



**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, 2014**

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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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 June 30, 2014

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**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Official Roster  
June 30, 2014

**Board of Directors**

Chairman

Danny Garcia

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  
Española, New Mexico 87532

### **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, 2014, 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 from 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 the 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 presentation of the financial statements.

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

## Opinion

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 Rio Arriba Housing Authority as of June 30, 2014, and the respective change in financial position and cash flows thereof, for the year then ended in accordance 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, 2014, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance 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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying introductory section and 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 basic 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 basic financial statements or to the basic 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 November 7, 2014 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  
November 7, 2014

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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, 2014

Exhibit A-1

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 104,196	\$ 26,963	\$ -	\$ 131,159
Investments	59,003	-	-	59,003
Accounts receivable - tenants, net of allowance for doubtful accounts of \$15,371	3,726	124	-	3,850
Accounts receivable - grants	113,267	-	-	113,267
Accrued interest receivable	108	-	-	108
Due from other funds	1,945	-	-	1,945
Prepaid expenses	8,362	1,045	-	9,407
<i>Total current assets</i>	<u>290,607</u>	<u>28,132</u>	<u>-</u>	<u>318,739</u>
<i>Noncurrent Assets</i>				
Restricted cash and cash equivalents	6,935	16,365	-	23,300
Capital assets	5,599,758	-	183,141	5,782,899
Accumulated depreciation	<u>(4,304,489)</u>	<u>-</u>	<u>(17,886)</u>	<u>(4,322,375)</u>
<i>Total noncurrent assets</i>	<u>1,302,204</u>	<u>16,365</u>	<u>165,255</u>	<u>1,483,824</u>
<i>Total assets</i>	<u>\$ 1,592,811</u>	<u>\$ 44,497</u>	<u>\$ 165,255</u>	<u>\$ 1,802,563</u>
<b>LIABILITIES AND NET POSITION</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 5,300	\$ 100	\$ -	\$ 5,400
Accrued payroll	3,148	-	-	3,148
Unearned revenue	3,465	-	-	3,465
Compensated absences	8,603	631	-	9,234
Due to other funds	<u>-</u>	<u>1,945</u>	<u>-</u>	<u>1,945</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	<u>6,930</u>	<u>-</u>	<u>-</u>	<u>6,930</u>
<i>Total current liabilities</i>	<u>27,446</u>	<u>2,676</u>	<u>-</u>	<u>30,122</u>
<i>Non-current liabilities</i>				
Compensated absences	<u>4,199</u>	<u>315</u>	<u>-</u>	<u>4,514</u>
<i>Total non-current liabilities</i>	<u>4,199</u>	<u>315</u>	<u>-</u>	<u>4,514</u>
<i>Total liabilities</i>	<u>31,645</u>	<u>2,991</u>	<u>-</u>	<u>34,636</u>
<i>Net position</i>				
Net investment in capital assets	1,295,269	-	165,255	1,460,524
Restricted	-	16,365	-	16,365
Unrestricted	<u>265,897</u>	<u>25,141</u>	<u>-</u>	<u>291,038</u>
<i>Total net position</i>	<u>1,561,166</u>	<u>41,506</u>	<u>165,255</u>	<u>1,767,927</u>
<i>Total liabilities and net position</i>	<u>\$ 1,592,811</u>	<u>\$ 44,497</u>	<u>\$ 165,255</u>	<u>\$ 1,802,563</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, 2014

Exhibit A-2

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Public Housing Capital Fund Program	Total
<i>Operating revenues</i>				
Tenant rents	\$ 93,074	\$ -	\$ -	\$ 93,074
Operating grants	125,329	75,796	-	201,125
Other tenant revenue	6,477	17,310	-	23,787
<i>Total operating revenues</i>	<u>224,880</u>	<u>93,106</u>	<u>-</u>	<u>317,986</u>
<i>Operating expenses</i>				
Personnel services	134,251	9,811	-	144,062
Contractual services	9,645	-	-	9,645
Accounting Fees	3,370	1,325	-	4,695
General and administrative:				
Supplies	2,019	270	-	2,289
Insurance	18,147	-	-	18,147
Bad debt	8,294	-	-	8,294
Maintenance and materials	11,438	-	-	11,438
Utilities	44,917	-	-	44,917
Depreciation	163,025	-	11,852	174,877
Housing assistance payments	-	83,064	-	83,064
Miscellaneous	1,877	17,962	-	19,839
<i>Total operating expenses</i>	<u>396,983</u>	<u>112,432</u>	<u>11,852</u>	<u>521,267</u>
<i>Operating income (loss)</i>	<u>(172,103)</u>	<u>(19,326)</u>	<u>(11,852)</u>	<u>(203,281)</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	306	89	-	395
Management fee income	70,200	11,685	-	81,885
<i>Total non-operating revenues (expenses)</i>	<u>70,506</u>	<u>11,774</u>	<u>-</u>	<u>82,280</u>
<i>Net income before capital contributions</i>	(101,597)	(7,552)	(11,852)	(121,001)
<i>Capital contributions</i>				
Federal capital grants	-	-	33,226	33,226
<i>Total capital contributions</i>	<u>-</u>	<u>-</u>	<u>33,226</u>	<u>33,226</u>
<i>Change in net position</i>	(101,597)	(7,552)	21,374	(87,775)
<i>Total net position- beginning of year</i>	<u>1,662,763</u>	<u>49,058</u>	<u>143,881</u>	<u>1,855,702</u>
<i>Total net position- end of year</i>	<u>\$ 1,561,166</u>	<u>\$ 41,506</u>	<u>\$ 165,255</u>	<u>\$ 1,767,927</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, 2014

Exhibit A-3

	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	\$ 93,368	\$ 17,310	\$ -	\$ 110,678
Cash received from operating grants	52,768	75,796	-	128,564
Cash payments to employees for services	(133,049)	(9,806)	-	(142,855)
Cash payments to suppliers for goods and services	(86,077)	(103,631)	-	(189,708)
<i>Net cash provided (used) by operating activities</i>	<u>(72,990)</u>	<u>(20,331)</u>	<u>-</u>	<u>(93,321)</u>
<i>Cash flows from noncapital financing activities:</i>				
Management fee income	70,200	11,685	-	81,885
Miscellaneous income	-	-	-	-
Transfers	(1,130)	1,130	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>69,070</u>	<u>12,815</u>	<u>-</u>	<u>81,885</u>
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	-	-	33,226	33,226
Acquisition of capital assets	-	-	(33,226)	(33,226)
<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	(196)	-	-	(196)
Interest on investments	306	89	-	395
<i>Net cash provided (used) by investing activities</i>	<u>110</u>	<u>89</u>	<u>-</u>	<u>199</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>(3,810)</u>	<u>(7,427)</u>	<u>-</u>	<u>(11,237)</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>114,941</u>	<u>50,755</u>	<u>-</u>	<u>165,696</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 111,131</u>	<u>\$ 43,328</u>	<u>\$ -</u>	<u>\$ 154,459</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)	\$ (172,103)	\$ (19,326)	\$ (11,852)	\$ (203,281)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	163,025	-	11,852	174,877
Changes in assets and liabilities				
Accounts receivable	(73,661)	174	-	(73,487)
Prepaid expenses	4,467	(1,045)	-	3,422
Accounts payable	869	(139)	-	730
Accrued payroll and expenses	3,148	-	-	3,148
Unearned revenue	2,481	-	-	2,481
Accrued compensated absences	(1,946)	5	-	(1,941)
Tenant deposits	730	-	-	730
<i>Net cash provided (used) by operating activities</i>	<u>\$ (72,990)</u>	<u>\$ (20,331)</u>	<u>\$ -</u>	<u>\$ (93,321)</u>

**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Rio Arriba County Housing Authority (the Authority) was established in 1978. The 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 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 Governmental Accounting Standards Board (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.

**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

The Housing Authority's cash flow statement includes changes in both operating cash and restricted cash and cash equivalents.

**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, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 \$6,935, 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 \$16,365, as the use of those funds is restricted by enabling legislation.

**Prepaid Expenses**

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

**Capital Assets**

Capital assets, which include property, plant, and equipment, 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. The Authority does have an exception for purchases made under Capital Fund Projects. 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.

**STATE OF NEW MEXICO**  
 Rio Arriba County Housing Authority  
 A Component Unit of Rio Arriba County  
 Notes to the Financial Statements  
 June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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**

Employees of the Authority are entitled to be compensated for accrued vacation time off, which is reported as an expense and a liability of the program that will fund it. There is a cap of 240 hours of vacation leave that an employee is permitted to accrue. When an employee separates from employment with the Authority in good standing, the employee is eligible to receive payment for accrued time remaining.

**Net Position**

Net Position comprises 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 and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- **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” or “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.

**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**New Accounting Standards Adopted**

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the Authority's financial statements.

**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, 2014 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, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

Excess 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, funds deposited in noninterest-bearing transaction accounts (including an Interest on Lawyer Trust Account) no longer receive unlimited coverage under by the Federal Deposit Insurance Corporation. Beginning January 1, 2013, all of the Authority'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 for demand deposit accounts and \$250,000 for time and savings accounts.

**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, 2014, none of the Authority's bank balance of \$239,396 was exposed to custodial credit risk.

**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to the Financial Statements  
June 30, 2014

**NOTE 2. DEPOSITS AND INVESTMENTS (continued)**

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 balances not exceeding the amount covered by the FDIC as of June 30, 2014.

	Valley National Bank	Century Bank	Total
Total amount of deposits	\$ 192,059	\$ 47,337	\$ 239,396
FDIC Coverage	(192,059)	(47,337)	(239,396)
Total uninsured public funds	-	-	-
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	-	-	-
Uninsured and uncollateralized	-	-	-
Collateral requirement (50% of uninsured funds)	-	-	-
Pledged securities	-	-	-
Over (under) collateralized	\$ -	\$ -	\$ -

**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	\$ 131,159
Investments	59,003
Restricted cash and cash equivalents	23,300
Total cash, investments, and cash equivalents	213,462
Add: outstanding checks	25,934
Bank balance of deposits	\$ 239,396

**Investments**

The Authority reports investments of \$59,003 on the Statement of Net Position. This amount represents certificates of deposits with original maturities in excess of 90 days; however, this amount is considered a deposit for disclosure purposes.

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June 30, 2014

**NOTE 3. RECEIVABLES**

Receivables as of June 30, 2014, are as follows:

Due from other governments	
Federal sources	\$ 113,267
Accrued interest	108
Tenant receivables	19,221
Allowance for doubtful accounts	<u>(15,371)</u>
Total	<u>\$ 117,225</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. These are reported as “Due from other funds” and “Due to other funds” on the Statement of Net Position.

The composition of interfund balances during the year ended June 30, 2014 is as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	
Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	<u>\$ 1,945</u>

**NOTE 5. CAPITAL ASSETS**

The following summary of capital assets and changes occurred during the year ended June 30, 2014. Land is not subject to depreciation.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
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	5,482,021	26,528	-	5,508,549
Machinery and equipment	157,917	6,698	-	164,615
Total capital assets, depreciated	<u>5,639,938</u>	<u>33,226</u>	<u>-</u>	<u>5,673,164</u>
Less accumulated depreciation:				
Buildings	4,018,703	167,359	-	4,186,062
Machinery and equipment	128,794	7,519	-	136,313
Total accumulated depreciation	<u>4,147,497</u>	<u>174,878</u>	<u>-</u>	<u>4,322,375</u>
Net book value	<u>\$ 1,602,176</u>	<u>\$ (141,652)</u>	<u>\$ -</u>	<u>\$ 1,460,524</u>



**STATE OF NEW MEXICO**  
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 Notes to the Financial Statements  
 June 30, 2014

**NOTE 5. CAPITAL ASSETS (continued)**

Depreciation expense for the year ended June 30, 2014 totaled \$174,877. The expense was allocated to the following programs:

Low Rent Public Housing Program	<u>\$ 163,026</u>
Public Housing Capital Fund Program	<u>\$ 11,852</u>

**NOTE 6. LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2014. Compensated absences are typically liquidated through the Low Rent Public Housing Program.

	<u>Balance, June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences	\$ 15,689	\$ 2,570	\$ 4,511	\$ 13,748	\$ 9,234
Totals	<u>\$ 15,689</u>	<u>\$ 2,570</u>	<u>\$ 4,511</u>	<u>\$ 13,748</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.

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Notes to the Financial Statements  
June 30, 2014

**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 <http://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, 2014, 2013 and 2012 were \$10,203, \$10,203, 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 New Mexico 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 New Mexico 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 56.3% 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, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 7, 2014 which is the date on which the financial statements were issued. No events took place subsequent to year end.

**NOTE 13. SUBSEQUENT PRONOUNCEMENTS**

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, 2015 which is expected to significantly impact the Authority's financial statements.

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.

**STATE OF NEW MEXICO**  
Rio Arriba County Housing Authority  
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Notes to the Financial Statements  
June 30, 2014

**NOTE 13. SUBSEQUENT PRONOUNCEMENTS (continued)**

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The standard will be implemented during fiscal year June 30, 2015.

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Rio Arriba County Housing Authority  
 A Component Unit of Rio Arriba County  
 Schedule of Deposits  
 June 30, 2014

Schedule I

Bank Account	Valley National Bank	Century Bank	Totals
Low Rent	\$ 91,396	\$ -	\$ 91,396
Rental Assistance Section-8	44,867	-	44,867
Villa Del Norte	37,075	-	37,075
Security Deposits	7,055	-	7,055
Valley National Bank Certificate of Deposit	11,666	-	11,666
Certificate of Deposit 001	-	36,042	36,042
Certificate of Deposit 003	-	11,295	11,295
Total on deposit	<u>\$ 192,059</u>	<u>\$ 47,337</u>	239,396
Reconciling items			<u>(25,934)</u>
Reconciled balance June 30, 2014			<u>\$ 213,462</u>
Reconciliation to the financial statements:			
Cash and cash equivalents:			
Statement of net position - Exhibit A-1			131,159
Restricted cash and cash equivalents:			
Statement of net position - Exhibit A-1			23,300
Investments:			
Statement of net position - Exhibit A-1			59,003
Reconciled balance as reported in the financial statements			<u>\$ 213,462</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, 2014

Schedule II  
 Page 1 of 4

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	\$ 104,196	\$ 26,963	\$ -	\$ 131,159
100	Total Cash	<u>104,196</u>	<u>26,963</u>	<u>-</u>	<u>131,159</u>
122	Accounts Receivable - HUD Other Projects	113,267	-	-	113,267
125	Accounts Receivable - Miscellaneous	-	124	-	124
126	Accounts Receivable - Tenants - Dwelling Rents	19,097	-	-	19,097
126.1	Allowance for Doubtful Accounts - Dwelling	(15,371)	-	-	(15,371)
129	Accrued Interest Receivable	108	-	-	108
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>117,101</u>	<u>124</u>	<u>-</u>	<u>117,225</u>
131	Investments - Unrestricted	59,003	-	-	59,003
130	Total Investments	<u>59,003</u>	<u>-</u>	<u>-</u>	<u>59,003</u>
142	Prepaid Expenses and Other Assets	8,362	1,045	-	9,407
144	Inter Program Due From	1,945	-	-	1,945
150	Total Current Assets	<u>290,607</u>	<u>28,132</u>	<u>-</u>	<u>318,739</u>
161	Land	109,735	-	-	109,735
162	Buildings	4,103,120	-	171,858	4,274,978
163	Furniture, Equipment & Machinery - Dwellings	49,587	-	6,698	56,285
164	Furniture, Equipment & Machinery - Administration	103,745	-	4,585	108,330
165	Leasehold Improvements	1,233,571	-	-	1,233,571
166	Accumulated Depreciation	(4,304,489)	-	(17,886)	(4,322,375)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,295,269</u>	<u>-</u>	<u>165,255</u>	<u>1,460,524</u>
114	Cash - Tenant Security Deposits	6,935	-	-	6,935
113	Cash - Other Restricted	-	16,365	-	16,365
180	Total Non-Current Assets	<u>1,302,204</u>	<u>16,365</u>	<u>165,255</u>	<u>1,483,824</u>
190	Total Assets	<u>\$ 1,592,811</u>	<u>\$ 44,497</u>	<u>\$ 165,255</u>	<u>\$ 1,802,563</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
 Rio Arriba County Housing Authority  
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 Financial Data Schedule  
 June 30, 2014

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	\$ 2,385	\$ 100	\$ -	\$ 2,485
321	Accrued Wage/Payroll Taxes Payable	2,716	-	-	2,716
	Accrued Compensated Absences - Current				
322	Portion	8,603	631	-	9,234
341	Tenant Security Deposits	6,930	-	-	6,930
342	Deferred Revenues	3,465	-	-	3,465
343	Current Portion of Long-term Debt - Capital	-	-	-	-
344	Current Portion of Long-term Debt - Operating	-	-	-	-
345	Other Current Liabilities	-	-	-	-
346	Accrued Liabilities - Other	3,347	-	-	3,347
347	Inter Program Due To	-	1,945	-	1,945
310	Total Current Liabilities	<u>27,446</u>	<u>2,676</u>	<u>-</u>	<u>30,122</u>
354	Accrued Compensated Absences - Non-Current	<u>4,199</u>	<u>315</u>	<u>-</u>	<u>4,514</u>
350	Total Non-Current Liabilities	<u>4,199</u>	<u>315</u>	<u>-</u>	<u>4,514</u>
300	Total Liabilities	<u>31,645</u>	<u>2,991</u>	<u>-</u>	<u>34,636</u>
508.1	Net investment in capital assets	1,295,269	-	165,255	1,460,524
511	Restricted	-	16,365	-	16,365
512.1	Unrestricted	<u>265,897</u>	<u>25,141</u>	<u>-</u>	<u>291,038</u>
513	Total net position	<u>1,561,166</u>	<u>41,506</u>	<u>165,255</u>	<u>1,767,927</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 1,592,811</u>	<u>\$ 44,497</u>	<u>\$ 165,255</u>	<u>\$ 1,802,563</u>



**STATE OF NEW MEXICO**  
 Rio Arriba County Housing Authority  
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 Financial Data Schedule  
 June 30, 2014

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	\$ 93,074	\$ -	\$ -	\$ 93,074
70400	Tenant Revenue - Other	6,477	-	-	6,477
70500	Total Tenant Revenue	99,551	-	-	99,551
70600	HUD PHA Operating Grants	125,329	85,589	-	210,918
70610	Capital Grants	-	-	33,226	33,226
71100	Investment Income - Unrestricted	306	89	-	395
71500	Other Revenue	70,200	19,202	-	89,402
70000	Total Revenue	295,386	104,880	33,226	433,492
91100	Administrative Salaries	50,274	7,644	-	57,918
91400	Advertising and Marketing	224	-	-	224
91500	Employee Benefit Contributions - Administrative	10,933	2,162	-	13,095
91600	Office Expenses	17,368	924	-	18,292
97300	Housing Assistance Payments	-	83,064	-	83,064
97350	Other-Hap-Portability In	-	17,308	-	17,308
91800	Travel	300	-	-	300
91900	Other Operating - Administrative	3,370	1,325	-	4,695
91000	Total Operating - Administrative	82,469	112,427	-	194,896
93100	Water	18,261	-	-	18,261
93200	Electricity	5,837	-	-	5,837
93300	Gas	6,697	-	-	6,697
93000	Total Utilities	30,795	-	-	30,795
94100	Ordinary Maintenance & Operation - Labor	54,019	-	-	54,019
94200	Ordinary Maintenance & Operation - M & O	11,438	-	-	11,438
94300	Ordinary Maintenance & Operation Contracts	9,776	-	-	9,776
94500	Employee Benefit Contributions - OM	18,457	-	-	18,457
94000	Total Maintenance	93,690	-	-	93,690
96140	All Other Insurance	18,147	-	-	18,147
96100	Total Insurance Premiums	18,147	-	-	18,147
96210	Compensated Absences	563	5	-	568
96400	Bad Debt - Tenant Rents	8,294	-	-	8,294
96000	Total Other General	8,857	5	-	8,862
96900	Total Operating Expenses	233,958	112,432	-	346,390
97000	Excess Operating Revenue Over Operating Expenses	61,428	(7,552)	33,226	87,102
97400	Depreciation Expense	163,024	-	11,853	174,877
97500	Fraud Losses	-	-	-	-
90000	Total Expenses	\$ 396,982	\$ 112,432	\$ 11,853	\$ 521,267

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, 2014

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	(101,597)	(7,552)	21,374	(87,775)
11030	Beginning Equity	1,662,763	49,058	143,881	1,855,702
11170	Administrative Fee Equity	-	25,141	-	25,141
11180	Housing Assistance Payments Equity	-	16,365	-	16,365
	Ending Equity (deficit)	<u>\$ 1,561,166</u>	<u>\$ 41,506</u>	<u>\$ 165,255</u>	<u>\$ 1,767,927</u>
11190	Unit Months Available	636	247	-	883
11210	Number of Unit Months Leased	581	247	-	828
11270	Excess Cash	\$ 242,245	\$ -	\$ -	\$ 242,245
11620	Building Purchases	\$ 26,528	\$ -	\$ -	\$ 26,528
11640	Furniture & Equipment Purchased	\$ 26,051	\$ -	\$ -	\$ 26,051

See independent auditors' report

**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  
Española, New Mexico 87532

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2014.

**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 (internal control) 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. 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 from 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*.

## 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 results 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

November 7, 2014

**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, 2014

Schedule III

**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 noted?                     | No         |

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES**

No new findings.

**SECTION III – PRIOR YEAR AUDIT FINDINGS**

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

CU 2013-002 Executive Director Approval of Travel Reimbursements- (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, 2014

**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 November 7, 2014. The following individuals were in attendance.

**Rio Arriba County Housing Authority Officials**

Alfred L. Montoya, Commissioner  
Thomas Campos III, County Manager  
David Trujillo, Assistant County Manager  
Christine Montano, Director of Finance  
Guadalupe Mercure, Assistant Director of Finance  
Jose A. Candelaria, Treasurer  
Leo R. Marquez II, Chief Deputy Treasurer  
Gilbert Martinez, Treasurer's Assistant

**Accounting and Consulting Group, LLP**

Robert Cordova, Audit Partner, CPA  
Morgan Browning, CPA, CGFM