

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
RIO ARRIBA COUNTY HOUSING AUTHORITY
A COMPONENT UNIT OF
RIO ARRIBA COUNTY, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012



**STATE OF NEW MEXICO
RIO ARRIBA COUNTY HOUSING AUTHORITY**

**A COMPONENT UNIT OF
RIO ARRIBA COUNTY, 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
 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, 2012

Board of Directors

Chairman	Felipe D. Martinez
Vice Chairman	Alfredo L. Montoya
Member	Barney Trujillo

Administrative Officials

Executive Director	Lorrie A.V. Leyba
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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Chairman and Board Members
Rio Arriba County Housing Authority
Rio Arriba County, New Mexico

We have audited the accompanying financial statements of the business-type activities of 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, 2012, which collectively comprise the Authority's basic financial statements 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 Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of the County as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2012, and the respective change in financial position, and cash flows thereof, for the year then ended 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 October 30, 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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
October 30, 2012

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	\$ 147,560	\$ 24,588	\$ -	\$ 172,148
Investments	46,993	-	-	46,993
Accounts receivable - tenants, net of allowance for doubtful accounts of \$7,548	14,158	809	-	14,967
Accounts receivable - grants	11,608	-	-	11,608
Accounts receivable - other	133	-	-	133
Accrued interest receivable	130	-	-	130
Due from other funds	949	-	-	949
Prepaid expenses	9,797	-	-	9,797
<i>Total current assets</i>	<u>231,328</u>	<u>25,397</u>	<u>-</u>	<u>256,725</u>
<i>Noncurrent Assets</i>				
Restricted cash and cash equivalents	6,438	30,197	-	36,635
Capital assets	5,573,706	-	-	5,573,706
Accumulated depreciation	(3,963,516)	-	-	(3,963,516)
<i>Total assets</i>	<u>\$ 1,847,956</u>	<u>\$ 55,594</u>	<u>\$ -</u>	<u>\$ 1,903,550</u>
LIABILITIES AND NET ASSETS				
<i>Current liabilities</i>				
Accounts payable	\$ 15,516	\$ 159	\$ -	\$ 15,675
Accrued payroll	4,111	-	-	4,111
Deferred revenue	54,202	-	-	54,202
Compensated absences	8,603	631	-	9,234
Due to other funds	-	949	-	949
<i>Total current liabilities</i>	<u>82,432</u>	<u>1,739</u>	<u>-</u>	<u>84,171</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	6,438	-	-	6,438
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,438</u>	<u>-</u>	<u>-</u>	<u>6,438</u>
<i>Non-current liabilities</i>				
Compensated absences	4,302	315	-	4,617
<i>Total non-current liabilities</i>	<u>4,302</u>	<u>315</u>	<u>-</u>	<u>4,617</u>
<i>Total liabilities</i>	<u>93,172</u>	<u>2,054</u>	<u>-</u>	<u>95,226</u>
<i>Net assets</i>				
Invested in capital assets	1,610,190	-	-	1,610,190
Restricted	-	30,197	-	30,197
Unrestricted	144,594	23,343	-	167,937
<i>Total net assets</i>	<u>1,754,784</u>	<u>53,540</u>	<u>-</u>	<u>1,808,324</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,847,956</u>	<u>\$ 55,594</u>	<u>\$ -</u>	<u>\$ 1,903,550</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended June 30, 2012

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<i>Operating revenues</i>				
Tenant rents	\$ 76,049	\$ 6,274	\$ -	\$ 82,323
Operating grants	96,834	141,551	2,138	240,523
Other tenant revenue	4,798	678	-	5,476
<i>Total operating revenues</i>	<u>177,681</u>	<u>148,503</u>	<u>2,138</u>	<u>328,322</u>
<i>Operating expenses</i>				
Personnel services	45,166	9,757	942	55,865
Contractual services	20,978	159	-	21,137
General and administrative:				
Supplies	2,196	704	-	2,900
Phone	4,896	-	-	4,896
Insurance	15,785	-	-	15,785
Bad Debt	7,548	-	-	7,548
Maintenance and materials	91,468	-	1,196	92,664
Utilities	22,229	-	-	22,229
Depreciation	189,161	-	-	189,161
Housing assistance payments	-	124,042	-	124,042
Miscellaneous	2,447	-	-	2,447
<i>Total operating expenses</i>	<u>401,874</u>	<u>134,662</u>	<u>2,138</u>	<u>538,674</u>
<i>Operating income (loss)</i>	<u>(224,193)</u>	<u>13,841</u>	<u>-</u>	<u>(210,352)</u>
<i>Non-operating revenues (expenses)</i>				
Capital grants	-	-	30,577	30,577
Interest income	501	96	-	597
Miscellaneous income - management contract	61,031	-	-	61,031
<i>Total non-operating revenues (expenses)</i>	<u>61,532</u>	<u>96</u>	<u>30,577</u>	<u>92,205</u>
<i>Change in net assets</i>	<u>(162,661)</u>	<u>13,937</u>	<u>30,577</u>	<u>(118,147)</u>
<i>Total net assets - beginning of year</i>	1,886,868	39,603	-	1,926,471
<i>Equity transfer in (out)</i>	<u>30,577</u>	<u>-</u>	<u>(30,577)</u>	<u>-</u>
<i>Total net assets - end of year</i>	<u>\$ 1,754,784</u>	<u>\$ 53,540</u>	<u>\$ -</u>	<u>\$ 1,808,324</u>

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
Statement of Cash Flows
For the Year Ended June 30, 2012

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<i>Cash flows from operating activities:</i>				
Cash received from tenant rents	\$ 151,295	\$ 8,078	\$ -	\$ 159,373
Cash received from operating grants	96,834	95,195	2,138	194,167
Cash payments to employees for services	(45,305)	(9,726)	(942)	(55,973)
Cash payments to suppliers for goods and services	(167,726)	(78,390)	(1,196)	(247,312)
<i>Net cash provided (used) by operating activities</i>	<u>35,098</u>	<u>15,157</u>	<u>-</u>	<u>50,255</u>
<i>Cash flows from noncapital financing activities:</i>				
Miscellaneous income	61,031	-	-	61,031
Transfers	(800)	800	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>60,231</u>	<u>800</u>	<u>-</u>	<u>61,031</u>
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	18,969	-	-	18,969
Acquisition of capital assets	(18,969)	-	-	(18,969)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash flows from investing activities:</i>				
Investment purchases	(46,615)	-	-	(46,615)
Interest on investments	601	97	-	698
<i>Net cash provided (used) by from investing activities</i>	<u>(46,014)</u>	<u>97</u>	<u>-</u>	<u>(45,917)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	49,315	16,054	-	65,369
<i>Cash and cash equivalents - beginning of year</i>	<u>104,683</u>	<u>38,731</u>	<u>-</u>	<u>143,414</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 153,998</u>	<u>\$ 54,785</u>	<u>\$ -</u>	<u>\$ 208,783</u>

The accompanying notes are an integral part of these financial statements

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (224,193)	\$ 13,841	\$ -	\$ (210,352)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	189,161	-	-	189,161
Changes in assets and liabilities				
Accounts receivables	14,188	1,126	-	15,314
Prepaid expenses	(311)	-	-	(311)
Accounts payable	132	159	-	291
Accrued payroll and expenses	(763)	-	-	(763)
Deferred revenue	54,202	-	-	54,202
Accrued compensated absences	624	31	-	655
Tenant deposits	2,058	-	-	2,058
<i>Net cash provided (used) by operating activities</i>	<u>\$ 35,098</u>	<u>\$ 15,157</u>	<u>\$ -</u>	<u>\$ 50,255</u>

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Rio Arriba (the 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 the three 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 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 of operation of a Low Rent Public Housing Program. The PHA is a local housing authority (LHA) governed by an appointed board of commissioners who employ an administrative staff headed by an executive director.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Authority has implemented 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 financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

The Authority reports the following major enterprise funds:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- **Section 8 Housing Choice Voucher 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.
- **Public Housing Capital Fund Program** – These programs, funded through direct grants from HUD, account for acquisition of capital assets or construction of capital projects.

A. Financial Reporting Entity

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

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

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 component unit of Rio Arriba County.

Rio Arriba County does issue separately audited financial statements. Additional information regarding Rio Arriba County may be obtained directly from their administrative office as follows: Rio Arriba County Finance Department, Rio Arriba County Seat, State Rd. 162 #149, Tierra Amarilla, New Mexico 87575.

B. Basis of Accounting and Measurement Focus

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. 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.

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 this definition are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Authority's financial statements.

Revenue Recognition

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

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority has entered into 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. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. *Assets, Liabilities, and Net Assets*

Cash and cash equivalents and Investments

The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Agency of the United States. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

Accounts Receivable and Accounts Payable

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

Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits of \$6,438, 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. In addition, resources are also set aside for Housing Assistance Payments (HAP) of \$30,197, as the use of those funds is limited.

Prepaid Expenses

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

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 \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide 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.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

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 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:

<u>Assets</u>	<u>Years</u>
Building and improvements	5 yrs – 20 yrs
Buildings	10 yrs – 40 yrs
Machinery and equipment	3 yrs – 15 yrs

Accrued Expenses

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

Compensated Absences

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

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components:

- **Invested in Capital Assets** – This component consists of capital assets, net of accumulated depreciation.
- **Restricted Net Assets** – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – Net assets that do not meet the definition of “restricted” and “Invested in capital assets.”

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unrestricted and Restricted Revenues

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences and the allowance for uncollectible accounts.

D. *Budgets*

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 prepared on a calendar year basis. HUD does not require the presentation of the budgets in the audit report. The inclusion of the budget in the audit report would be misleading as the audit report is as of June 30, 2012 and the HUD budget period is not complete as of that date.

NOTE 2. DEPOSITS AND INVESTMENTS

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

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.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Authority’s deposits may not be returned to it. The Authority 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 30, 2012, none of the Authority’s deposits of \$261,077 were exposed to custodial credit risk as all deposits were insured by the FDIC

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	Valley National Bank	Century Bank	Total
Total amount of deposits	\$ 214,084	\$ 46,993	\$ 261,077
FDIC Coverage	(214,084)	(46,993)	(261,077)
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>-</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	-	-	-
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ -
Pledged securities	-	-	-
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Reconciliation to Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the Authority's Statement of Net Assets as follows:

Cash and cash equivalents	\$	172,148
Restricted cash and cash equivalents		36,635
Investments		46,993
 Total cash, cash equivalents, and investments		 255,776
 Add: outstanding checks		 5,301
 Bank balance of deposits	\$	 261,077

Investments

The Authority reports investments of \$46,993 on the Statement of Net Assets. This amount represents certificates of deposits with original maturities in excess of 90 day; however, this amount is considered a deposit for disclosure purposes.

NOTE 3. RECEIVABLES

Receivables as of June 30, 2012, are as follows:

Due from other governments		
Federal sources	\$	11,608
Repayment agreements		133
Accrued interest		130
Customer receivables		22,515
Allowance for doubtful accounts		(7,548)
 Total	\$	 26,838

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Authority records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. All interfund balances are to be repaid within one year.

The composition of interfund balances during the year ended June 30, 2012 is as follows:

Due from other fund	Due to other fund	
	Section 8 Housing Choice Vouchers	
Low Rent Public Housing Program	Program	\$ 949

Net equity transfers, made to close out funds, were as follows:

Equity Transfers from other programs	Equity Transfers to other programs	
Low Rent Public Housing Program	Public Housing Capital Fund Program	\$ 30,577

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 5. CAPITAL ASSETS

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 109,735	\$ -	\$ -	\$ 109,735
Total capital assets, not depreciated	<u>109,735</u>	<u>-</u>	<u>-</u>	<u>109,735</u>
Capital assets, depreciated:				
Buildings	4,072,542	30,577	-	4,103,119
Buildings and improvements	1,233,571	-	-	1,233,571
Machinery and equipment	127,281	-	-	127,281
Total capital assets, depreciated	<u>5,433,394</u>	<u>30,577</u>	<u>-</u>	<u>5,463,971</u>
Less accumulated depreciation:				
Buildings	2,883,809	120,121	-	3,003,930
Buildings and improvements	778,673	61,486	-	840,159
Machinery and equipment	111,873	7,554	-	119,427
Total accumulated depreciation	<u>3,774,355</u>	<u>189,161</u>	<u>-</u>	<u>3,963,516</u>
Net book value	<u>\$ 1,768,774</u>	<u>\$ (158,584)</u>	<u>\$ -</u>	<u>\$ 1,610,190</u>

Depreciation expense for the year ended June 30, 2012 totaled \$189,161.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2012

NOTE 6. LONG-TERM LIABILITIES

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

	Balance, June 30, 2011	Additions	Retirements	Balance, June 30, 2012	Due Within One Year
Compensated absences	\$ 13,196	\$ 5,906	\$ 5,251	\$ 13,851	\$ 9,234
Totals	<u>\$ 13,196</u>	<u>\$ 5,906</u>	<u>\$ 5,251</u>	<u>\$ 13,851</u>	<u>\$ 9,234</u>

NOTE 7. CONTINGENT LIABILITIES

Legal Proceedings—The Authority is subject to various legal proceedings that arise in the ordinary course of the Authority’s operations. In the opinion of the Authority’s management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the Authority.

Federal Grants—The Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

NOTE 8. 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. 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 to the risk pool.

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

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 covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority’s contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$9,809, \$9,809, and \$9,809, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2012

NOTE 10. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of out-of-pocket payments of eligible retirees. As authorized under Section 9D of Chapter 6, Laws of 1990, the Authority has elected not to participate in the program by adoption of an ordinance.

NOTE 11. CONCENTRATIONS

Approximately 60% of total 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 this U.S. Governmental agency.

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is October 30, 2012 which is the date on which the financial statements were issued. No events took place subsequent to year end.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The Housing Authority will implement this standard during fiscal year June 30, 2013. The Authority is still evaluating how this reporting standard will affect the reporting entity.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2013.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2014.

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Schedule of Deposit and Investment Accounts
 June 30, 2012

Schedule I

Bank Account	Valley National Bank	Century Bank	Totals
Low Rent	\$ 127,666	\$ -	\$ 127,666
Rental Assistance Section-8	55,845	-	55,845
Villa Del Norte	12,232	-	12,232
Security Deposits	6,753	-	6,753
Certificate of Deposit	11,588	-	11,588
Certificate of Deposit	-	11,274	11,274
Certificate of Deposit	-	35,719	35,719
Total on deposit	\$ 214,084	\$ 46,993	261,077
Reconciling items			(5,301)
Reconciled balance June 30, 2012			\$ 255,776
Reconciliation to the financial statements:			
Cash and cash equivalents:			
Statement of net assets - Exhibit A-1			172,148
Restricted cash and cash equivalents:			
Statement of net assets - Exhibit A-1			36,635
Investments:			
Statement of net assets - Exhibit A-1			46,993
Reconciled balance as reported in the financial statements			\$ 255,776

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, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	\$ 147,560	\$ 24,588	\$ -	\$ 172,148
113	Cash - Other Restricted	-	30,197	-	30,197
114	Cash - Tenant Security Deposits	6,438	-	-	6,438
100	Total Cash	<u>153,998</u>	<u>54,785</u>	<u>-</u>	<u>208,783</u>
121	Accounts Receivable - PHA projects	11,608	-	-	11,608
124	Accounts Receivable - Other Government	133	-	-	133
125	Accounts Receivable - Miscellaneous	-	396	-	396
126	Accounts Receivable - Tenants - Dwelling Rents	21,706	413	-	22,119
126.1	Allowance for Doubtful Accounts - Dwelling	(7,548)	-	-	(7,548)
129	Accrued Interest Receivable	130	-	-	130
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>26,029</u>	<u>809</u>	<u>-</u>	<u>26,838</u>
131	Investments - Unrestricted	46,993	-	-	46,993
130	Total Investments	<u>46,993</u>	<u>-</u>	<u>-</u>	<u>46,993</u>
142	Prepaid Expenses and Other Assets	9,797	-	-	9,797
144	Inter Program Due From	949	-	-	949
150	Total Current Assets	<u>237,766</u>	<u>55,594</u>	<u>-</u>	<u>293,360</u>
161	Land	109,735	-	-	109,735
162	Buildings	4,103,119	-	-	4,103,119
163	Furniture, Equipment & Machinery - Dwellings	45,980	-	-	45,980
164	Furniture, Equipment & Machinery - Administration	81,301	-	-	81,301
165	Leasehold Improvements	1,233,571	-	-	1,233,571
166	Accumulated Depreciation	(3,963,516)	-	-	(3,963,516)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,610,190</u>	<u>-</u>	<u>-</u>	<u>1,610,190</u>
180	Total Non-Current Assets	<u>1,610,190</u>	<u>-</u>	<u>-</u>	<u>1,610,190</u>
190	Total Assets	<u>\$ 1,847,956</u>	<u>\$ 55,594</u>	<u>\$ -</u>	<u>\$ 1,903,550</u>

See independent auditors' report

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Public Housing Capital Fund Program 14.872	Total
312	Accounts Payable <= 90 Days	\$ 15,516	\$ 159	\$ -	\$ 15,675
321	Accrued Wage/Payroll Taxes Payable	4,111	-	-	4,111
322	Accrued Compensated Absences - Current Portion	8,603	631	-	9,234
341	Tenant Security Deposits	6,438	-	-	6,438
342	Deferred Revenues	54,202	-	-	54,202
347	Inter Program Due To	-	949	-	949
310	Total Current Liabilities	<u>88,870</u>	<u>1,739</u>	<u>-</u>	<u>90,609</u>
354	Accrued Compensated Absences - Non-Current	<u>4,302</u>	<u>315</u>	<u>-</u>	<u>4,617</u>
350	Total Non-Current Liabilities	<u>4,302</u>	<u>315</u>	<u>-</u>	<u>4,617</u>
300	Total Liabilities	<u>93,172</u>	<u>2,054</u>	<u>-</u>	<u>95,226</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,610,190	-	-	1,610,190
511	Restricted Net Assets	-	30,197	-	30,197
512.1	Unrestricted Net Assets	<u>144,594</u>	<u>23,343</u>	<u>-</u>	<u>167,937</u>
513	Total Equity/Net Assets	<u>1,754,784</u>	<u>53,540</u>	<u>-</u>	<u>1,808,324</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,847,956</u>	<u>\$ 55,594</u>	<u>\$ -</u>	<u>\$ 1,903,550</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Public Housing Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 76,049	\$ 6,274	\$ -	\$ 82,323
70400	Tenant Revenue - Other	4,798	678	-	5,476
70500	Total Tenant Revenue	80,847	6,952	-	87,799
70600	HUD PHA Operating Grants	96,834	95,195	2,138	194,167
70610	Capital Grants	-	-	30,577	30,577
71100	Investment Income - Unrestricted	501	42	-	543
71500	Other Revenue	61,031	46,356	-	107,387
72000	Investment Income - Restricted	-	54	-	54
70000	Total Revenue	239,213	148,599	32,715	420,527
91100	Administrative Salaries	33,973	7,392	875	42,240
91310	Book-keeping Fee	16,373	-	-	16,373
91500	Employee Benefit Contributions - Administrative	10,569	2,365	67	13,001
91600	Office Expenses	14,016	863	-	14,879
97350	Other-Hap-Portability In	-	46,356	-	46,356
91800	Travel	128	-	-	128
91000	Total Operating - Administrative	75,059	56,976	942	132,977
93100	Water	10,155	-	-	10,155
93200	Electricity	5,250	-	-	5,250
93300	Gas	(286)	-	-	(286)
93800	Other Utilities Expense	7,110	-	-	7,110
93000	Total Utilities	22,229	-	-	22,229
94100	Ordinary Maintenance & Operation - Labor	65,375	-	-	65,375
94200	Ordinary Maintenance & Operation - M & O	5,012	-	1,196	6,208
94300-080	Plumbing Contracts	549	-	-	549
94300-110	Routine Maintenance Contracts	4,394	-	-	4,394
94300-120	Miscellaneous Contracts	1,650	-	-	1,650
94500	Employee Benefit Contributions - OM	14,488	-	-	14,488
94000	Total Maintenance	91,468	-	1,196	92,664
96110	Property Insurance	10,582	-	-	10,582
96120	Liability Insurance	2,098	-	-	2,098
96140	All Other Insurance	3,105	-	-	3,105
96100	Total Insurance Premiums	15,785	-	-	15,785
96210	Compensated Absences	624	-	-	624
96400	Bad Debt - Tenant Rents	7,548	-	-	7,548
96000	Total Other General	8,172	-	-	8,172
96900	Total Operating Expenses	212,713	56,976	2,138	271,827
97000	Excess Operating Revenue Over Operating Expenses	26,500	91,623	30,577	148,700
97300-050	Housing Assistance Payments	-	77,686	-	77,686
97400	Depreciation Expense	189,161	-	-	189,161
90000	Total Expenses	\$ 401,874	\$ 134,662	\$ 2,138	\$ 538,674

See independent auditors' report

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Public Housing Capital Fund Program 14.872	Total
10010	Operating Transfers In	\$ -	\$ -	\$ -	\$ -
10020	Operating Transfers Out	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(162,661)	13,937	30,577	(118,147)
11030	Beginning Equity	1,886,868	39,603	-	1,926,471
11040-070	Equity Transfers	30,577	-	(30,577)	-
11040	Prior period Adjustments, Equity Transfers and Correction of Errors	30,577	-	(30,577)	-
11170	Administrative Fee Equity	-	23,343	-	23,343
11180	Housing Assistance Payments Equity Ending Equity (deficit)	-	30,197	-	30,197
		<u>\$ 1,754,784</u>	<u>\$ 53,540</u>	<u>\$ -</u>	<u>\$ 1,808,324</u>
11190	Unit Months Available	<u>636</u>	<u>300</u>	<u>-</u>	<u>936</u>
11210	Number of Unit Months Leased	<u>540</u>	<u>249</u>	<u>-</u>	<u>789</u>
11270	Excess Cash	<u>\$ 121,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,375</u>
11620	Building Purchases	<u>\$ 30,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,577</u>

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Chairman and Board Members
Rio Arriba County Housing Authority
Rio Arriba County, New Mexico

We have audited the financial statements of the business-type activities of 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, 2012, 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 October 30, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we consider 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, others within the organization, the New Mexico Legislature, the New Mexico Department of Finance and Administration, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
October 30, 2012

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Schedule of Findings and Responses
For the Year Ended June 30, 2012

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? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements notes? | No |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

No Audit findings

SECTION III – PRIOR YEAR AUDIT FINDINGS

FS HA 10-02 – Noncompliance with Federal Per Diem Rates, resolved
FS HA 11-01 – Noncompliance Annual Inventory Requirements, resolved

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Other Disclosures
For the Year Ended June 30, 2012

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Rio Arriba County Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.

B. EXIT CONFERENCE

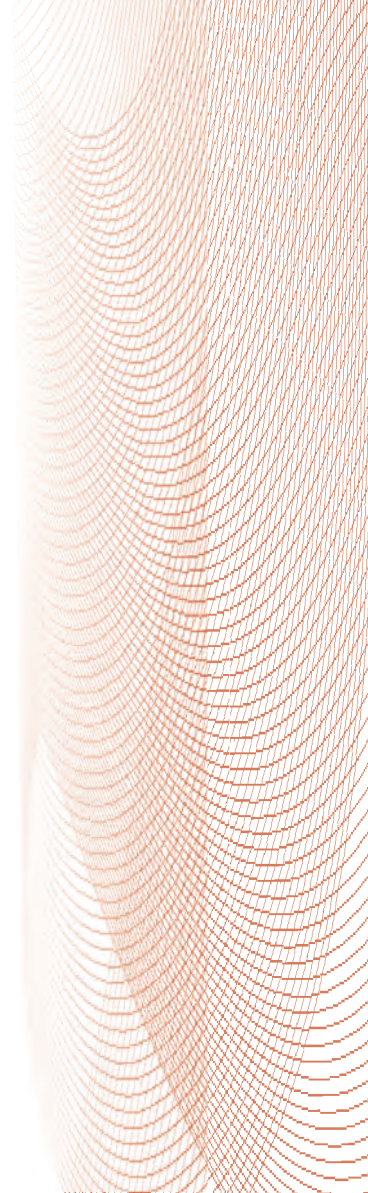
The contents of this report were discussed on October 30, 2012. The following individuals were in attendance.

Rio Arriba County Housing Authority Officials

Alfredo L. Montoya, Board Member
Tomas Campos, County Manager
Valarie Cebada, Administrative Assistant

Accounting and Consulting Group, LLP

Ray Roberts, Partner



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