-	-	(3,457,034)
167	Construction in progress	-	-	-	-
168	Infrastructure	-	-	-	-
160	<b>Total capital assets, net of accumulated depreciation</b>	<u>2,090,809</u>	<u>-</u>	<u>-</u>	<u>2,090,809</u>
180	<b>Total Non-current Assets</b>	<u>2,090,809</u>	<u>-</u>	<u>-</u>	<u>2,090,809</u>
190	<b>Total Assets</b>	<u>\$ 2,280,325</u>	<u>\$ 59,801</u>	<u>\$ -</u>	<u>\$ 2,340,126</u>

See accompanying independent auditors' report.

State of New Mexico  
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Financial Data Schedule  
June 30, 2009

Schedule II

	Low Rent Public Housing 14.850	Housing Choice Vouchers 14.871	Public Housing Capital Fund 14.872	Total	
<b>LIABILITIES AND EQUITY/NET ASSETS</b>					
312	Accounts payable <= 90 days	\$ 7,357	\$ -	\$ -	\$ 7,357
313	Accounts payable > 90 days past due	-	-	-	-
321	Accrued wage/payroll taxes payable	8,011	75	-	8,086
322	Accrued compensated absences - current portion	4,505	348	-	4,854
324	Accrued contingency liability	-	-	-	-
325	Accrued interest payable	-	-	-	-
331	Accounts payable - HUD PHA Programs	-	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-
333	Accounts payable - other government	-	-	-	-
341	Tenant security deposits	4,717	-	-	4,717
342	Deferred revenue	-	9,202	-	9,202
343	revenue bonds	-	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-
345	Other current liabilities	-	-	-	-
346	Accrued liabilities - other	-	-	-	-
347	Inter program - due to	-	22,460	-	22,460
348	Loan liability - current	-	-	-	-
310	<b>Total Current Liabilities</b>	<u>24,590</u>	<u>32,086</u>	<u>-</u>	<u>56,676</u>
351	Long-term debt, net of current - capital projects/mortgage	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-
353	Non-current liabilities - other	-	-	-	-
354	Accrued compensated absences- Non-current	4,910	380	-	5,290
350	<b>Total Non-current liabilities</b>	<u>4,910</u>	<u>380</u>	<u>-</u>	<u>5,290</u>
300	<b>Total Liabilities</b>	<u>29,500</u>	<u>32,465</u>	<u>-</u>	<u>61,966</u>
508.1	Invested in capital assets, net of related debt	2,090,809	-	-	2,090,809
511.1	Restricted Net Assets	9,415	27,335	-	36,750
512.1	Unrestricted Net Assets	150,601	-	-	150,601
513	<b>Total Equity/Net Assets</b>	<u>2,250,825</u>	<u>27,335</u>	<u>-</u>	<u>2,278,160</u>
600	<b>Total Liabilities and Equity/Net assets</b>	<u>\$ 2,280,325</u>	<u>\$ 59,801</u>	<u>\$ -</u>	<u>\$ 2,340,126</u>

See accompanying independent auditors' report.

State of New Mexico  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Financial Data Schedule  
June 30, 2009

Schedule II

	Low Rent Public Housing 14.850	Housing Choice Vouchers 14.871	Public Housing Capital Fund 14.872	Total	
<b>REVENUE</b>					
703	Net tenant rental revenue	\$ 72,672	\$ -	\$ -	\$ 72,672
704	Tenant revenue - other	-	-	-	-
705	Total Tenant Revenue	<u>72,672</u>	<u>-</u>	<u>-</u>	<u>72,672</u>
706	HUD PHA operating grants	118,885	96,200	19,147	234,233
706.1	Capital grants	-	-	61,106	61,106
711	Investment income - unrestricted	2,315	130	-	2,445
715	Other revenue	64,573	875	-	65,448
716	Gain or loss on sale of capital assets	-	-	-	-
720	Investment income - restricted	-	266	-	266
700	Total Revenue	<u>258,445</u>	<u>97,472</u>	<u>80,254</u>	<u>436,171</u>
<b>EXPENSES</b>					
911	Administrative salaries	85,800	11,881	19,147	116,828
913.1	Book-Keeping Fee	19,199	1,245	-	20,444
915	Employee benefit contributions - administrative	17,042	2,518	-	19,560
916	Office Expenses	19,799	2,104	-	21,904
917	Legal Expense	180	-	-	180
918	Travel	2,539	1,795	-	4,334
919	Other	914	1,870	-	2,784
931	Water	10,155	-	-	10,155
932	Electricity	4,843	-	-	4,843
933	Gas	3,744	-	-	3,744
938	Other utilities expense	6,255	-	-	6,255
941	Ordinary maintenance and operations - labor	88,741	-	-	88,741
942	Ordinary maintenance and operations - materials and other	11,789	-	-	11,789
943	Ordinary maintenance and operations contracts	18,301	-	-	18,301
945	Employee benefit contribution - ordinary maintenance	14,401	-	-	14,401
961	Insurance premiums	14,019	-	-	14,019
964	Bad debt - tenant rents	16,036	-	-	16,036
969	Total Operating Expenses	<u>333,755</u>	<u>21,413</u>	<u>19,147</u>	<u>374,315</u>
970	Excess Revenue Over Operating Expenses	<u>(75,310)</u>	<u>76,059</u>	<u>61,107</u>	<u>61,856</u>
973	Housing assistance payments	-	76,059	-	76,059
974	Depreciation expense	205,180	-	-	205,180
900	Total Expenses	<u>538,935</u>	<u>97,472</u>	<u>19,147</u>	<u>655,554</u>
1001	Operating transfer in	61,107	-	-	61,107
1002	Operating transfer out	-	-	(61,107)	(61,107)
1007	Extraordinary items-Proceeds of insurance reimbursements	54,943	-	-	54,943
1007	Extraordinary items-Restoration of property damaged by fire	<u>(45,528)</u>	<u>-</u>	<u>-</u>	<u>(45,528)</u>
1010	Total transfers and extraordinary items	70,522	-	(61,107)	9,415
1000	Excess (Deficiency) of Revenue Over (Under) Expenses	<u>(209,969)</u>	<u>-</u>	<u>-</u>	<u>(209,969)</u>
11020	Required Annual Debt Principal Payments				
11030	Beginning equity as reported	2,460,794	46,642	-	2,507,436
	Restatements	-	(19,307)	-	(19,307)
	Restated Beginning Net assets	<u>2,460,794</u>	<u>27,335</u>	<u>-</u>	<u>2,488,129</u>
	Ending equity	<u>\$ 2,250,825</u>	<u>\$ 27,335</u>	<u>\$ -</u>	<u>\$ 2,278,160</u>

See accompanying independent auditors' report.



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

**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***

Executive Director and Board of Commissioners  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
P.O. Box 310  
737 La Joya St.  
Española, NM 87532

We have audited the financial statements of the business-type activities of the Rio Arriba County Housing Authority (the "Authority"), a component unit of Rio Arriba County, New Mexico (the "County"), as of and for the year ended June 30, 2009, which collectively comprise the Rio Arriba County Housing Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated November 16, 2009. We have also audited the budgetary comparisons for the year ended June 30, 2009 listed as supplementary information in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of

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control deficiencies, that adversely affects Rio Arriba County Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Rio Arriba County Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Finding FS 07-05

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However of the significant deficiencies described above, we consider none to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item FS 04-12.

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

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

Office of the State Auditor  
OFFICE OF THE STATE AUDITOR  
November, 16, 2009

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Schedule of Findings and Responses  
June 30, 2009

Status of Prior Year Audit Findings

FS 04-12—Expenditures in Excess of Budget (repeated and modified)  
FS 07-05—Segregation of duties in cash management-control (repeated and modified)  
FS 07-07—Preparation of Financial Statements – significant (resolved)

Current Year Audit Findings

FS 04-12 -- Expenditures in Excess of Budget

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

	<u>Amount</u>
Housing Choice Vouchers Fund	\$ 67,812
Capital Fund Program	\$ 19,147
Low Rent Public Housing Program	\$ 177,027

Criteria: All Housing funds are to be budgeted by the local governing body and submitted to the county board of commissioners for approval. Once adopted, any expenditure in excess of budget is a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Cause: The budget was not effectively monitored or adjusted prior to being over expended.

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

Auditors' Recommendation: We recommend the Authority monitor the budget and adjust it when necessary.

Management's Response: We had set up a budget for CFP 2009 and Stimulus 2009 and had expenses that were not allowed by HUD. We had to take the expenses and apply them towards our low rent operating account. We overspent in our Section 8 for additional training and staff to help cover during the medical absences for the Executive Director. We should have revised our budget to accommodate the over expenses. We had difficulties due to conversion to a new accounting program and trying to enter the data in a timely manner. We have completed the conversion and have resolved the issue for this fiscal year.



STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Schedule of Findings and Responses  
June 30, 2009

FS 07-05 – Segregation of Duties in Cash Management Control (Housing Authority)

Condition: In reviewing the internal controls over the bank accounts, a lack of proper segregation of duties was found in the area of cash receipts and disbursements.

- The same Housing Authority employee processes deposits, controls the blank check stock, processes payments for expenditures, prints the checks, posts the accounting activities to Quickbooks accounting software, receives and reconciles the bank accounts statements.

Criteria: Appropriate segregation of duties for bank accounts, cash receipts and payroll processing is required to maintain proper and sufficient internal controls and properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

Cause: Due to limited resources, the Housing Authority relies on one individual to perform many accounting duties.

Effect: Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and errors in the area of cash transactions which may not be detected timely.

Auditor's Recommendation: It is recommended that certain segregations are absolutely necessary to ensure that minimal internal controls are in place to prevent a breakdown in internal controls and prevention of fraudulent activities. The individual who controls bank check stock, makes deposits, processes bill payments, and posts to the general ledger should not be reconciling bank accounts or signing checks. We recommend that the duties be better segregated to ensure that any errors or irregularities in the bank accounts can be identified by someone other than the person performing the duties described above under the condition.

Management response: The bank reconciliation will be done by the fee accountant. The financial manager will not sign any checks they will be signed by the Executive Director and a board member.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Exit Conference  
June 30, 2009

Financial Statement Preparation

The accompanying financial statements and footnotes for inclusion in the annual audit report were prepared by the Rio Arriba County Housing Authority with the assistance of auditors. However, the contents remain the responsibility of Rio Arriba County Housing Authority.

Exit Conference

The contents of this report were discussed on November 16, 2009. The following individuals were in attendance.

Rio Arriba County Housing Authority Officials

Elias Coriz, Board Chairman  
Lorenzo Valdez, County Manager  
Tomas Campos, Assistant County Manager  
Livia Olguin, County Treasurer  
Melody Gomez, Treasurer Accountant  
Lorrie Leyba, Housing Coordinator  
Christine Montano, County Finance Director  
Guadalupe Mercure, Assistant Finance Director

Auditors

Carla Martinez, Deputy State Auditor, CPA  
James Chadburn, Audit Manager, CPA  
Chan Kim, Audit Manager, CPA  
Andrew Gallegos, Senior Auditor