

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

Financial Statements
For the Year Ended June 30, 2018



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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
 Table of Contents
 June 30, 2018

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-12
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	A-1	14-15
Statement of Revenues, Expenses, and Change in Net Position	A-2	16
Statement of Cashflows	A-3	17
NOTES TO FINANCIAL STATEMENTS		18-32
	<u>Schedule</u>	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Proportionate Share of the Net Pension Liability - PERA	I	34
Schedule of Contributions - PERA	II	35
Notes to Required Supplementary Information		36
SUPPORTING SCHEDULES		
Schedule of Deposits	III	39
Financial Data Schedule	IV	40-45
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 <i>Government Auditing Standards</i>		48-49
Schedule of Findings and Responses	V	50-52
OTHER DISCLOSURES		53

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STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Official Roster
June 30, 2018

<u>Name</u>		<u>Title</u>
	<u>Board of Directors</u>	
Barney Trujillo		Chairman
Alex Naranjo		Commissioner
Danny J. Garcia		Commissioner
	<u>Administrative Officials</u>	
Lorrie Leyba		Executive Director

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Chairman and Board Members
Rio Arriba County Housing Authority
Rio Arriba County
U.S. Department of Housing and Urban Development
Wayne Johnson
New Mexico State Auditor
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, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rio Arriba County Housing Authority as of June 30, 2018, 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, 2018, 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 this missing information.

Accounting principles generally accepted in the United States of America require the Schedules I through II and notes to the Required Supplementary Information on pages 34 through 36 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 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, Schedule III required by 2.2.2 NMAC, and Schedule IV Financial Data Schedule 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, the Schedules III and IV are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory has 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 November 26, 2018, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, slightly slanted style.

Cordova CPAs LLC
Albuquerque, New Mexico
November 26, 2018

**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, 2018

	<u>Low Rent Public Housing Program</u>	<u>Section 8 Housing Choice Vouchers Program</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 242,335	\$ 14,717	\$ 257,052
Investments	59,649	-	59,649
Accounts receivable - tenants, net	546	-	546
Accounts receivable - grants	152,418	-	152,418
Accounts receivable - other	13,665	-	13,665
Accrued interest receivable	83	-	83
Due from other funds	-	13	13
Prepaid expenses	9,338	1,073	10,411
<i>Total current assets</i>	<u>478,034</u>	<u>15,803</u>	<u>493,837</u>
Noncurrent assets			
Restricted cash	6,449	13,938	20,387
Accounts receivable - grants	177,186	-	177,186
Capital assets	5,845,573	-	5,845,573
Less: accumulated depreciation	<u>(5,000,676)</u>	<u>-</u>	<u>(5,000,676)</u>
<i>Total noncurrent assets</i>	<u>1,028,532</u>	<u>13,938</u>	<u>1,042,470</u>
<i>Total assets</i>	<u>1,506,566</u>	<u>29,741</u>	<u>1,536,307</u>
Deferred outflows of resources			
Deferred outflows - PERA	<u>44,881</u>	<u>2,066</u>	<u>46,947</u>
<i>Total deferred outflows of resources</i>	<u>44,881</u>	<u>2,066</u>	<u>46,947</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 1,551,447</u>	<u>\$ 31,807</u>	<u>\$ 1,583,254</u>

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

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 21,823	\$ 173	\$ 21,996
Accrued payroll	4,552	-	4,552
Unearned revenue	943	-	943
Compensated absences	8,038	42	8,080
Due to other funds	13	-	13
	<u>35,369</u>	<u>215</u>	<u>35,584</u>
<i>Total current liabilities</i>			
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	6,435	-	6,435
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,435</u>	<u>-</u>	<u>6,435</u>
Noncurrent liabilities			
Net pension liability - PERA	177,339	8,162	185,501
	<u>177,339</u>	<u>8,162</u>	<u>185,501</u>
<i>Total noncurrent liabilities</i>			
	<u>219,143</u>	<u>8,377</u>	<u>227,520</u>
<i>Total liabilities</i>			
Deferred inflows of resources			
Deferred inflows - PERA	22,156	1,020	23,176
	<u>22,156</u>	<u>1,020</u>	<u>23,176</u>
<i>Total deferred inflows of resources</i>			
Net position			
Net investment in capital assets	844,897	-	844,897
Restricted for section 8 program	-	13,938	13,938
Unrestricted	465,251	8,472	473,723
	<u>1,310,148</u>	<u>22,410</u>	<u>1,332,558</u>
<i>Total net position</i>			
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 1,551,447</u>	<u>\$ 31,807</u>	<u>\$ 1,583,254</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 Revenue, Expenses, And Change In Net Position
For The Year Ended June 30, 2018

Exhibit A-2

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Total
<i>Operating revenues</i>			
Tenant rents	\$ 113,971	\$ -	\$ 113,971
Operating grants	165,583	85,853	251,436
Other tenant revenue	477	6,034	6,511
<i>Total operating revenues</i>	<u>280,031</u>	<u>91,887</u>	<u>371,918</u>
<i>Operating expenses</i>			
Personnel services	193,909	3,002	196,911
Contractual services	12,871	-	12,871
Accounting fees	16,580	3,605	20,185
General and administrative			
Supplies	12,000	1,848	13,848
Insurance	19,941	-	19,941
Bad debt	17,675	-	17,675
Maintenance and materials	28,450	-	28,450
Utilities	39,766	-	39,766
Depreciation	166,201	-	166,201
Housing assistance payments -portability in	-	5,612	5,612
Housing assistance payments	-	73,278	73,278
Miscellaneous	829	-	829
<i>Total operating expenses</i>	<u>508,222</u>	<u>87,345</u>	<u>595,567</u>
<i>Operating income (loss)</i>	(228,191)	4,542	(223,649)
<i>Nonoperating revenue (expenses)</i>			
Interest income	775	26	801
Management fee income	82,019	-	82,019
Miscellaneous income	5,000	-	5,000
<i>Total non-operating revenues</i>	<u>87,794</u>	<u>26</u>	<u>87,820</u>
<i>Net income before capital contributions</i>	(140,397)	4,568	(135,829)
<i>Capital contributions</i>			
Federal capital grants	19,176	-	19,176
<i>Total capital contributions</i>	<u>19,176</u>	<u>-</u>	<u>19,176</u>
Transfers in	-	17,591	17,591
Transfers (out)	(17,591)	-	(17,591)
<i>Change in net position</i>	(138,812)	22,159	(116,653)
<i>Net position - beginning of year</i>	<u>1,448,960</u>	<u>251</u>	<u>1,449,211</u>
<i>Net position - end of year</i>	<u>\$ 1,310,148</u>	<u>\$ 22,410</u>	<u>\$ 1,332,558</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, 2018

Exhibit A-3

	Public Housing Low Rent Program	Section 8 Housing Choice Voucher	Total
	<u> </u>	<u> </u>	<u> </u>
<i>Cash flows from operating activities:</i>			
Cash received from tenants	\$ 126,161	\$ 6,021	\$ 132,182
Cash received from operating grants	165,583	85,853	251,436
Cash payments to employees for services	(165,795)	(21,791)	(187,586)
Cash payments to suppliers for goods and services	<u>(146,011)</u>	<u>(85,461)</u>	<u>(231,472)</u>
<i>Net cash used by operating activities</i>	<u>(20,062)</u>	<u>(15,378)</u>	<u>(35,440)</u>
<i>Cash flows from noncapital financing activities:</i>			
Cash received from management fee income	82,019	-	82,019
Transfers	(17,591)	17,591	-
Cash received from insurance proceeds	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<i>Net cash provided by noncapital financing activities</i>	<u>69,428</u>	<u>17,591</u>	<u>87,019</u>
<i>Cash flows from capital and related financing activities</i>			
Cash received from capital grants	19,176	-	19,176
Acquisition of capital assets	<u>(19,176)</u>	<u>-</u>	<u>(19,176)</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash flows from investing activities:</i>			
Reinvested CD interest	(150)	-	(150)
Interest received on investments	775	26	801
<i>Net cash provided by investing activities</i>	<u>625</u>	<u>26</u>	<u>651</u>
Net increase in cash	49,991	2,239	52,230
Cash beginning of year	<u>198,793</u>	<u>26,416</u>	<u>225,209</u>
Cash end of year	<u><u>\$ 248,784</u></u>	<u><u>\$ 28,655</u></u>	<u><u>\$ 277,439</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (228,191)	\$ 4,542	\$ (223,649)
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operating activities:			
Depreciation	166,201	-	166,201
Net pension expense	30,944	(17,840)	13,104
Changes in assets and liabilities:			
Accounts receivable and due from others	11,432	(13)	11,419
Prepaid expenses	(345)	(33)	(378)
Accounts payable and due to others	2,446	(1,085)	1,361
Accrued liabilities	2,227	-	2,227
Unearned revenue	281	-	281
Compensated absences	<u>(5,057)</u>	<u>(949)</u>	<u>(6,006)</u>
<i>Net cash provided (used) by operating activities</i>	<u><u>\$ (20,062)</u></u>	<u><u>\$ (15,378)</u></u>	<u><u>\$ (35,440)</u></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
Notes to the Financial Statements
June 30, 2018

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. At year end June 30, 2018, the Authority was not required to make a GASB 77 disclosure.

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.
- **Public Housing Capital Fund Program** - These programs, funded through direct grants from HUD, account for acquisition of capital assets or construction of capital projects. This program is grouped with the Low Rent Public Housing Program.
- **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.

A. *Financial Reporting Entity*

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.

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

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

Rio Arriba County 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 149 State Rd. 162, 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) is 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting and Measurement Focus (continued)

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Authority's financial statements.

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

Revenue Recognition: Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority has entered into contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 Housing Choice Vouchers Program, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 Housing Choice Vouchers Program. Such contributions are reflected as operating grants revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

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

Cash and Investments: The Authority is authorized under the provisions 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 is 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.

Restricted Cash: Certain resources set aside in escrow for security deposits of \$6,449, 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 \$3,994, as the use of those funds is restricted by enabling legislation.

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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2018, 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

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on deferred revenues in the Statement of Net Position to include deferred outflow of resources, which is the consumption of net position by the Housing Authority that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net position by the Housing Authority that is applicable to a future reporting period. The Authority has several items that qualify for reporting in this category related to the pension plan which is discussed at Note 7.

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

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

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 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

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, allowance for uncollectible tenant accounts, the current portion of accrued compensated absences, the 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, 2018, the Housing Authority adopted GASB Statement No. 81 Irrevocable Split-Interest Agreements, GASB Statement No. 82 Pension Issues- an Amendment of GASB Statement No. 67, No. 68, and No. 73, GASB Statement No. 85 Omnibus 2017, and GASB Statement No. 86 Certain Debt Extinguishment Issues. These four Statements are required to be implemented as of June 30, 2018, if applicable. The implementation of these statements did not have a significant impact on the Housing Authority.

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, 2018 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, the 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, 2018.

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.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2018

NOTE 2. Deposits and Investments (continued)

All of the Authority's accounts are 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.

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, 2018, none of the Authority's bank balance of \$358,483 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 bank balances were fully covered by the FDIC as of June 30, 2018.

	Century Bank
Amount of deposits	\$ 358,483
FDIC Coverage	(358,483)
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 Collateral	-
Over (Under) collateralized	\$ -

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2018

NOTE 2. Deposits and Investments (continued)

Reconciliation to the 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:

Reconciliation to the Statement of Net Position:

Cash- Statement of Net Position	\$	257,052
Investments		59,649
Restricted cash		20,387
Total cash		<u>337,088</u>
 Plus: reconciling items		 <u>21,395</u>
 Bank balance of deposits		 <u><u>\$ 358,483</u></u>

NOTE 3. Accounts Receivable

Receivables as of June 30, 2018, are as follows:

Grant receivables, current and noncurrent	\$	329,604
Tenant receivables		15,211
Management fee receivables		13,665
Accrued interest receivable		83
Allowance for doubtful accounts - tenants		<u>(14,665)</u>
		<u><u>\$ 343,898</u></u>

Of the receivables presented above, \$177,186 is not expected to be collected by June 30, 2019. 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, 2018 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>\$ 13</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 5. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land is not subject to depreciation.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Dispositions and Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets not depreciated:				
Land	\$ 109,735	\$ -	\$ -	\$ 109,735
Construction in process	14,192	19,176	(33,368)	-
Total assets not depreciated	<u>123,927</u>	<u>19,176</u>	<u>(33,368)</u>	<u>109,735</u>
Capital assets being depreciated:				
Buildings and improvements	5,508,548	-	33,368	5,541,916
Machinery and equipment	193,922	-	-	193,922
Total assets depreciated	<u>5,702,470</u>	<u>-</u>	<u>33,368</u>	<u>5,735,838</u>
Total assets	5,826,397	19,176	-	5,845,573
Less accumulated depreciation for:				
Buildings and improvements	4,679,418	155,153	-	4,834,571
Machinery and equipment	155,056	11,048	-	166,104
Total accumulated depreciation	<u>4,834,474</u>	<u>166,201</u>	<u>-</u>	<u>5,000,675</u>
Capital assets, net	<u>\$ 991,923</u>	<u>\$ (147,025)</u>	<u>\$ -</u>	<u>\$ 844,898</u>

Depreciation expense for the year ended June 30, 2018 totaled \$166,201.

NOTE 6. Long-term Liabilities

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2018. Compensated absences are typically liquidated through the Low Rent Public Housing Program.

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 14,086	\$ 3,448	\$ 9,454	\$ 8,080	\$ 8,080

NOTE 7. Pension Plan – Public Employee Retirement Association of NM

Public Employees Retirement 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 Officers, 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 7. Pension Plan – Public Employee Retirement Association of NM (continued)

Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's compressive annual financial report for Contribution provided description.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2018

NOTE 7. Pension Plan – Public Employee Retirement Association of NM (continued)

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2018, the Authority reported a liability of \$185,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 7. Pension Plan – Public Employee Retirement Association of NM (continued)

There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Authority's proportion was 0.000135, which was an increase of 0.000002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$13,104. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 7,290	\$ 9,501
Net difference between expected and actual investments on pension plan investments	15,219	-
Change in assumptions	8,554	1,917
Change in proportion	7,382	11,758
Authority's contributions subsequent to the measurement date	<u>8,502</u>	<u>-</u>
Total	<u>\$ 46,947</u>	<u>\$ 23,176</u>

\$8,502 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

2019	\$ 4,867
2020	12,352
2021	2,498
2022	(4,448)
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 7. Pension Plan – Public Employee Retirement Association of NM (continued)

PERA FUND

PERA	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 9 years, then 3.254% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2018

NOTE 7. Pension Plan – Public Employee Retirement Association of NM (continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Authority's proportionate share of the net pension liability	\$ 290,742	\$ 185,501	\$ 97,979

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

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. Concentration

Approximately 57% 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2018

NOTE 11. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2018 which is the date on which the financial statements were issued. No events took place subsequent to year end.

NOTE 12. 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, 2018, 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 \$14.40 per unit per month leased plus Management wages. For the year ended June 30, 2018, total management fee income was \$82,019.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Schedule of Proportionate Share Of The Net Pension Liability
 Public Employees Retirement Assicuatuib (PERA) Plan
 Last 10 Fiscal Years*

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	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 proportion of the net pension liability (asset)	0.0135%	0.0133%	0.0155%	0.0137%
Rio Arriba County Housing Authority proportionate share of the net pension liability (asset)	\$ 185,501	\$ 212,487	\$ 158,036	\$ 106,875
Rio Arriba County Housing Authority covered payroll	113,880	113,800	112,155	111,507
Rio Arriba County Housing Authority proportionate share of the net pension liability (asset) as a percentage of its covered payroll	162.89%	186.72%	140.91%	95.85%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Rio Arriba County Housing Authority will present information for those years for which information is available. Complete information for Rio Arriba County Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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
 Schedule Of Contributions
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

Schedule II

	<u>As of and for the Year Ended June 30, 2018</u>	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 8,502	\$ 10,876	\$ 10,871	\$ 10,707
Contributions in relation to the contractually required contribution	<u>(8,502)</u>	<u>(10,876)</u>	<u>(10,871)</u>	<u>(10,707)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rio Arriba County Housing Authority covered payroll	89,029	113,880	113,800	112,155
Contribution as a percentage of covered payroll	9.55%	9.55%	9.55%	9.55%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Rio Arriba County Housing Authority will present information for those years for which information is available. Complete information for Rio Arriba County Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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
June 30, 2018

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

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, 2018

<u>Bank Account</u>	<u>Century Bank</u>	<u>Totals</u>
Low Rent	\$ 156,319	\$ 156,319
Rental Assistance Section 8	28,655	28,655
Villa Del Norte	107,411	107,411
Security Deposits	6,449	6,449
Certificate of Deposit 001	11,818	11,818
Certificate of Deposit 002	36,512	36,512
Certificate of Deposit 003	11,319	11,319
	<u>\$ 358,483</u>	
<i>Total on Deposit</i>		358,483
Reconciling items		<u>(21,395)</u>
<i>Reconciled balance June 30, 2018</i>		<u>\$ 337,088</u>
Reconciliation to financial statements:		
Cash		
Statement of net position - Exhibit A-1		\$ 266,996
Restricted cash		
Statement of net position - Exhibit A-1		10,443
Investments		
Statement of net position - Exhibit A-1		<u>59,649</u>
<i>Reconciled balance as reported in the financial statements</i>		<u>\$ 337,088</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Total
111	Cash - Unrestricted	\$ 242,349	\$ 14,717	\$ 257,066
113	Cash - Other Restricted	-	13,938	13,938
114	Cash - Tenant Security Deposits	6,435	-	6,435
100	<i>Total Cash</i>	<u>248,784</u>	<u>28,655</u>	<u>277,439</u>
122	Accounts Receivable-HUD Other Projects	152,418	-	152,418
125	Accounts Receivable-Miscellaneous	14,395	-	14,395
126	Accounts Receivable-Tenants-Dwelling Rents	15,211	-	15,211
126.1	Allowance for Doubtful Accounts-Dwelling Rents	(14,665)	-	(14,665)
129	Accrued Interest Receivable	83	-	83
120	<i>Total Receivables, Net of Allowance for Doutful Accounts</i>	<u>167,442</u>	<u>-</u>	<u>167,442</u>
131	Investments - Unrestricted	59,649	-	59,649
142	Prepaid Expenses and Other Assets	9,338	1,073	10,411
144	Inter Program Due From	-	13	13
150	<i>Total Current Assets</i>	<u>485,213</u>	<u>29,741</u>	<u>514,954</u>
161	Land	109,735	-	109,735
162	Buildings	5,541,916	-	5,541,916
163	Furniture, Equipment & Machinery- Dwellings	60,568	-	60,568
164	Furniture, Equipment & Machinery- Administration	133,354	-	133,354
166	Accumulated Depreciation	(5,000,676)	-	(5,000,676)
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>844,897</u>	<u>-</u>	<u>844,897</u>
173	Grants Receivable - Non Current	177,186	-	177,186
180	<i>Total Non-Current Assets</i>	<u>1,022,083</u>	<u>-</u>	<u>1,022,083</u>
190	<i>Total Assets</i>	<u>1,507,296</u>	<u>29,741</u>	<u>1,537,037</u>
200	Deferred Outflows of Resources	44,881	2,066	46,947
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 1,552,177</u>	<u>\$ 31,807</u>	<u>\$ 1,583,984</u>

See independent auditors' report.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Total
312	Accounts Payable <=90 Days	\$ 18,669	\$ 173	\$ 18,842
321	Accrued Wage/Payroll Taxes Payable	4,551	-	4,551
	Accrued Compensated Absences-Current			
322	Portion	8,038	42	8,080
341	Tenant Security Deposits	6,435	-	6,435
342	Unearned Revenues	943	-	943
345	Other Current Liabilities	730	-	730
346	Accrued Liabilities-Other	3,155	-	3,155
347	Inter Program Due to	13	-	13
		<hr/>	<hr/>	<hr/>
310	<i>Total Current Liabilities</i>	42,534	215	42,749
		<hr/>	<hr/>	<hr/>
357	Accrued Pension and OPEB Liabilities	177,339	8,162	185,501
		<hr/>	<hr/>	<hr/>
350	<i>Total Non-Current Liabilities</i>	177,339	8,162	185,501
		<hr/>	<hr/>	<hr/>
300	<i>Total Liabilities</i>	219,873	8,377	228,250
		<hr/>	<hr/>	<hr/>
400	Deferred Inflows of Resources	22,156	1,020	23,176
		<hr/>	<hr/>	<hr/>
508.1	Net Investment in Capital Assets	844,897	-	844,897
511	Restricted Net Position	-	13,938	13,938
512.1	Unrestricted Net Position	465,251	8,472	473,723
		<hr/>	<hr/>	<hr/>
513	<i>Total Equity/Net Position</i>	1,310,148	22,410	1,332,558
		<hr/>	<hr/>	<hr/>
600	<i>Total Liabilities, Deferred Inflows of Resources and Equity/Net Position</i>	\$ 1,552,177	\$ 31,807	\$ 1,583,984
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See independent auditors' report.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 113,971	\$ -	\$ -	\$ 113,971
70400	Tenant Revenue- Other	477	-	-	477
70500	<i>Total Tenant Revenue</i>	<u>114,448</u>	<u>-</u>	<u>-</u>	<u>114,448</u>
70600	HUD PHA Operating Grants	144,780	85,853	20,802	251,435
70610	Capital Grants	-	-	19,176	19,176
	Investment Income -				
71100	Unrestricted	775	26	-	801
71500	Other Revenue	87,019	6,034	-	93,053
70000	<i>Total Revenue</i>	<u>347,022</u>	<u>91,913</u>	<u>39,978</u>	<u>478,913</u>
91100	Administrative Salaries	24,264	2,074	-	26,338
91200	Auditing Fees	13,015	1,446	-	14,461
91300	Management Fee	74,299	-	-	74,299
91400	Advertising and Marketing	829	-	-	829
	Employee Benefit contributions -				
91500	Administrative	2,848	825	-	3,673
91600	Office Expense	20,857	1,849	-	22,706
91800	Travel	1,843	60	-	1,903
91900	Other	3,566	2,159	-	5,725
91000	<i>Total Operating - Administrative</i>	<u>141,521</u>	<u>8,413</u>	<u>-</u>	<u>149,934</u>
93100	Water	21,424	-	-	21,424
93200	Electricity	7,168	-	-	7,168
93400	Fuel	1,173	-	-	1,173
93000	<i>Total Utilities</i>	<u>\$ 29,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,765</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872	Total
94100	Ordinary Maintenance & Operation - Labor	\$ 69,576	\$ -	\$ -	\$ 69,576
94200	Ordinary Maintenance & Operation - Materials & Other	19,239	-	9,212	28,451
94300	Ordinary Maintenance & Operation - Contracts	14,739	-	-	14,739
94500	Employee Benefit - Contributions Ordinary Maintenance	15,407	-	-	15,407
94000	<i>Total Maintenance</i>	<u>118,961</u>	<u>-</u>	<u>9,212</u>	<u>128,173</u>
96140	All Other Insurance	19,941	-	-	19,941
96100	<i>Total Insurance Premiums</i>	<u>19,941</u>	<u>-</u>	<u>-</u>	<u>19,941</u>
96210	Compensated Absences	(733)	42	-	(691)
96400	Bad Debt - Tenant Rents	17,675	-	-	17,675
96000	<i>Total Other General</i>	<u>16,942</u>	<u>42</u>	<u>-</u>	<u>16,984</u>
96900	<i>Total Operating Expenses</i>	<u>327,130</u>	<u>8,455</u>	<u>9,212</u>	<u>344,797</u>
97000	<i>Excess Operating Revenue Over Operating Expenses</i>	<u>\$ 19,892</u>	<u>\$ 83,458</u>	<u>\$ 30,766</u>	<u>\$ 134,116</u>

See independent auditors' report.

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STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Financial Data Schedule
 June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program	Capital Fund Program 14.872	Total
97200	Casualty Losses - Non-Capitalized	\$ 4,661	\$ -	\$ -	\$ 4,661
97300	Housing Assistance Payments	-	73,278	-	73,278
97350	HAP Portability-In	-	5,612	-	5,612
97400	Depreciation Expense	166,201	-	1,017	167,218
90000	<i>Total Expenses</i>	<u>497,992</u>	<u>87,345</u>	<u>10,229</u>	<u>595,566</u>
10010	Operating Transfers In	11,590	17,591	-	29,181
10020	Operating Transfers Out	<u>(17,591)</u>	<u>-</u>	<u>(11,590)</u>	<u>(29,181)</u>
10100	<i>Total Other Financing Sources (Uses)</i>	<u>(6,001)</u>	<u>17,591</u>	<u>(11,590)</u>	<u>-</u>
10000	<i>Excess (Deficiency) of Operating Revenue Over (Under) Expenses</i>	<u>(156,971)</u>	<u>22,159</u>	<u>18,159</u>	<u>(116,653)</u>
11030	Beginning Equity	1,448,960	251	-	1,449,211
11170	Administrative Fee Equity	-	(8,472)	-	(8,472)
11180	Housing Assistance Payments Equity	<u>-</u>	<u>13,938</u>	<u>-</u>	<u>13,938</u>
11190	Unit Months Available	<u>636</u>	<u>231</u>	<u>-</u>	<u>867</u>
11210	Number of Unit Months Leased	<u>501</u>	<u>231</u>	<u>-</u>	<u>732</u>
11270	Excess Cash	<u>425,444</u>	<u>-</u>	<u>-</u>	<u>425,444</u>
11620	Building Purchases	<u>-</u>	<u>-</u>	<u>19,177</u>	<u>19,177</u>
11630	Furniture & Equipment- Dwelling Purchases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11640	Furniture & Equipment- Administrative Purchases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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*

Chairman and Board Members
Rio Arriba County Authority
Rio Arriba County
U.S. Department of Housing and Urban Development
Wayne Johnson
New Mexico State Auditor
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 Rio Arriba County Authority (the "Authority"), a component unit of Rio Arriba County, New Mexico as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2018.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, slightly slanted style.

Cordova CPAs LLC
Albuquerque, NM
November 26, 2018

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, 2018

Schedule V

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 |

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, 2018

Schedule V

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

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, 2018

Schedule V

SECTION III. PRIOR YEAR AUDIT FINDINGS

CUFS 2017-001 Stale Dated Checks – Other Noncompliance-Resolved

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Other Disclosures
June 30, 2018

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 26, 2018. In attendance were the following:

Representing Rio Arriba County:

Danny Garcia – County Commissioner
Tomas Campos III – County Manager
Christine Montañó – Finance Director
Guadalupe Mercure – Assistant Finance Director
Livia Olguin – County Treasurer
Tim Machado – Accountant

Representing Rio Arriba County Housing Authority:

Lorrie Leyba –Director

Representing Cordova CPAs LLC:

Robert Cordova, CPA – Principal
Rufino Rodriguez, CPA – Senior Manager

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Rio Arriba County Housing Authority from the original books and records asserted by management of Rio Arriba County Housing Authority. The responsibility for the financial statements remains with Rio Arriba County Housing Authority.