



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, 2017



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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, 2017
 Table of Contents

INTRODUCTORY SECTION	<u>Exhibit</u>	<u>Page</u>
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 Changes in Net Position	A-2	17
Statement of Cash Flows	A-3	18-19
NOTES TO THE FINANCIAL STATEMENTS		21-36
 REQUIRED SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Proportionate Share of Net Pension Liability of PERA Division	I	38
Schedule of Contributions	II	39
Notes to Required Supplementary Information		40
 SUPPORTING SCHEDULES		
Schedule of Deposits and Investments	III	43
Financial Data Schedule	IV	44-47
 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>		50-51
Schedule of Findings and Responses	V	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, 2017

Board of Directors

Chairman	Danny J. Garcia
Vice Chairman	Alex Naranjo
Member	Barney Trujillo

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, 2017, 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, 2017, 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, 2017, 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 38 through 40 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

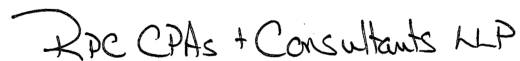
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Schedule III required by 2.2.2 NMAC, and Schedule IV as required by the U.S Department of Housing and Urban Development, are presented for the 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 are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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
November 29, 2017

**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, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Total
Assets and Deferred Outflows			
<i>Current assets</i>			
Cash and cash equivalents	\$ 192,390	\$ 17,963	\$ 210,353
Investments	59,498	-	59,498
Accounts receivable - tenants, net	4,101	-	4,101
Accounts receivable - grants	148,317	-	148,317
Accounts receivable - other	6,869	-	6,869
Accrued interest receivable	83	-	83
Due from other funds	1,085	-	1,085
Prepaid expenses	8,993	1,040	10,033
<i>Total current assets</i>	<u>421,336</u>	<u>19,003</u>	<u>440,339</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	6,403	8,453	14,856
Accounts receivable - grants	194,875	-	194,875
Capital assets	5,826,397	-	5,826,397
Accumulated depreciation	(4,834,474)	-	(4,834,474)
<i>Total noncurrent assets</i>	<u>1,193,201</u>	<u>8,453</u>	<u>1,201,654</u>
<i>Deferred outflows of resources</i>			
Changes in proportion	9,596	707	10,303
Changes in assumptions	11,534	926	12,460
Net difference between projected and actual investment earnings	40,631	-	40,631
Difference between expected and actual experience	9,827	789	10,616
Employer contributions subsequent to measurement date	9,009	1,867	10,876
<i>Total deferred outflows of resources</i>	<u>80,597</u>	<u>4,289</u>	<u>84,886</u>
<i>Total assets and deferred outflows</i>	<u>\$ 1,695,134</u>	<u>\$ 31,745</u>	<u>\$ 1,726,879</u>

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

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Total
Liabilities, Deferred Inflows, and Net Position			
<i>Current liabilities</i>			
Accounts payable	\$ 19,430	\$ 173	\$ 19,603
Accrued payroll	2,325	-	2,325
Unearned revenue	662	-	662
Compensated absences	8,638	661	9,299
Due to other funds	-	1,085	1,085
<i>Total current liabilities</i>	<u>31,055</u>	<u>1,919</u>	<u>32,974</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	6,395	-	6,395
<i>Total current liabilities (payable from restricted assets)</i>	<u>6,395</u>	<u>-</u>	<u>6,395</u>
<i>Non-current liabilities</i>			
Compensated absences	4,457	330	4,787
Net pension liability	186,212	26,275	212,487
<i>Total non-current liabilities</i>	<u>190,669</u>	<u>26,605</u>	<u>217,274</u>
<i>Total liabilities</i>	<u>228,119</u>	<u>28,524</u>	<u>256,643</u>
<i>Deferred inflows of resources</i>			
Net difference between projected and actual investment earnings	-	1,533	1,533
Difference between expected and actual experience	1,939	135	2,074
Changes of assumptions	25	10	35
Changes in proportion	16,091	1,292	17,383
<i>Total deferred inflows of resources</i>	<u>18,055</u>	<u>2,970</u>	<u>21,025</u>
<i>Net position</i>			
Net investment in capital assets	991,923	-	991,923
Restricted	-	8,453	8,453
Unrestricted	457,037	(8,202)	448,835
<i>Total net position</i>	<u>1,448,960</u>	<u>251</u>	<u>1,449,211</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 1,695,134</u>	<u>\$ 31,745</u>	<u>\$ 1,726,879</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, 2017

Exhibit A-2

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Total
<i>Operating revenues</i>			
Tenant rents	\$ 112,569	\$ -	\$ 112,569
Operating grants	209,698	70,209	279,907
Other tenant revenue	525	16,307	16,832
<i>Total operating revenues</i>	<u>322,792</u>	<u>86,516</u>	<u>409,308</u>
<i>Operating expenses</i>			
Personnel services	144,184	12,055	156,239
Contractual services	9,988	-	9,988
Accounting fees	4,092	1,800	5,892
General and administrative:			
Supplies	7,977	2,153	10,130
Insurance	18,539	-	18,539
Bad debt	44,178	-	44,178
Maintenance and materials	19,308	-	19,308
Utilities	41,238	-	41,238
Depreciation	171,685	-	171,685
Housing assistance payments - portability in	-	14,890	14,890
Housing assistance payments	-	56,467	56,467
Miscellaneous	151	123	274
<i>Total operating expenses</i>	<u>461,340</u>	<u>87,488</u>	<u>548,828</u>
<i>Operating (loss)</i>	<u>(138,548)</u>	<u>(972)</u>	<u>(139,520)</u>
<i>Non-operating revenues</i>			
Interest income	326	58	384
Management fee income	82,120	-	82,120
<i>Total non-operating revenues</i>	<u>82,446</u>	<u>58</u>	<u>82,504</u>
<i>Net income before capital contributions</i>	<u>(56,102)</u>	<u>(914)</u>	<u>(57,016)</u>
<i>Capital contributions</i>			
Federal capital grants	14,192	-	14,192
<i>Total capital contributions</i>	<u>14,192</u>	<u>-</u>	<u>14,192</u>
<i>Change in net position</i>	<u>(41,910)</u>	<u>(914)</u>	<u>(42,824)</u>
<i>Net position - beginning of year</i>	1,473,263	686	1,473,949
<i>Net position - restatement (Note 15)</i>	<u>17,607</u>	<u>479</u>	<u>18,086</u>
<i>Net position - as restated</i>	<u>1,490,870</u>	<u>1,165</u>	<u>1,492,035</u>
<i>Net position - end of year</i>	<u>\$ 1,448,960</u>	<u>\$ 251</u>	<u>\$ 1,449,211</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, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenants	\$ 95,039	\$ 16,910	\$ 111,949
Cash received from operating grants	169,388	70,209	239,597
Cash payments to employees for services	(144,594)	(11,208)	(155,802)
Cash payments to suppliers for goods and services	(94,369)	(75,188)	(169,557)
<i>Net cash provided by operating activities</i>	<u>25,464</u>	<u>723</u>	<u>26,187</u>
<i>Cash flows from noncapital financing activities:</i>			
Cash received from management fee income	82,120	-	82,120
Change in due to/from	1,381	(1,381)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>83,501</u>	<u>(1,381)</u>	<u>82,120</u>
<i>Cash flows from capital and related financing activities:</i>			
Cash received from capital grants	14,192	-	14,192
Acquisition of capital assets	(14,192)	-	(14,192)
<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 investment income	(149)	-	(149)
Interest received on investments	325	58	383
<i>Net cash provided by investing activities</i>	<u>176</u>	<u>58</u>	<u>234</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	109,141	(600)	108,541
<i>Cash and cash equivalents - beginning of year</i>	<u>89,652</u>	<u>27,016</u>	<u>116,668</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 198,793</u>	<u>\$ 26,416</u>	<u>\$ 225,209</u>

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

	Low Rent Public Housing Program	Section 8 Housing Choice Voucher Program	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating (loss)	\$ (138,548)	\$ (972)	\$ (139,520)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	171,685	-	171,685
Bad debt	44,178	-	44,178
Noncash pension expense	13,569	604	14,173
Changes in assets and liabilities:			
Accounts receivable	(58,780)	1,089	(57,691)
Prepaid expenses	(74)	175	101
Accounts payable	6,997	70	7,067
Accrued payroll and expenses	(11,899)	-	(11,899)
Unearned revenue	461	-	461
Accrued compensated absences	943	-	943
Tenant deposits	(45)	-	(45)
Deferred outflows - subsequent contributions	(3,023)	(243)	(3,266)
<i>Net cash (used) by operating activities</i>	<u>\$ 25,464</u>	<u>\$ 723</u>	<u>\$ 26,187</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, 2017

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 Española, 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 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, GASB Statement No. 61, and GASB Statement No. 80. 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, 2017

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

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting and Measurement Focus (continued)

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 Cash Equivalents 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 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.

Restricted Cash and Cash Equivalents: Certain resources set aside in escrow for security deposits of \$6,403, 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 \$8,932, 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. 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.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2017, 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Housing Authority has five types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date of \$10,876, changes in proportion of \$10,303, changes in assumptions of \$12,460, the difference between expected and actual experience \$10,616, and net difference between projected and actual investment earnings of \$40,631 are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflows 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.

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 four types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$17,383, difference between projected and actual experience of \$2,074, changes of assumptions of \$35, and net difference between projected and actual investment earnings of \$1,533 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.

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

- 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.

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, 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, 2017, the Housing Authority adopted GASB Statement No. 77 Tax Abatement Disclosures and GASB Statement No. 80 Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14. These two Statements are required to be implemented as of June 30, 2017, if applicable. These implementation of these statements did not have a significant impact on the Housing Authority because they had no tax abatements for disclosure and no component units to report under the blending requirements of Statement No. 80.

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, 2017 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, 2017.

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

NOTE 2. Deposits and Investments (continued)

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.

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, 2017, none of the Authority's bank balance of \$290,582 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, 2017.

	Century Bank	Total
Total amount of deposits	\$ 290,582	\$ 290,582
FDIC Coverage	(290,582)	(290,582)
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	\$ -	\$ -

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

NOTE 2. Deposits and Investments (continued)

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	\$	210,353
Investments		59,498
Restricted cash and cash equivalents		14,856
		284,707
Total cash, investments, and cash equivalents		284,707
Add: outstanding checks		5,875
		5,875
Bank balance of deposits	\$	290,582

NOTE 3. Accounts Receivable

Receivables as of June 30, 2017, are as follows:

Grant receivables, current and noncurrent	\$	343,192
Tenant receivables		22,519
Other Receivables		6,869
Allowance for doubtful accounts - tenants		(18,418)
		(18,418)
Total	\$	354,162

Of the receivables presented above, \$213,127 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, 2017 is as follows:

Due from other funds	Due to other funds	
Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	\$ 1,085

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

NOTE 5. Capital Assets

The following summary of capital assets and changes occurred during the year ended June 30, 2017. Land is not subject to depreciation.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not depreciated:				
Land	\$ 109,735	\$ -	\$ -	\$ 109,735
Construction in progress	-	14,192	-	14,192
Total capital assets, not depreciated	<u>109,735</u>	<u>14,192</u>	<u>-</u>	<u>123,927</u>
Capital assets, depreciated:				
Buildings and improvements	5,508,548	-	-	5,508,548
Machinery and equipment	193,922	-	-	193,922
Total capital assets, depreciated	<u>5,702,470</u>	<u>-</u>	<u>-</u>	<u>5,702,470</u>
Less accumulated depreciation:				
Buildings and improvements	4,519,164	160,254	-	4,679,418
Machinery and equipment	143,625	11,431	-	155,056
Total accumulated depreciation	<u>4,662,789</u>	<u>171,685</u>	<u>-</u>	<u>4,834,474</u>
Net book value	<u>\$ 1,149,416</u>	<u>\$ (157,493)</u>	<u>\$ -</u>	<u>\$ 991,923</u>

Depreciation expense for the year ended June 30, 2017 totaled \$171,685.

NOTE 6. Long-Term Liabilities

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2017. 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 2017.

	Balance, June 30, 2016	Additions	Retirements	Balance, June 30, 2017	Due Within One Year
Compensated absences	<u>\$ 13,998</u>	<u>\$ 8,760</u>	<u>\$ 8,672</u>	<u>\$ 14,086</u>	<u>\$ 9,299</u>

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Notes to the Financial Statements
June 30, 2017

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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Rio Arriba County 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 FY17 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://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.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 \$10,876 for the year ended June 30, 2017 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

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 performed 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
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 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.

For PERA Fund Division Municipal General, at June 30, 2017, Rio Arriba County Housing Authority reported a liability of \$212,487 for its proportionate share of the net pension liability. At June 30, 2016, the Housing Authority's proportion was 0.0133 percent, which was a 0.0022 percent decrease from its proportion measured as of June 30, 2015 of 0.0155.

For the year ended June 30, 2017, Rio Arriba County Housing Authority recognized PERA Fund Division Municipal General pension expense of \$24,211. At June 30, 2017, 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	\$ 12,460	\$ 35
Net difference between projected and actual earnings on pension plan investments	40,631	1,533
Changes in proportion and differences between Rio Arriba County Housing Authority's contributions and proportionate share of contributions	10,303	17,383
Actuarial experience	10,616	2,074
Rio Arriba County Housing Authority's contributions subsequent to the measurement date	10,876	-
Total	\$ 84,886	\$ 21,025

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

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

\$10,876 reported as deferred outflows of resources related to pensions resulting from Rio Arriba County Housing Authority contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (12,093)
2019	(12,093)
2020	(19,414)
2021	(9,385)
2022	-
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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2015
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	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate for first 10 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 20, 2015 (economic)

STATE OF NEW MEXICO
 Rio Arriba County Housing Authority
 A Component Unit of Rio Arriba County
 Notes to the Financial Statements
 June 30, 2017

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Rio Arriba County Housing Authority's proportionate share of the net pension liability	\$ 316,803	\$ 212,489	\$ 125,966

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 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, 2017

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 58% 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, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2017 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, 2017

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, Española, NM on behalf Truth or Consequences Housing Authority. The term of the agreement has been renewed through December 31, 2017, 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, 2017, total management fee income was \$82,120.

NOTE 14. Subsequent Pronouncements

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 Housing Authority does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

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 Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, Certain Asset Retirement Obligations was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, Fiduciary Activities was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, Omnibus 2017 was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, Certain Debt Extinguishment Issues was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, Leases was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the 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, 2017

NOTE 15. Prior Period Restatement

During the fiscal year ended June 30, 2017, the Housing Authority identified revenues related to prior periods that were owed to the Housing Authority by a tenant receiving assistance from the Low Rent Public Housing program. This resulted in an increase in beginning net position of \$17,607 due to unrecorded revenues. A corresponding amount was also recorded as a receivable during the year ended June 30, 2017 and written off to bad debt expenses at June 30, 2017.

During the fiscal year ended June 30, 2017, the Housing Authority voided checks that were issued on the behalf of tenants participating in the Housing Choice Voucher Program. The checks were issued in prior periods and were voided as these tenants were absorbed by another Public Housing Authority. This resulted in an increase in beginning net position of \$17,607 due to unrecorded revenues.

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*

	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's proportion of the net pension liability	0.0133%	0.0155%	0.0137%
Rio Arriba County Housing Authority's proportionate share of the net pension liability	\$ 212,489	\$ 158,036	\$ 106,875
Rio Arriba County Housing Authority's covered-employee payroll	\$ 114,874	\$ 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	184.98%	139.72%	95.85%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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
 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*

Schedule II

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

* 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, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/financialoverview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

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 and Investments
 June 30, 2017

Schedule III

<u>Bank Account</u>	<u>Century Bank</u>	<u>Totals</u>
Low Rent	\$ 113,743	\$ 113,743
Rental Assistance Section-8	26,807	26,807
Villa Del Norte	84,125	84,125
Security Deposits	6,409	6,409
Certificate of Deposit 001	36,403	36,403
Certificate of Deposit 001	11,312	11,312
Certificate of Deposit 003	11,783	11,783
	<u>\$ 290,582</u>	<u>290,582</u>
<i>Total on deposit</i>		
Reconciling items		<u>(5,875)</u>
<i>Reconciled balance June 30, 2017</i>		<u>\$ 284,707</u>
Reconciliation to the financial statements:		
Cash and cash equivalents:		
Statement of net position - Exhibit A-1		\$ 209,874
Restricted cash and cash equivalents:		
Statement of net position - Exhibit A-1		15,335
Investments:		
Statement of net position - Exhibit A-1		<u>59,498</u>
<i>Reconciled balance as reported in the financial statements</i>		<u>\$ 284,707</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, 2017

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	\$ 192,390	\$ 17,963	\$ -	\$ 210,353
114	Cash - Tenant Security Deposits	6,403	-	-	6,403
113	Cash - Other Restricted	-	8,453	-	8,453
100	Total Cash	<u>198,793</u>	<u>26,416</u>	<u>-</u>	<u>225,209</u>
122	Accounts Receivable - HUD Other Projects	148,317	-	-	148,317
125	Accounts Receivable - Miscellaneous	6,869	-	-	6,869
126	Accounts Receivable - Tenants - Dwelling Rents	22,519	-	-	22,519
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(18,418)	-	-	(18,418)
129	Accrued Interest Receivable	83	-	-	83
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>159,370</u>	<u>-</u>	<u>-</u>	<u>159,370</u>
131	Investments - Unrestricted	59,498	-	-	59,498
130	Total Investments	<u>59,498</u>	<u>-</u>	<u>-</u>	<u>59,498</u>
142	Prepaid Expenses and Other Assets	8,993	1,040	-	10,033
144	Inter Program Due From	1,085	-	-	1,085
150	Total Current Assets	<u>427,739</u>	<u>27,456</u>	<u>-</u>	<u>455,195</u>
161	Land	109,735	-	-	109,735
162	Buildings	5,508,548	-	-	5,508,548
163	Dwellings	60,568	-	-	60,568
164	Administration	133,354	-	-	133,354
166	Accumulated Depreciation	(4,834,474)	-	-	(4,834,474)
167	Construction in progress	14,192	-	-	14,192
160	Total Capital Assets, Net of Accumulated Depreciation	<u>991,923</u>	<u>-</u>	<u>-</u>	<u>991,923</u>
173	Grants Receivable - Non Current	194,875	-	-	194,875
180	Total Non-Current Assets	<u>1,186,798</u>	<u>-</u>	<u>-</u>	<u>1,186,798</u>
200	Deferred Outflow of Resources	80,597	4,289	-	84,886
290	Total Assets and Deferred Outflows of Resources	<u>\$ 1,695,134</u>	<u>\$ 31,745</u>	<u>\$ -</u>	<u>\$ 1,726,879</u>

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	\$ 16,163	\$ 173	\$ -	\$ 16,336
321	Accrued Wage/Payroll Taxes Payable	2,325	-	-	2,325
322	Accrued Compensated Absences - Current Portion	8,638	661	-	9,299
341	Tenant Security Deposits	6,395	-	-	6,395
342	Deferred Revenues	662	-	-	662
346	Accrued Liabilities - Other	3,267	-	-	3,267
347	Inter Program Due To	-	1,085	-	1,085
310	Total Current Liabilities	<u>37,450</u>	<u>1,919</u>	<u>-</u>	<u>39,369</u>
354	Accrued Compensated Absences - Non-Current	4,457	330	-	4,787
357	Accrued Pension and OPEB Liabilities	<u>186,212</u>	<u>26,275</u>	<u>-</u>	<u>212,487</u>
350	Total Non-Current Liabilities	<u>190,669</u>	<u>26,605</u>	<u>-</u>	<u>217,274</u>
300	Total Liabilities	<u>228,119</u>	<u>28,524</u>	<u>-</u>	<u>256,643</u>
400	Deferred Inflow of Resources	<u>18,055</u>	<u>2,970</u>	<u>-</u>	<u>21,025</u>
508.1	Net investment in capital assets	991,923	-	-	991,923
511	Restricted	-	8,453	-	8,453
512.1	Unrestricted	<u>457,037</u>	<u>(8,202)</u>	<u>-</u>	<u>448,835</u>
513	Total net position	<u>1,448,960</u>	<u>251</u>	<u>-</u>	<u>1,449,211</u>
600	<i>Total Liabilities, Deferred Inflows of Resources and Equity/Net Position</i>	<u>\$ 1,695,134</u>	<u>\$ 31,745</u>	<u>\$ -</u>	<u>\$ 1,726,879</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, 2017

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	\$ 111,220	\$ -	\$ -	\$ 111,220
70400	Tenant Revenue - Other	1,864	-	-	1,864
70500	Total Tenant Revenue	113,084	-	-	113,084
70600	HUD PHA Operating Grants	134,125	70,209	75,573	279,907
70610	Capital Grants	-	-	14,192	14,192
71100	Investment Income - Unrestricted	326	58	-	384
71500	Other Revenue	82,130	16,307	-	98,437
70000	Total Revenue	329,665	86,574	89,765	506,004
91100	Administrative Salaries	36,699	7,775	-	44,474
91400	Advertising and Marketing	151	-	-	151
91500	Employee Benefit Contributions - Admin	20,408	2,838	-	23,246
91600	Office Expenses	16,337	2,769	-	19,106
91800	Travel	-	949	-	949
91900	Other Operating - Administrative	4,092	1,800	-	5,892
91000	Total Operating - Administrative	77,687	16,131	-	93,818
93100	Water	21,739	-	-	21,739
93200	Electricity	7,194	-	-	7,194
93400	Fuel	1,798	-	-	1,798
93000	Total Utilities	30,731	-	-	30,731
94100	Ordinary Maintenance & Operation - Labor	69,843	-	-	69,843
94200	Ordinary Maintenance & Operation - M & O	12,478	-	6,830	19,308
94300	Ordinary Maintenance & Operation Contracts	12,135	-	-	12,135
94500	Employee Benefit Contributions - OM	16,292	-	-	16,292
94000	Total Maintenance	110,748	-	6,830	117,578
96140	All Other Insurance	18,539	-	-	18,539
96100	Total Insurance Premiums	18,539	-	-	18,539
96210	Compensated Absences	942	-	-	942
96400	Bad Debt - Tenant Rents	44,178	-	-	44,178
96000	Total Other General	45,120	-	-	45,120
96900	Total Operating Expenses	282,825	16,131	6,830	305,786
97000	Excess Operating Revenue Over Operating Expenses	46,840	70,443	82,935	200,218
97300	Housing Assistance Payments	-	56,467	-	56,467
97350	Other-Hap-Portability In	-	14,890	-	14,890
97400	Depreciation Expense	171,685	-	-	171,685
90000	Total Expenses	\$ 454,510	\$ 87,488	\$ 6,830	\$ 548,828

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	\$ 68,743	\$ -	\$ -	\$ 68,743
10020	Operating Transfers Out	-	-	(68,743)	(68,743)
10100	Total Other Financing Sources (Uses)	68,743	-	(68,743)	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(56,102)	(914)	14,192	(42,824)
11030	Beginning Equity	1,473,263	686	-	1,473,949
11040-010	Prior Period Adjustments and Correction of Errors	17,607	479	-	18,086
11040-070	Equity Transfers	14,192	-	(14,192)	-
11170	Administrative Fee Equity	-	(8,202)	-	(8,202)
11180	Housing Assistance Payments Equity	-	8,453	-	8,453
	<i>Ending Equity (deficit)</i>	<u>\$ 1,448,960</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ 1,449,211</u>
11190	Unit Months Available	636	170	-	806
11210	Number of Unit Months Leased	563	170	-	733
11270	<i>Excess Cash</i>	<u>\$ 358,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,606</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>\$ 14,192</u>	<u>\$ 14,192</u>

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, 2017, 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 29, 2017.

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 were not 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*.

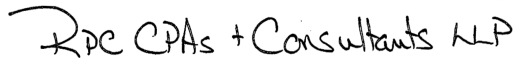
We noted a matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item CUFS 2017-001.

The Authority's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 29, 2017

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, 2017

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 |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

No financial statement findings noted for the year ended June 30, 2017.

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

CUFS 2017-001 Stale Dated Checks – Other Noncompliance

Condition: The Authority had 3 stale dated checks totaling \$397 at June 30, 2017.

Criteria: Per Section 6-10-57, NMSA 1978 whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Effect: Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The Authority did not perform the compliance requirements that come with stale dated checks. The Authority is aware of the issue and will continue its effort to clean up long outstanding items.

Auditors’ Recommendations: We recommend that the stale checks and deposits be researched to determine if they have been paid or received, need to be voided and reissued as soon as possible. Also, a procedure should be implemented to track stale dated checks. Additionally, the Authority should follow the State of New Mexico Escheatment Laws.

Agency’s Response: The Authority agrees with the finding and has resolved the issue as of the date of the audit report.

SECTION IV – PRIOR YEAR AUDIT FINDINGS

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

STATE OF NEW MEXICO
Rio Arriba County Housing Authority
A Component Unit of Rio Arriba County
Other Disclosures
For the Year Ended June 30, 2017

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 November 29, 2017 at Rio Arriba County Housing Authority, Tierra Amarilla offices. The following individuals were in attendance:

Representing Rio Arriba County

Christine Montano	Director of Finance
Guadalupe Mercure	Asst. Director of Finance
Juanita Salazar	Chief Deputy Treasurer
Danny Garcia	Commissioner
Livia Olguin	Treasurer
Tomas Campos	County Manager
Gilbert Martinez	Treasurer's Accountant
Tim Machado	Treasurer's Department
Lorrie Leyba	Housing Authority Director

Representing RPC CPAs + Consultants, LLP

Danny Martinez, CPA, CGFM, CGMA	Partner
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