



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, 2016



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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
 Annual Financial Report
 June 30, 2016
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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Official Roster
June 30, 2016

Board of Directors

| | |
|---------------|-----------------|
| Chairman | Alex M. Naranjo |
| Vice Chairman | Barney Trujillo |
| Member | Danny J. Garcia |

Administrative Officials

| | |
|--------------------|--------------|
| Executive Director | Lorrie Leyba |
|--------------------|--------------|

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
Chairman and Board Members
Rio Arriba County Housing Authority
Rio Arriba County
Española, 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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 County Housing Authority as of June 30, 2016, and the respective changes 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, 2016, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require Schedules I and II and the Notes to Required Supplementary Information on pages 40 through 42 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

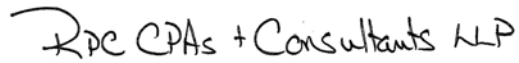
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Schedule III and V required by 2.2.2 NMAC, and Schedule IV as required by the U.S Department of Housing and Urban Development, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

Schedules III and IV in the table of contents 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 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, Schedules III and IV are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section and Schedule V have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016 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.



RPC CPAs + Consultants, LLP
Albuquerque, NM
October 27, 2016

**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, 2016

| | Low Rent Public Housing Program | Section 8 Housing Choice Voucher Program | Public Housing Capital Fund Program | Total |
|---|--|---|--|---------------------|
| Assets and Deferred Outflows | | | | |
| <i>Current assets</i> | | | | |
| Cash and cash equivalents | \$ 83,212 | \$ 23,281 | \$ - | \$ 106,493 |
| Investments | 59,349 | - | - | 59,349 |
| Accounts receivable - tenants, net | 19,071 | 124 | - | 19,195 |
| Accounts receivable - grants | 108,007 | - | - | 108,007 |
| Accrued interest receivable | 82 | - | - | 82 |
| Due from other funds | 2,466 | - | - | 2,466 |
| Prepaid expenses | 8,920 | 1,215 | - | 10,135 |
| <i>Total current assets</i> | <u>281,107</u> | <u>24,620</u> | <u>-</u> | <u>305,727</u> |
| <i>Noncurrent Assets</i> | | | | |
| Restricted cash and cash equivalents | 6,440 | 3,735 | - | 10,175 |
| Accounts receivable - grants | 194,875 | - | - | 194,875 |
| Capital assets | 5,812,205 | - | - | 5,812,205 |
| Accumulated depreciation | (4,662,789) | - | - | (4,662,789) |
| <i>Total noncurrent assets</i> | <u>1,350,731</u> | <u>3,735</u> | <u>-</u> | <u>1,354,466</u> |
| <i>Deferred outflows of resources</i> | | | | |
| Changes in proportion | 9,984 | 738 | - | 10,722 |
| Net difference between projected and actual investment earnings | 3,977 | - | - | 3,977 |
| Employer contributions subsequent to measurement date | 12,032 | 2,110 | - | 14,142 |
| <i>Total deferred outflows of resources</i> | <u>25,993</u> | <u>2,848</u> | <u>-</u> | <u>28,841</u> |
| <i>Total assets and deferred outflows</i> | <u>\$ 1,657,831</u> | <u>\$ 31,203</u> | <u>\$ -</u> | <u>\$ 1,689,034</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 |
|---|--|---|--|---------------------|
| Liabilities, Deferred Inflows, and Net Position | | | | |
| <i>Current liabilities</i> | | | | |
| Accounts payable | \$ 12,433 | \$ 103 | \$ - | \$ 12,536 |
| Accrued payroll | 14,225 | - | - | 14,225 |
| Unearned revenue | 201 | - | - | 201 |
| Compensated absences | 8,638 | 661 | - | 9,299 |
| Due to other funds | - | 2,466 | - | 2,466 |
| <i>Total current liabilities</i> | <u>35,497</u> | <u>3,230</u> | <u>-</u> | <u>38,727</u> |
| <i>Current liabilities (payable from restricted assets)</i> | | | | |
| Tenant deposits | 6,440 | - | - | 6,440 |
| <i>Total current liabilities (payable from restricted assets)</i> | <u>6,440</u> | <u>-</u> | <u>-</u> | <u>6,440</u> |
| <i>Non-current liabilities</i> | | | | |
| Compensated absences | 3,514 | 330 | - | 3,844 |
| Net pension liability | 135,808 | 22,228 | - | 158,036 |
| <i>Total non-current liabilities</i> | <u>139,322</u> | <u>22,558</u> | <u>-</u> | <u>161,880</u> |
| <i>Total liabilities</i> | <u>181,259</u> | <u>25,788</u> | <u>-</u> | <u>207,047</u> |
| <i>Deferred inflows of resources</i> | | | | |
| Net difference between projected and actual investment earnings | - | 4,476 | - | 4,476 |
| Difference between projected and actuarial experience | 3,260 | 241 | - | 3,501 |
| Changes of assumptions | 49 | 12 | - | 61 |
| <i>Total deferred inflows of resources</i> | <u>3,309</u> | <u>4,729</u> | <u>-</u> | <u>8,038</u> |
| <i>Net position</i> | | | | |
| Net investment in capital assets | 1,149,416 | - | - | 1,149,416 |
| Restricted | - | 3,735 | - | 3,735 |
| Unrestricted | 323,847 | (3,049) | - | 320,798 |
| <i>Total net position</i> | <u>1,473,263</u> | <u>686</u> | <u>-</u> | <u>1,473,949</u> |
| <i>Total liabilities, deferred inflows, and net position</i> | <u>\$ 1,657,831</u> | <u>\$ 31,203</u> | <u>\$ -</u> | <u>\$ 1,689,034</u> |

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

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

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 | \$ 85,074 | \$ - | \$ - | \$ 85,074 |
| Operating grants | 213,889 | 83,449 | - | 297,338 |
| Other tenant revenue | 2,960 | 20,789 | - | 23,749 |
| <i>Total operating revenues</i> | <u>301,923</u> | <u>104,238</u> | <u>-</u> | <u>406,161</u> |
| <i>Operating expenses</i> | | | | |
| Personnel services | 131,917 | 9,756 | - | 141,673 |
| Contractual services | 54,458 | - | - | 54,458 |
| Accounting fees | 3,283 | 1,612 | - | 4,895 |
| General and administrative: | | | | |
| Supplies | 16,152 | 1,921 | - | 18,073 |
| Insurance | 17,795 | - | - | 17,795 |
| Maintenance and materials | 10,645 | - | - | 10,645 |
| Utilities | 27,739 | - | - | 27,739 |
| Depreciation | 171,371 | - | - | 171,371 |
| Housing assistance payments - portability in | - | 18,830 | - | 18,830 |
| Housing assistance payments | - | 75,273 | - | 75,273 |
| Miscellaneous | 310 | - | - | 310 |
| <i>Total operating expenses</i> | <u>433,670</u> | <u>107,392</u> | <u>-</u> | <u>541,062</u> |
| <i>Operating (loss)</i> | <u>(131,747)</u> | <u>(3,154)</u> | <u>-</u> | <u>(134,901)</u> |
| <i>Non-operating revenues</i> | | | | |
| Interest income | 190 | 26 | - | 216 |
| Management fee income | 74,473 | - | - | 74,473 |
| <i>Total non-operating revenues</i> | <u>74,663</u> | <u>26</u> | <u>-</u> | <u>74,689</u> |
| <i>Net income before capital contributions</i> | <u>(57,084)</u> | <u>(3,128)</u> | <u>-</u> | <u>(60,212)</u> |
| <i>Capital contributions</i> | | | | |
| Federal capital grants | - | - | 27,023 | 27,023 |
| <i>Total capital contributions</i> | <u>-</u> | <u>-</u> | <u>27,023</u> | <u>27,023</u> |
| <i>Change in net position</i> | <u>(57,084)</u> | <u>(3,128)</u> | <u>27,023</u> | <u>(33,189)</u> |
| <i>Equity transfer</i> | 27,023 | - | (27,023) | - |
| <i>Net position - beginning of year</i> | <u>1,503,324</u> | <u>3,814</u> | <u>-</u> | <u>1,507,138</u> |
| <i>Net position - end of year</i> | <u>\$ 1,473,263</u> | <u>\$ 686</u> | <u>\$ -</u> | <u>\$ 1,473,949</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, 2016

| | 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 tenants | \$ 87,628 | \$ 21,320 | \$ - | \$ 108,948 |
| Cash received from operating grants | 129,979 | 83,763 | - | 213,742 |
| Cash payments to employees for services | (135,217) | (9,804) | - | (145,021) |
| Cash payments to suppliers for goods and services | (136,023) | (99,299) | - | (235,322) |
| <i>Net cash (used) by operating activities</i> | <u>(53,633)</u> | <u>(4,020)</u> | <u>-</u> | <u>(57,653)</u> |
| <i>Cash flows from noncapital financing activities:</i> | | | | |
| Cash received from management fee income | 74,473 | - | - | 74,473 |
| Change in due to/from | 914 | (914) | - | - |
| <i>Net cash provided (used) by noncapital financing activities</i> | <u>75,387</u> | <u>(914)</u> | <u>-</u> | <u>74,473</u> |
| <i>Cash flows from capital and related financing activities:</i> | | | | |
| Cash received from capital grants | - | - | 27,023 | 27,023 |
| Acquisition of capital assets | - | - | (27,023) | (27,023) |
| <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> | | | | |
| Reinvested investment income | (150) | - | - | (150) |
| Interest received on investments | 190 | 26 | - | 216 |
| <i>Net cash provided by investing activities</i> | <u>40</u> | <u>26</u> | <u>-</u> | <u>66</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | 21,794 | (4,908) | - | 16,886 |
| <i>Cash and cash equivalents - beginning of year</i> | <u>67,858</u> | <u>31,924</u> | <u>-</u> | <u>99,782</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 89,652</u> | <u>\$ 27,016</u> | <u>\$ -</u> | <u>\$ 116,668</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 (loss) | \$ (131,747) | \$ (3,154) | \$ - | \$ (134,901) |
| <i>Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:</i> | | | | |
| Depreciation | 171,371 | - | - | 171,371 |
| Net pension expense | (762) | (57) | - | (819) |
| <i>Changes in assets and liabilities:</i> | | | | |
| Accounts receivable | (79,971) | 845 | - | (79,126) |
| Prepaid expenses | (1,371) | (1,215) | - | (2,586) |
| Accounts payable | (4,271) | (448) | - | (4,719) |
| Accrued payroll and expenses | (1,674) | - | - | (1,674) |
| Unearned revenue | (3,849) | - | - | (3,849) |
| Accrued compensated absences | (864) | 9 | - | (855) |
| Tenant deposits | (495) | - | - | (495) |
| <i>Net cash (used) by operating activities</i> | <u>\$ (53,633)</u> | <u>\$ (4,020)</u> | <u>\$ -</u> | <u>\$ (57,653)</u> |

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

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2016

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) Section 8 Housing Choice Voucher 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Authority has no component units; however, the Authority is a component unit of Rio Arriba County as the County has operational responsibility over the Authority and is governed by the same governing authority.

Rio Arriba County issues 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 and operating grants. Operating expenses for enterprise funds include personnel services, contractual services, other 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting and Measurement Focus (continued)

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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. However, any portion of PHA/IHA funds not insured by a Federal insurance organization shall be fully 100% and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD. All securities pledged are reported at market 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. Accounts are estimated to be uncollectible if they are outstanding for greater than one month. 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 \$6,440, 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 \$3,814, as the use of those funds is restricted by enabling legislation.

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NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2016, there are no items required to be valued using valuation techniques.

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, unless stated otherwise by HUD. 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.

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 – 40 |
| Machinery and equipment | 3 – 15 |

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

The Housing Authority has three types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date of \$14,142, changes in proportion of \$10,722, and net difference between projected and actual investment earnings of \$3,977 are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in future periods.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

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.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Housing Authority has three types of items that qualify for reporting in this category. Accordingly, the items, net difference between projected and expected investment earnings of \$4,476, difference between projected and actual experience of \$3,501, and changes of assumptions of \$61, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

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, net pension liability and related deferred inflows and outflows of resources and the allowance for uncollectible accounts.

D. New Accounting Standards Adopted

During the year ended June 30, 2016, the Housing Authority adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*. These five Statements are required to be implemented as of June 30, 2016, if applicable.

GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financials statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statements 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 by (1) clarifying information required to be presented as notes to the 10-year schedules of RSI about investments-related factors that significantly affect trends in reported amounts. (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities. (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in special funding situation. In addition, effective for June 30, 2016 year ends the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets.

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NOTE 1. Summary of Significant Accounting Policies (continued)

D. New Accounting Standards Adopted (continued)

It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. Effective for June 30, 2017 is the pension provided through pension plans that are not administered trusts which follows principals of Statement No. 68 for employer measurement, financial reporting and disclosure. Key differences include (1) no investment or pension plan related amounts or disclosures, (2) discount using 20-year tax exempt high quality municipal bond index, (3) total pension liability recorded by the employer, (4) no deferral relating to differences between expected and actual earnings on plan investments, (5) no expected return on plan investments component of pension expense, (6) no investment related disclosure, and (7) no discount rate calculation rate disclosure. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAPP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 79 addresses the accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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NOTE 1. Summary of Significant Accounting Policies (continued)

D. New Accounting Standards Adopted (continued)

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

E. 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, 2016 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, 2016.

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 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.

All of the Authority's accounts are at located at an insured depository institution, including non-interest bearing accounts which 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.

STATE OF NEW MEXICO
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NOTE 2. Deposits and Investments (continued)

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, 2016, none of the Authority’s bank balance of \$188,880 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 balances not exceeding the amount covered by the FDIC as of June 30, 2016.

| | Century Bank | Total |
|--|-------------------------|--------------|
| Total amount of deposits | \$ 188,880 | \$ 188,880 |
| FDIC Coverage | (188,880) | (188,880) |
| 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 (100% 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 | \$ 106,493 |
| Investments | 59,349 |
| Restricted cash and cash equivalents | 10,175 |
| Total cash, investments, and cash equivalents | 176,017 |
| Add: outstanding checks | 12,863 |
| Bank balance of deposits | \$ 188,880 |

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
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Notes to the Financial Statements
June 30, 2016

NOTE 3. Receivables

Receivables as of June 30, 2016, are as follows:

| | |
|---|--------------------------|
| Grant receivables, current and noncurrent | \$ 302,882 |
| Tenant receivables | 26,574 |
| Allowance for doubtful accounts - tenants | <u>(7,379)</u> |
| Total | <u><u>\$ 322,077</u></u> |

Of the receivables presented above, \$194,875 is not expected to be collected by June 30, 2017. As such they are classified as noncurrent assets on the statement of Net Position, Exhibit A-1.

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, 2016 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><u>\$ 2,466</u></u> |
| <u>Equity Transfers from other programs</u> | <u>Equity Transfers to other programs</u> | |
| Low Rent Public Housing Program | Public Housing Capital Fund Program | <u><u>\$ 27,023</u></u> |

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
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NOTE 5. Capital Assets

The following summary of capital assets and changes occurred during the year ended June 30, 2016. Land is not subject to depreciation.

| | <u>Balance June 30, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2016</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 | 5,508,548 | - | - | 5,508,548 |
| Machinery and equipment | 168,897 | 27,023 | 1,998 | 193,922 |
| Total capital assets, depreciated | <u>5,677,445</u> | <u>27,023</u> | <u>1,998</u> | <u>5,702,470</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 4,354,078 | 165,086 | - | 4,519,164 |
| Machinery and equipment | 139,338 | 6,285 | 1,998 | 143,625 |
| Total accumulated depreciation | <u>4,493,416</u> | <u>171,371</u> | <u>1,998</u> | <u>4,662,789</u> |
| Net book value | <u>\$ 1,293,764</u> | <u>\$ (144,348)</u> | <u>\$ -</u> | <u>\$ 1,149,416</u> |

Depreciation expense for the year ended June 30, 2016 totaled \$171,371.

NOTE 6. Long-Term Liabilities

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2016. Compensated absences are typically liquidated through the Low Rent Public Housing Program. However, \$991 of the balance was allocated to the Section 8 Housing Choice Voucher Program in fiscal year 2016.

| | <u>Balance, June 30, 2015</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, June 30, 2016</u> | <u>Due Within One Year</u> |
|----------------------|-----------------------------------|------------------|--------------------|-----------------------------------|--------------------------------|
| Compensated absences | \$ 13,998 | \$ 8,760 | \$ 9,615 | \$ 13,143 | \$ 9,299 |
| Total | <u>\$ 13,998</u> | <u>\$ 8,760</u> | <u>\$ 9,615</u> | <u>\$ 13,143</u> | <u>\$ 9,299</u> |

STATE OF NEW MEXICO
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NOTE 7. Public Employees Retirement Association (PERA) Pension Plan

Plan Description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and Rio Arriba County Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at: http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf.

The PERA coverage option that applies to Rio Arriba County Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from Rio Arriba County Housing Authority were \$10,871 for the year ended June 30, 2016 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members

STATE OF NEW MEXICO
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NOTE 7. Public Employees Retirement Association (PERA) Pension Plan (continued)

Rio Arriba County Housing Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Reallocation of Deferred Amounts Due to Changes in proportion, in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$5,481 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

For PERA Fund Division Municipal General, at June 30, 2016, Rio Arriba County Housing Authority reported a liability of \$158,036 for its proportionate share of the net pension liability. At June 30, 2015, the Housing Authority's proportion was 0.0155 percent, which was a 0.0018 percent increase from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, Rio Arriba County Housing Authority recognized PERA Fund Division Municipal General pension expense of \$13,325. At June 30, 2016, Rio Arriba County Housing Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes of assumptions | \$ - | \$ 61 |
| Net difference between projected and actual earnings on pension plan investments | 3,977 | 4,476 |
| Changes in proportion and differences between Rio Arriba County Housing Authority's contributions and proportionate share of contributions | 10,722 | - |
| Actuarial experience | - | 3,501 |
| Rio Arriba County Housing Authority's contributions subsequent to the measurement date | 14,142 | - |
| Total | \$ 28,841 | \$ 8,038 |

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NOTE 7. Public Employees Retirement Association (PERA) Pension Plan (continued)

\$14,142 reported as deferred outflows of resources related to pensions resulting from Rio Arriba County Housing Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---------------------|----|-------|
| Year ended June 30: | | |
| 2017 | \$ | (866) |
| 2018 | | (866) |
| 2019 | | (866) |
| 2020 | | 9,259 |
| 2021 | | - |
| Thereafter | | - |

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2014, actuarial valuation.

| | |
|------------------------------|--|
| Actuarial valuation date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| • Investment rate of return | 7.75% annual rate, net of investment expense |
| • Payroll growth | 3.50% annual rate |
| • Projected salary increases | 3.50% to 14.25% annual rate |
| • Includes inflation at | 3.00% annual rate |

STATE OF NEW MEXICO
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NOTE 7. Public Employees Retirement Association (PERA) Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ALL FUNDS - Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|---|
| US Equity | 21.10% | 5.00% |
| International Equity | 24.80 | 5.20 |
| Private Equity | 7.00 | 8.20 |
| Core and Global Fixed Income | 26.10 | 1.85 |
| Fixed Income Plus Sectors | 5.00 | 4.80 |
| Real Estate | 5.00 | 5.30 |
| Real Assets | 7.00 | 5.70 |
| Absolute Return | 4.00 | 4.15 |
| Total | 100.00% | |

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Rio Arriba County Housing Authority's net pension liability in each PERA Fund Division that Rio Arriba County Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

| PERA Fund Municipal General Division | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| Rio Arriba County Housing Authority's proportionate share of the net pension liability | <u>\$ 269,072</u> | <u>\$ 158,036</u> | <u>\$ 65,717</u> |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at: <http://www.pera.state.nm.us/publications.html>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2016

NOTE 7. Public Employees Retirement Association (PERA) Pension Plan (continued)

Payables to the pension plan. The Housing Authority had payables to PERA totaling \$15,041 as of June 30, 2016.

NOTE 8. 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 9. 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 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 71% of total revenues of the Authority are received directly from the United States Department of Housing and Urban Development, for operations and administration of programs directed by the Department. 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, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 14, 2016 which is the date on which the financial statements were issued. No events took place subsequent to year end.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2016

NOTE 13. Related Party

Rio Arriba County Housing Authority has entered into a Property Management Agreement with the Truth or Consequences Housing Authority to manage, rent, lease, and operate the Villa Del Norte Apartments, located at 737 La Joya St. NE, Espanola, NM on behalf Truth or Consequences Housing Authority. The term of the agreement has been renewed through December 31, 2016, and is typically renewed on an annual basis. The U.S. Department of Housing and Urban Development has approved this agreement. Rio Arriba County Housing Authority receives management fees in the amount of \$12 per unit per month leased. For the year ended June 30, 2016, total management fee income was \$74,743.

NOTE 14. Subsequent Pronouncements

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Authority's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Authority does not expect this pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2016. The Authority expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Authority will implement this standard during the fiscal year ended June 30, 2017. The Authority is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Schedule of Proportionate Share of the Net Pension Liability of PERA Division
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Division
 Last 10 Fiscal Years*

| | 2016 Measurement Date (As of and for the Year Ended June 30, 2015) | 2015 Measurement Date (As of and for the Year Ended June 30, 2014) |
|--|---|---|
| Rio Arriba County Housing Authority's proportion of the net pension liability | 0.0155% | 0.0137% |
| Rio Arriba County Housing Authority's proportionate share of the net pension liability | \$ 158,036 | \$ 106,875 |
| Rio Arriba County Housing Authority's covered-employee payroll | \$ 113,108 | \$ 111,507 |
| Rio Arriba County Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 139.72% | 95.85% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.99% | 81.29% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Rio Arriba County Housing Authority will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO

Schedule II

Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division
Last 10 Fiscal Years*

| | As of and for the Year Ended June 30, 2016 | As of and for the Year Ended June 30, 2015 |
|--|---|---|
| Contractually required contribution | \$ 10,871 | \$ 10,707 |
| Contributions in relation to the contractually required contribution | <u>4,226</u> | <u>10,707</u> |
| Contribution deficiency (excess) | <u>\$ 6,645</u> | <u>\$ -</u> |
| Rio Arriba County Housing Authority's covered-employee payroll | \$ 114,874 | \$ 113,108 |
| Contributions as a percentage of covered-employee payroll | 9.46% | 9.47% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Rio Arriba County Housing Authority will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

See independent auditors' report.
See notes to required supplementary information.

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, 2016

Schedule III

| <u>Bank Account</u> | <u>Century Bank</u> | <u>Totals</u> |
|---|-------------------------|-------------------|
| Low Rent | \$ 24,907 | \$ 24,907 |
| Rental Assistance Section-8 | 28,203 | 28,203 |
| Villa Del Norte | 69,968 | 69,968 |
| Security Deposits | 6,454 | 6,454 |
| Certificate of Deposit 001 | 36,294 | 36,294 |
| Certificate of Deposit 001 | 11,306 | 11,306 |
| Certificate of Deposit 003 | 11,748 | 11,748 |
| <i>Total on deposit</i> | <u>\$ 188,880</u> | 188,880 |
| Reconciling items | | <u>(12,863)</u> |
| <i>Reconciled balance June 30, 2016</i> | | <u>\$ 176,017</u> |
| Reconciliation to the financial statements: | | |
| Cash and cash equivalents: | | |
| Statement of net position - Exhibit A-1 | | 106,493 |
| Restricted cash and cash equivalents: | | |
| Statement of net position - Exhibit A-1 | | 10,175 |
| Investments: | | |
| Statement of net position - Exhibit A-1 | | <u>59,349</u> |
| <i>Reconciled balance as reported in the financial statements</i> | | <u>\$ 176,017</u> |

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, 2016

| 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 | \$ 83,212 | \$ 23,281 | \$ - | \$ 106,493 |
| 114 | Cash - Tenant Security Deposits | 6,440 | - | - | 6,440 |
| 113 | Cash - Other Restricted | - | 3,735 | - | 3,735 |
| 100 | Total Cash | 89,652 | 27,016 | - | 116,668 |
| 122 | Accounts Receivable - HUD Other Projects | 108,007 | - | - | 108,007 |
| 125 | Accounts Receivable - Miscellaneous | - | 124 | - | 124 |
| 126 | Accounts Receivable - Tenants - Dwelling Rents | 26,450 | - | - | 26,450 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Notes, Loans, & Mortgages Receivables- | (7,379) | - | - | (7,379) |
| 127 | Current | - | - | - | - |
| 129 | Accrued Interest Receivable | 82 | - | - | 82 |
| 120 | Total Receivables, Net of Allowance for Doubtful Accounts | 127,160 | 124 | - | 127,284 |
| 131 | Investments - Unrestricted | 59,349 | - | - | 59,349 |
| 130 | Total Investments | 59,349 | - | - | 59,349 |
| 142 | Prepaid Expenses and Other Assets | 8,920 | 1,215 | - | 10,135 |
| 144 | Inter Program Due From | 2,466 | - | - | 2,466 |
| 150 | Total Current Assets | 287,547 | 28,355 | - | 315,902 |
| 161 | Land | 109,735 | - | - | 109,735 |
| 162 | Buildings | 5,508,548 | - | - | 5,508,548 |
| 163 | Furniture, Equipment & Machinery - Dwellings | 60,568 | - | - | 60,568 |
| 164 | Administration | 133,354 | - | - | 133,354 |
| 165 | Leasehold Improvements | - | - | - | - |
| 166 | Accumulated Depreciation | (4,662,789) | - | - | (4,662,789) |
| 160 | Total Capital Assets, Net of Accumulated Depreciation | 1,149,416 | - | - | 1,149,416 |
| 173 | Grants Receivable- Non Current | 194,875 | - | - | 194,875 |
| 180 | Total Non-Current Assets | 1,344,291 | - | - | 1,344,291 |
| 200 | Deferred Outflow of Resources | 25,993 | 2,848 | - | 28,841 |
| 290 | Total Assets and Deferred Outflows of Resources | \$ 1,657,831 | \$ 31,203 | \$ - | \$ 1,689,034 |

See independent auditors' report.

| 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 | \$ 1,919 | \$ 103 | \$ - | \$ 2,022 |
| 321 | Accrued Wage/Payroll Taxes Payable | 13,547 | - | - | 13,547 |
| | Accrued Compensated Absences - Current | | | | |
| 322 | Portion | 8,638 | 661 | - | 9,299 |
| 341 | Tenant Security Deposits | 6,440 | - | - | 6,440 |
| 342 | Deferred Revenues | 201 | - | - | 201 |
| 346 | Accrued Liabilities - Other | 11,192 | - | - | 11,192 |
| 347 | Inter Program Due To | - | 2,466 | - | 2,466 |
| 310 | Total Current Liabilities | 41,937 | 3,230 | - | 45,167 |
| 354 | Accrued Compensated Absences - Non-Current | 3,514 | 330 | - | 3,844 |
| 357 | Accrued Pension and OPEB Liabilities | 135,808 | 22,228 | - | 158,036 |
| 350 | Total Non-Current Liabilities | 139,322 | 22,558 | - | 161,880 |
| 300 | Total Liabilities | 181,259 | 25,788 | - | 207,047 |
| 400 | Deferred Inflow of Resources | 3,309 | 4,729 | - | 8,038 |
| 508.1 | Net investment in capital assets | 1,149,416 | - | - | 1,149,416 |
| 511 | Restricted | - | 3,735 | - | 3,735 |
| 512.1 | Unrestricted | 323,847 | (3,049) | - | 320,798 |
| 513 | Total net position | 1,473,263 | 686 | - | 1,473,949 |
| 600 | <i>Total Liabilities, Deferred Inflows of Resources and Equity/Net Position</i> | <u>\$ 1,657,831</u> | <u>\$ 31,203</u> | <u>\$ -</u> | <u>\$ 1,689,034</u> |

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, 2016

| 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 | \$ 83,082 | \$ - | \$ - | \$ 83,082 |
| 70400 | Tenant Revenue - Other | 2,960 | 20,789 | - | 23,749 |
| 70500 | Total Tenant Revenue | 86,042 | 20,789 | - | 106,831 |
| 70600 | HUD PHA Operating Grants | 213,889 | 83,449 | - | 297,338 |
| 70610 | Capital Grants | - | - | 27,023 | 27,023 |
| 71100 | Investment Income - Unrestricted | 190 | 26 | - | 216 |
| 71400 | Fraud Recovery | - | - | - | - |
| 71500 | Other Revenue | 76,465 | - | - | 76,465 |
| 70000 | Total Revenue | 376,586 | 104,264 | 27,023 | 507,873 |
| 91100 | Administrative Salaries | 36,821 | 7,821 | - | 44,642 |
| 91500 | Employee Benefit Contributions - Admin | 8,990 | 1,927 | - | 10,917 |
| 91600 | Office Expenses | 16,152 | 1,920 | - | 18,072 |
| 91800 | Travel | 310 | - | - | 310 |
| 91900 | Other Operating - Administrative | 3,283 | 1,612 | - | 4,895 |
| 91000 | Total Operating - Administrative | 65,556 | 13,280 | - | 78,836 |
| 93100 | Water | 17,036 | - | - | 17,036 |
| 93200 | Electricity | 8,921 | - | - | 8,921 |
| 93300 | Gas | 1,782 | - | - | 1,782 |
| 93000 | Total Utilities | 27,739 | - | - | 27,739 |
| 94100 | Ordinary Maintenance & Operation - Labor | 70,118 | - | - | 70,118 |
| 94200 | Ordinary Maintenance & Operation - M & O | 10,645 | - | - | 10,645 |
| 94300 | Ordinary Maintenance & Operation Contracts | 54,458 | - | - | 54,458 |
| 94500 | Employee Benefit Contributions - OM | 16,852 | - | - | 16,852 |
| 94000 | Total Maintenance | 152,073 | - | - | 152,073 |
| 96140 | All Other Insurance | 17,794 | - | - | 17,794 |
| 96100 | Total Insurance Premiums | 17,794 | - | - | 17,794 |
| 96210 | Compensated Absences | (863) | 9 | - | (854) |
| 96000 | Total Other General | (863) | 9 | - | (854) |
| 96900 | Total Operating Expenses | 262,299 | 13,289 | - | 275,588 |
| 97000 | Excess Operating Revenue Over Operating Expenses | 114,287 | 90,975 | 27,023 | 232,285 |
| 97300 | Housing Assistance Payments | - | 75,273 | - | 75,273 |
| 97350 | Other-Hap-Portability In | - | 18,830 | - | 18,830 |
| 97400 | Depreciation Expense | 171,371 | - | - | 171,371 |
| 90000 | Total Expenses | \$ 433,670 | \$ 107,392 | \$ - | \$ 541,062 |

See independent auditors' report.

| 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 | (57,084) | (3,128) | 27,023 | (33,189) |
| 11030 | Beginning Equity | 1,503,324 | 3,814 | | 1,507,138 |
| 11040-010 | Prior Period Adjustments and Correction of Errors | - | - | - | - |
| 11040-070 | Equity Transfers | 27,023 | - | (27,023) | - |
| 11170 | Administrative Fee Equity | - | (3,049) | - | (3,049) |
| 11180 | Housing Assistance Payments Equity | - | 3,735 | - | 3,735 |
| | <i>Ending Equity (deficit)</i> | <u>\$ 1,473,263</u> | <u>\$ 686</u> | <u>\$ -</u> | <u>\$ 1,473,949</u> |
| 11190 | Unit Months Available | <u>636</u> | <u>208</u> | <u>-</u> | <u>844</u> |
| 11210 | Number of Unit Months Leased | <u>518</u> | <u>208</u> | <u>-</u> | <u>726</u> |
| 11270 | <i>Excess Cash</i> | <u>\$ 414,835</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 414,835</u> |
| 11620 | <i>Building Purchases</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 11640 | <i>Furniture & Equipment Purchased</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,023</u> | <u>\$ 27,023</u> |

See independent auditors' report.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016

Prepared by: Rio Arriba County Housing Authority Staff
 Title: Executive Director
 Date: September 8, 2016

| <u>RFB/ RFP #</u> | <u>Type of Procurement</u> | <u>Awarded Vendor</u> | <u>\$ Amount of Awarded Contract</u> | <u>\$ Amount of Amended Contract</u> |
|-------------------|----------------------------|-----------------------|--------------------------------------|--------------------------------------|
|-------------------|----------------------------|-----------------------|--------------------------------------|--------------------------------------|

None

See independent auditors' report.

| Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded | In-State/ Out- of-State Vendor (Y or N) (Based on Statutory Definition) | Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A | Brief Description of the Scope of Work |
|---|--|--|---|
|---|--|--|---|

See independent auditors' report.

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COMPLIANCE SECTION

**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

Timothy Keller
New Mexico State Auditor
Chairman and Board Members
Rio Arriba County Housing Authority
Rio Arriba County
Española, 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, 2016, 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 27, 2016.

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 that are required to be reported under *Government Auditing Standards*.

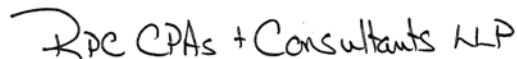
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item CUFS 2016-001.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 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.



RPC CPAs + Consultants, LLP
Albuquerque, NM
October 27, 2016

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, 2016

Schedule VI

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

| | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal Control over financial Reporting | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS

CUFS 2016-001 Untimely PERA Contributions (Finding that does not rise to the level of a significant deficiency)

Condition: During our testwork related to PERA remittance we noted the following:

- Public Employee Retirement Association (PERA) payments are in arrears dating back to November of 2015. The total amount of unremitted cash totals \$7,931 for employee portions withheld from checks and \$7,110 for employer portions.

Criteria: Per NMAC 2.80.500.8, the PERA rules, the electronic reports, consisting of salaries and contributions and demographic information, must be sent by the 15th of the month following the month covered by the Report. The form must be faxed the same day that contributions are electronically submitted, no later than the 15th of the month following the month covered by the Report.

Effect: Penalties could be assessed and the Housing Authority could be required to pay unnecessary costs related to payments being paid late.

Cause: The payroll department did not keep track and missed the deadlines for submission.

Auditors’ Recommendations: The Housing Authority should remit the amount in arrears. In addition, the Housing Authority should implement an internal control system to ensure that PERA payments are remitted timely.

Agency’s Response: Rio Arriba County Housing Authority (RACHA), as of July 2016, has since paid and reported the PERA electronic reports consisting of salaries, contributions and other pertinent information as required. Due to budget shortfall for FYB 2014, 2015 & 2016 payments and reports were pending. As of July 2016 HUD Albuquerque Field Office released a significant amount of Operating Subsidy that allowed the RACHA to remit payment and finalize reporting as required for November 2015 through present. Therefore, the RACHA is current and in compliance with the PERA rules as required.

SECTION IV – PRIOR YEAR AUDIT FINDINGS

No prior year 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, 2016

AUDITOR PREPARED FINANCIAL STATEMENTS

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of 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.

EXIT CONFERENCE

The contents of this report were discussed on October 27, 2016 at Rio Arriba County Housing Authority, Tierra Amarilla offices in a closed executive session in compliance with the Open Meetings Act. The following individuals were in attendance:

Representing Rio Arriba County

| | |
|-------------------|----------------------------|
| Christine Montano | Director of Finance |
| Guadalupe Mercure | Asst. Director of Finance |
| David F. Trujillo | Asst. County Manager |
| Adan Trujillo | Legal Council |
| Sarah Garcia | Chief Deputy Treasurer |
| Barney Trujillo | Commissioner |
| Danny Garcia | Commissioner |
| Alex Naranjo | Commissioner |
| Jose Candelaria | Treasurer |
| Tomas Campos | County Manager |
| Gilbert Martinez | Treasurer's Accountant |
| Tim Machado | Consultant |
| Juanita Salazar | Treasurer's Department |
| Lorrie Leyba | Housing Authority Director |

Representing RPC CPAs + Consultants, LLP

| | |
|---------------------------------|---------|
| Robert Cordova, CPA | Partner |
| Danny Martinez, CPA, CGFM, CGMA | Manager |