



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, 2013



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INTRODUCTORY SECTION

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 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
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 June 30, 2013

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Official Roster
June 30, 2013

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
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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

Report on Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the Rio Arriba Housing Authority as of June 30, 2013, 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.

Emphasis of Matter

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, 2013, 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying financial information listed as supporting Schedule I and Schedule II in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule I and Schedule II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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, Schedule I and Schedule II are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 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* in considering the Authority's internal control over financial reporting and compliance.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
October 18, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Statement of Net Position
June 30, 2013

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	\$ 108,741	\$ 27,122	\$ -	\$ 135,863
Investments	58,807	-	-	58,807
Accounts receivable - tenants, net of allowance for doubtful accounts of \$7,077	-	-	-	-
	2,626	124	-	2,750
Accounts receivable - grants	40,706	-	-	40,706
Accounts receivable - other	-	174	-	174
Accrued interest receivable	108	-	-	108
Due from other funds	815	-	-	815
Prepaid expenses	12,829	-	-	12,829
<i>Total current assets</i>	<u>224,632</u>	<u>27,420</u>	<u>-</u>	<u>252,052</u>
<i>Noncurrent Assets</i>				
Restricted cash and cash equivalents	6,200	23,633	-	29,833
Capital assets	5,599,757	-	149,915	5,749,672
Accumulated depreciation	<u>(4,141,463)</u>	<u>-</u>	<u>(6,034)</u>	<u>(4,147,497)</u>
<i>Total noncurrent assets</i>	<u>1,464,494</u>	<u>23,633</u>	<u>143,881</u>	<u>1,632,008</u>
<i>Total assets</i>	<u>\$ 1,689,126</u>	<u>\$ 51,053</u>	<u>\$ 143,881</u>	<u>\$ 1,884,060</u>
LIABILITIES AND NET POSITION				
<i>Current liabilities</i>				
Accounts payable	\$ 4,431	\$ 239	\$ -	\$ 4,670
Deferred revenue	984	-	-	984
Compensated absences	11,094	649	-	11,743
Due to other funds	<u>-</u>	<u>815</u>	<u>-</u>	<u>815</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	<u>6,200</u>	<u>-</u>	<u>-</u>	<u>6,200</u>
<i>Total current liabilities</i>	<u>22,709</u>	<u>1,703</u>	<u>-</u>	<u>24,412</u>
<i>Non-current liabilities</i>				
Compensated absences	<u>3,654</u>	<u>292</u>	<u>-</u>	<u>3,946</u>
<i>Total non-current liabilities</i>	<u>3,654</u>	<u>292</u>	<u>-</u>	<u>3,946</u>
<i>Total liabilities</i>	<u>26,363</u>	<u>1,995</u>	<u>-</u>	<u>28,358</u>
<i>Net position</i>				
Net investment in capital assets	1,458,294	-	143,881	1,602,175
Restricted	-	23,633	-	23,633
Unrestricted	<u>204,469</u>	<u>25,425</u>	<u>-</u>	<u>229,894</u>
<i>Total net position</i>	<u>1,662,763</u>	<u>49,058</u>	<u>143,881</u>	<u>1,855,702</u>
<i>Total liabilities and net position</i>	<u>\$ 1,689,126</u>	<u>\$ 51,053</u>	<u>\$ 143,881</u>	<u>\$ 1,884,060</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 Revenues, Expenses, and Changes in Net position
 For the Year Ended June 30, 2013

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<i>Operating revenues</i>				
Tenant rents	\$ 74,142	\$ -	\$ -	\$ 74,142
Operating grants	169,003	69,799	-	238,802
Other tenant revenue	8,381	-	-	8,381
<i>Total operating revenues</i>	<u>251,526</u>	<u>69,799</u>	<u>-</u>	<u>321,325</u>
<i>Operating expenses</i>				
Personnel services	62,050	9,729	-	71,779
Contractual services	10,997	-	-	10,997
General and administrative:				
Supplies	1,742	173	-	1,915
Insurance	17,231			17,231
Bad debt	8,370	-	-	8,370
Maintenance and materials	83,547	-	-	83,547
Utilities	39,487	-	-	39,487
Depreciation	177,948	-	6,034	183,982
Housing assistance payments	-	77,316	-	77,316
Miscellaneous	10,359	2,861	-	13,220
<i>Total operating expenses</i>	<u>411,731</u>	<u>90,079</u>	<u>6,034</u>	<u>507,844</u>
<i>Operating income (loss)</i>	<u>(160,205)</u>	<u>(20,280)</u>	<u>(6,034)</u>	<u>(186,519)</u>
<i>Non-operating revenues (expenses)</i>				
Capital grants	-	-	149,915	149,915
Interest income	512	35	-	547
Management fee income	66,338	15,763	-	82,101
Miscellaneous income	1,334	-	-	1,334
<i>Total non-operating revenues (expenses)</i>	<u>68,184</u>	<u>15,798</u>	<u>149,915</u>	<u>233,897</u>
<i>Change in net position</i>	(92,021)	(4,482)	143,881	47,378
<i>Total net position- beginning of year</i>	<u>1,754,784</u>	<u>53,540</u>	<u>-</u>	<u>1,808,324</u>
<i>Total net position- end of year</i>	<u>\$ 1,662,763</u>	<u>\$ 49,058</u>	<u>\$ 143,881</u>	<u>\$ 1,855,702</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, 2013

	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	\$ 32,362	\$ -	\$ -	\$ 32,362
Cash received from operating grants	139,905	69,799	-	209,704
Cash payments to employees for services	(64,318)	(9,733)	-	(74,051)
Cash payments to suppliers for goods and services	(177,480)	(79,761)	-	(257,241)
<i>Net cash provided (used) by operating activities</i>	(69,531)	(19,695)	-	(89,226)
<i>Cash flows from noncapital financing activities:</i>				
Management fee income	66,336	15,765	-	82,101
Miscellaneous income	1,334	-	-	1,334
Transfers	135	(135)	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	67,805	15,630	-	83,435
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	-	-	149,915	149,915
Acquisition of capital assets	(26,051)	-	(149,915)	(175,966)
<i>Net cash provided (used) by capital and related financing activities</i>	(26,051)	-	-	(26,051)
<i>Cash flows from investing activities:</i>				
Investment purchases	(11,814)	-	-	(11,814)
Interest on investments	534	35	-	569
<i>Net cash provided (used) by from investing activities</i>	(11,280)	35	-	(11,245)
<i>Net increase (decrease) in cash and cash equivalents</i>	(39,057)	(4,030)	-	(43,087)
<i>Cash and cash equivalents - beginning of year</i>	153,998	54,785	-	208,783
<i>Cash and cash equivalents - end of year</i>	\$ 114,941	\$ 50,755	\$ -	\$ 165,696

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)	\$ (160,205)	\$ (20,280)	\$ (6,034)	\$ (186,519)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	177,948	-	6,034	183,982
Changes in assets and liabilities				
Accounts receivables	(17,433)	510	-	(16,923)
Prepaid expenses	(3,032)	-	-	(3,032)
Accounts payable	(11,085)	80	-	(11,005)
Accrued payroll and expenses	(4,111)	-	-	(4,111)
Deferred revenue	(53,218)	-	-	(53,218)
Accrued compensated absences	1,843	(5)	-	1,838
Tenant deposits	(238)	-	-	(238)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (69,531)</u>	<u>\$ (19,695)</u>	<u>\$ -</u>	<u>\$ (89,226)</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

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, 2013. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2013, the Authority adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Authority does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *Financial Reporting Entity*

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its residents and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a component unit of Rio Arriba County as the County has operational responsibility over the Authority and is governed by the same governing authority.

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 Position (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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

C. Assets, Liabilities, and Net Position

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 \$6,200, held as insurance against the non-payment for services rendered, are classified on the Statement of Net Position as restricted because their use is limited. In addition, resources are also set aside for Housing Assistance Payments (HAP) of \$23,633, as the use of those funds is limited.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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>
Buildings and improvements	5 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 Position. 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 that will be paid upon termination.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position

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

- **Net investment in capital assets** – This component consists of capital assets, net of accumulated depreciation.
- **Restricted Net Position** – Net Position is reported as restricted when constraints placed on 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 Position** – Net Position that does not meet the definition of “restricted” and “Net investment in capital assets”

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, 2013 and the HUD budget period is not complete as of that date.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

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, 2013.

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.

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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.

By operation of federal law, beginning January 1, 2013, fund invested in noninterest bearing accounts transaction accounts will no longer receive unlimited coverage under by the Federal Deposit Insurance Corporation. Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000

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, 2013, none of the Authority's bank balance of \$226,365 was exposed to custodial credit risk.

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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

	Valley National Bank	Century Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Total amount of deposits	\$ 179,178	\$ 47,187	\$ 226,365
FDIC Coverage	<u>(179,178)</u>	<u>(47,187)</u>	<u>(226,365)</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>
Collateral requirement (50% of uninsured funds)	-	-	-
Pledged securities	<u>-</u>	<u>-</u>	<u>-</u>
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation to Statement of Net Position

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

Cash and cash equivalents	\$ 135,863
Investments	58,807
Restricted cash and cash equivalents	<u>29,833</u>
Total cash, investment, and cash equivalents	224,503
Add: outstanding checks	<u>1,862</u>
Bank balance of deposits	<u>\$ 226,365</u>

Investments

The Authority reports investments of \$58,807 on the Statement of Net Position. This amount represents certificates of deposits with original maturities in excess of 90 day; however, this amount is considered a deposit for disclosure purposes.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2013

NOTE 3. RECEIVABLES

Receivables as of June 30, 2013, are as follows:

Due from other governments	
Federal sources	\$40,706
Accrued interest	108
Reimbursements	174
Customer receivables	9,827
Allowance for doubtful accounts	<u>(7,077)</u>
 Total	 <u><u>\$43,738</u></u>

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, 2013 is as follows:

<u>Due from other fund</u>	<u>Due to other fund</u>	
Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	<u>\$ 815</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 5. CAPITAL ASSETS

The following summary of capital assets and changes occurred during the year ended June 30, 2013. Land is not subject to depreciation.

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
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 and improvements	5,336,690	145,330	-	5,482,020
Machinery and equipment	127,281	30,636	-	157,917
Total capital assets, depreciated	<u>5,463,971</u>	<u>175,966</u>	<u>-</u>	<u>5,639,937</u>
Less accumulated depreciation:				
Buildings	3,844,088	174,615	-	4,018,703
Machinery and equipment	119,427	9,367	-	128,794
Total accumulated depreciation	<u>\$ 3,963,516</u>	<u>\$ 183,982</u>	<u>\$ -</u>	<u>\$ 4,147,497</u>
Net book value	<u>\$ 1,610,190</u>			<u>\$ 1,602,175</u>

Depreciation expense for the year ended June 30, 2013 totaled \$183,982. The expense was allocated to the following programs:

Low Rent Public Housing Program	<u>\$ 177,948</u>
Public Housing Capital Fund Program	<u>\$ 6,034</u>

NOTE 6. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2013. Compensated absences are typically liquidated through the Low Rent Public Housing Program.

	Balance, June 30, 2012	Additions	Retirements	Balance, June 30, 2013	Due Within One Year
Compensated absences	\$ 13,851	\$ 13,581	\$ 11,743	\$ 15,689	\$ 11,743
Totals	<u>\$ 13,851</u>	<u>\$ 13,581</u>	<u>\$ 11,743</u>	<u>\$ 15,689</u>	<u>\$ 11,743</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

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, 2013, 2012 and 2011 were \$10,203, \$9,809, and \$9,809, respectively, which equal the amount of the required contributions for each fiscal year.

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 67.5% 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2013

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 18, 2013 which is the date on which the financial statements were issued. No events took place subsequent to year end.

NOTE 13. RESTRICTED NET POSITION

Certain resources are classified on the Statement of Net Position as restricted because their use is limited. Resources are set aside for Housing Assistance Payments (HAP) of \$23,633, as the use of those funds is restricted by enabling legislation.

NOTE 14. SUBSEQUENT PRONOUNCEMENTS

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Schedule of Deposits
 June 30, 2013

Schedule I

Bank Account	Valley National Bank	Century Bank	Totals
Low Rent	\$ 88,506	\$ -	\$ 88,506
Rental Assistance Section-8	50,755	-	50,755
Villa Del Norte	21,987	-	21,987
Security Deposits	6,310	-	6,310
Valley National Bank Certificate of Deposit	11,620	-	11,620
Certificate of Deposit 001	-	35,898	35,898
Certificate of Deposit 003	-	11,289	11,289
Total on deposit	<u>\$ 179,178</u>	<u>\$ 47,187</u>	226,365
Reconciling items			<u>(1,862)</u>
Reconciled balance June 30, 2013			<u>\$ 224,503</u>
Reconciliation to the financial statements:			
Cash and cash equivalents:			
Statement of net position - Exhibit A-1			135,863
Restricted cash and cash equivalents:			
Statement of net position - Exhibit A-1			29,833
Investments:			
Statement of net position - Exhibit A-1			58,807
Reconciled balance as reported in the financial statements			<u>\$ 224,503</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, 2013

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	\$ 108,741	\$ 27,122	\$ -	\$ 135,863
100	Total Cash	<u>108,741</u>	<u>27,122</u>	<u>-</u>	<u>135,863</u>
124	Accounts Receivable - Other Government	40,706	-	-	40,706
125	Accounts Receivable - Miscellaneous	-	174	-	174
	Accounts Receivable - Tenants - Dwelling				
126	Rents	9,703	124	-	9,827
126.1	Allowance for Doubtful Accounts - Dwelling	(7,077)	-	-	(7,077)
129	Accrued Interest Receivable	108	-	-	108
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>43,440</u>	<u>298</u>	<u>-</u>	<u>43,738</u>
131	Investments - Unrestricted	<u>58,807</u>	<u>-</u>	<u>-</u>	<u>58,807</u>
130	Total Investments	<u>58,807</u>	<u>-</u>	<u>-</u>	<u>58,807</u>
142	Prepaid Expenses and Other Assets	12,829	-	-	12,829
144	Inter Program Due From	815	-	-	815
150	Total Current Assets	<u>224,632</u>	<u>27,420</u>	<u>-</u>	<u>252,052</u>
161	Land	109,735	-	-	109,735
162	Buildings	4,102,219	-	145,330	4,247,549
163	Furniture, Equipment & Machinery - Dwellings	49,587	-	-	49,587
	Furniture, Equipment & Machinery -				
164	Administration	104,645	-	4,585	109,230
165	Leasehold Improvements	1,233,571	-	-	1,233,571
166	Accumulated Depreciation	(4,141,463)	-	(6,034)	(4,147,497)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,458,294</u>	<u>-</u>	<u>143,881</u>	<u>1,602,175</u>
114	Cash - Tenant Security Deposits	6,200	-	-	6,200
113	Cash - Other Restricted	-	23,633	-	23,633
180	Total Non-Current Assets	<u>1,464,494</u>	<u>23,633</u>	<u>143,881</u>	<u>1,632,008</u>
190	Total Assets	<u>\$ 1,689,126</u>	<u>\$ 51,053</u>	<u>\$ 143,881</u>	<u>\$ 1,884,060</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, 2013

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	\$ 4,431	\$ 200	\$ -	\$ 4,631
	Accrued Compensated Absences - Current				
322	Portion	11,094	649	-	11,743
331	Accounts payable - HUD PHA programs	-	39	-	39
341	Tenant Security Deposits	6,200	-	-	6,200
342	Deferred Revenues	984	-	-	984
345	Other Current Liabilities	-	-	-	-
347	Inter Program Due To	-	815	-	815
310	Total Current Liabilities	<u>22,709</u>	<u>1,703</u>	<u>-</u>	<u>24,412</u>
354	Accrued Compensated Absences - Non-Current	<u>3,654</u>	<u>292</u>	<u>-</u>	<u>3,946</u>
350	Total Non-Current Liabilities	<u>3,654</u>	<u>292</u>	<u>-</u>	<u>3,946</u>
300	Total Liabilities	<u>26,363</u>	<u>1,995</u>	<u>-</u>	<u>28,358</u>
508.1	Net investmten in capital assets	1,458,294	-	-	1,458,294
511	Restricted	-	23,633	-	23,633
512.1	Unrestricted	<u>204,469</u>	<u>25,425</u>	<u>143,881</u>	<u>373,775</u>
513	Total net position	<u>1,662,763</u>	<u>49,058</u>	<u>143,881</u>	<u>1,855,702</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 1,689,126</u>	<u>\$ 51,053</u>	<u>\$ 143,881</u>	<u>\$ 1,884,060</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Financial Data Schedule
For the Year Ended June 30, 2013

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	\$ 74,142	\$ -	\$ -	\$ 74,142
70400	Tenant Revenue - Other	8,381	-	-	8,381
70500	Total Tenant Revenue	82,523	-	-	82,523
70600	HUD PHA Operating Grants	169,003	69,799	-	238,802
70610	Capital Grants	-	-	149,915	149,915
70710	Management Fees	66,338	10,157	-	76,495
70750	Other Fees	-	3,702	-	3,702
71100	Investment Income - Unrestricted	512	35	-	547
71400	Fraud Recovery	-	1,904	-	1,904
71500	Other Revenue	1,334	-	-	1,334
70000	Total Revenue	319,710	85,597	149,915	555,222
91100	Administrative Salaries	36,014	7,704	-	43,718
91400	Advertising and Marketing	-	440	-	440
91500	Employee Benefit Contributions - Administrative	26,036	2,025	-	28,061
91600	Office Expenses	1,742	173	-	1,915
97350	Other-Hap-Portability In	-	77,316	-	77,316
91800	Travel	315	-	-	315
91000	Total Operating - Administrative	64,107	87,658	-	151,765
93100	Water	10,805	-	-	10,805
93200	Electricity	7,669	-	-	7,669
93600	Sewer	14,558	-	-	14,558
93800	Other Utilities Expense	6,455	-	-	6,455
93000	Total Utilities	39,487	-	-	39,487
94100	Ordinary Maintenance & Operation - Labor	69,404	-	-	69,404
94200	Ordinary Maintenance & Operation - M & O	14,143	-	-	14,143
94300-120	Miscellaneous Contracts	10,997	-	-	10,997
94000	Total Maintenance	94,544	-	-	94,544
96140	All Other Insurance	17,231	-	-	17,231
96100	Total Insurance Premiums	17,231	-	-	17,231
96200	Other General Expenses	10,044	2,421	-	12,465
96400	Bad Debt - Tenant Rents	8,370	-	-	8,370
96000	Total Other - General	18,414	2,421	-	20,835
96900	Total Operating Expenses	233,783	90,079	-	323,862
	Excess Operating Revenue Over Operating				
97000	Expenses	85,927	(4,482)	149,915	231,360
97400	Depreciation Expense	177,948	-	6,034	183,982
90000	Total Expenses	\$ 411,731	\$ 90,079	\$ 6,034	\$ 507,844

See independent auditors' report

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 For the Year Ended June 30, 2013

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
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (92,021)	\$ (4,482)	\$ 143,881	\$ 47,378
11030	Beginning Equity	<u>1,754,784</u>	<u>53,540</u>	<u>-</u>	<u>1,808,324</u>
	Ending Equity (deficit)	<u>\$ 1,662,763</u>	<u>\$ 49,058</u>	<u>\$ 143,881</u>	<u>\$ 1,855,702</u>
11190	Unit Months Available	<u>\$ 516</u>	<u>\$ 244</u>	<u>\$ -</u>	<u>\$ 760</u>
11210	Number of Unit Months Leased	<u>499</u>	<u>244</u>	<u>-</u>	<u>743</u>
11270	Excess Cash	<u>175,924</u>	<u>-</u>	<u>-</u>	<u>\$ 175,924</u>
11620	Building Purchases	<u>-</u>	<u>-</u>	<u>149,915</u>	<u>\$ 149,915</u>
11640	Furniture & Equipment Purchased	<u>\$ 26,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,051</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***

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, in accordance with the 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, 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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

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 items CU 2013-001 and CU 2013-002.

Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
October 18, 2013

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, 2013

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| | |
| 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

CU 2013-001 Executive Director One-Time Pay Increase- (other matter)

Condition: During our review of the Authority's payroll expenditure we noted the executive director approved a one-time pay increase in the amount of \$500 for herself even though she is considered a County employee and compensated through the County's payroll. The one-time increase was paid to the executive director from the Authority's funds on December 20, 2012 in addition to her compensation received from the County. The payment was made pursuant to Commission approval on December 6, 2012 for a one-time pay increase for all housing staff; however, the minutes do not indicate the approved amount of increase or if the increase pertained to the executive director who is considered a County employee and not a housing staff. A request for an audio tape of the December 6, 2012 minutes detailing the amount of the increase and if the amount pertained to executive director was not granted to the external auditors.

Criteria: Since the executive director is a County employee, good accounting practices require any form of compensation be paid through the County payroll not Housing Authority's payroll. The executive director should not have appeared on both the County and Authority payrolls.

Effect: The potential impact is that the executive director is able to perpetrate fraud through approving additional compensation through the authority's funds in addition to approved salary paid to her by the County. Fraud could occur and not be detected.

Cause: The executive director considered the Commission's approval for a pay increase on December 6, 2012 for all housing staff to include herself. The executive director did not document in the minutes the approved amount of the pay increase or if the Commission intended to provide payroll increase for both County employees and housing staff.

Auditor's Recommendation: We recommend the Authority cease compensating the executive director as she is already compensated through County payroll. We further recommend the approved dollar amount of pay increases for each housing staff be documented in the minutes to preserve an audit trail. In addition we recommend future pay increases for the Authority's executive director be approved by the County Manager and paid through the County's payroll.

View of responsible officials and proposed corrective action: The Rio Arriba Housing Authority will continue to perform good accounting practices and will document details of all action items on RACHA Board Meeting Minutes to preserve an audit trail. The Executive Director will only propose and approve pay increases for housing staff and will cease additional compensation thru the Housing Authority's payroll for herself, only when approved and disbursed through Rio Arriba County's payroll as recommended.

CU 2013-002 Executive Director Approval of Travel Reimbursements- (other matter)

Condition: During our review of 2 travel disbursements which represents 100% of travel disbursements for fiscal year 2013 we noted two instances in which the executive director approves her own travel reimbursements. The dollar amount associated with the travel disbursements approved totaled \$314.

Criteria: Good accounting practices require the County manager to approve the executive director's travel reimbursements. The executive director should not approve her own travel reimbursements.

Effect: The executive director has the ability to perpetrate fraud through approval of her own travel disbursements. The potential impact is that fraud could occur and not be detected.

Cause: There are only 3 housing staff and the executive director at the housing authority which means there is nobody available to approve travel disbursements for the executive director.

Auditor's recommendation: We recommend all travel reimbursements for the executive director be routed to the County Manager for approval prior to the disbursement being made.

View of responsible officials and proposed corrective action: The Rio Arriba County Housing Authority will continue to perform good accounting practices and will propose approval for travel at the RACHA Board Meeting to preserve an audit trail. The Executive Director will propose travel and travel reimbursements to County Manager or Assistant County Manager for signatures as recommended.

SECTION III – PRIOR YEAR AUDIT FINDINGS

No prior year audit findings.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Other Disclosures
For the Year Ended June 30, 2013

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 29, 2013. The following individuals were in attendance.

Rio Arriba County Housing Authority Officials

Barney Trujillo, Commissioner
Tomas Campos, County Manager
Lori A. V. Leyba, Executive Director

Accounting and Consulting Group, LLP

Ray Roberts, Partner
Morgan Browning, CPA, CGFM