



*New Mexico*

**TAOS COUNTY HOUSING AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
Taos County Housing Authority  
Official Roster  
June 30, 2011

<b>Name</b>		<b>Title</b>
	<b>Governing Board</b>	
Manuel Pacheco		Chairman
Johnny Pacheco		Vice Chair
Billy Vigil		Member
Roger Chavez		Member
Della Barrone		Member
Larry Sanchez		Non-Voting Member
	<b>Administrative Officials</b>	
Carmella Martinez		Executive Director

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**STATE OF NEW MEXICO**  
Taos County Housing Authority  
June 30, 2011  
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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Executive Director and Board of Commissioners  
Taos County Housing Authority  
Taos, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Taos County Housing Authority (the "Authority"), a component unit of Taos County, New Mexico (the "County"), as of and for the year ended June 30, 2011, as listed in the table of contents. We have also audited the budgetary comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Taos County as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 the Taos County Housing Authority as of June 30, 2011, and the respective change in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Authority for the year ended June 30, 2011.

*Where Quality & Accuracy Count*

6565 Americas Parkway NE, Ste 670  
Albuquerque, NM 87110

Office: 505-563-5525  
Fax: 505-563-5524

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In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2011, on our consideration of the Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and did not express an opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying Schedule IV-Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule III-Financial Data Schedule is presented for purposes of additional analysis as required by U.S. Department of Housing and Urban development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Precision Accounting LLC  
Albuquerque, New Mexico  
September 2, 2011

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**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2011**

**INTRODUCTION**

The Taos County Housing Authority (the Authority) is a political subdivision of Taos County and is empowered To implement housing, community development, redevelopment, and revitalization programs within Taos, New Mexico (the County). The Authority has the power to acquire, lease, and improve property; to acquire via eminent domain; to make loans or grants; to investigate and determine whether an area is blighted; and to carry out a redevelopment plan in cooperation with local government.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended June 30, 2011, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999.

The Authority's FY2011 annual financial report consists of two parts - the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to the U.S. Department of Housing and Urban Development (HUD) related to our basic financial statements.

The primary focus of the Authority's financial statements is on the financial statements of a single business-type activity that combines all programs administered by the Authority.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011**

Under GASB 34, the Authority's single business-type activities financial statements for FY2011 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. In summary, the Authority's FY2011 financial highlights included the following:

- Overall funding for Taos County Housing Authority has increased by \$138,524 compared to prior year. While there was a increase in rental revenue of \$21,233, there was an increase of \$118,871 in funding from grants. The increase of federal grants was a result of TCHA receiving CPF monies to improve their housing units.
- Total assets and liabilities of the Authority were approximately \$4,915,658 and \$153,343 respectively; thus total net assets were \$4,756,315 at June 30, 2011 which is an increase of \$58,780 due to an increase in Capital Project Funds.
- Total revenues and expenses were approximately \$4,121,717 and \$4,062,937 respectively; thus net Assets increased by approximately \$58,780 during the fiscal year.
- Revenues are derived from various sources with approximately 7% from non-grant sources and 93% received either directly or indirectly (through the County) from the U.S. Department of Housing and Urban Development (HUD). For example, approximately 92% or \$3,795,569 the \$4,121,717 in total revenues, are derived from the Low Rent Public Housing and Choice Voucher (and related Section 8 Low Income & Indian Housing) (HUD) grants. Rental revenues from Authority-owned properties were approximately \$266,567, or 6.5% of total revenues, which is a increase of \$21,233. Additionally, funds were received from ROSS (Family Self Sufficiency), of \$39,091.
- Cash flows from operating activities were \$ 386,033. Furthermore, after considering Investing and capital financing activities, the decrease in cash and cash equivalents for the year was approximately \$ 146,929. This was a direct result of the decrease from Operating Activities.
- HUD Public Housing Assessment System financial indicators show that the Authority is a high performer this year. The current ratio that measures the Authority's liquidity is 3.31, in the ideal range for public housing authorities of this size as determined by HUD.

**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2011**

**AUTHORITY FINANCIAL STATEMENTS**

The Authority's mission in the County focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of commercial and industrial areas in Taos County. The Authority, as of June 30, 2011, owned 164 residential units that are leased to low-income families and individuals. In addition, housing assistance was being paid to over 166 households under the Federal Housing Choice Voucher Low Income & Indian Housing programs for privately-owned existing housing.

In view of this mission, the Authority's financial reporting objective under GASB 34 in FY2011 focuses on the financial activities of the Authority as a whole.

**Financial Statements Used in Fiscal Year 2011**

The Authority is presenting its FY2011 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements - the Statement of Net Assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories.

- Net assets, invested in capital assets, net of related debt consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted net assets consist of assets that are restricted by constraints placed on the asset by external parties, such as, creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- Unrestricted net assets consists of net assets that do not meet the definition of net assets invested in capital assets, net of related debt, or restricted net assets.

The statement of revenues and expenses (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, depreciation; and non-operating revenues and expenses, such as non-program grant revenue, investment income, interest expense, and capital contributions. The statement of changes in fund net assets focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred



**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2011**

This entity-wide presentation represents all programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by development and financing fees, and by investment income and loan proceeds. The authority also administers housing and community development activities in which funding are controlled at the County level. In FY2011, the following programs make up the Authority's single business-type activities financial statements:

- Low Rent Public Housing Program - Funding is from federal grants from HUD, rents, and other user charges and provides essential affordable housing for low-income families, disabled person, and the elderly.
- Housing Choice Voucher and Section 8 Programs - These programs are funded by HUD and are subsidy programs for low- and moderate-income families seeking housing in the private rental market.
- Capital Projects Fund - These programs are funded by HUD and are for the purpose of upgrading existing rental properties.

**Net Assets**

The following table reflects the Authority's condensed summary of the statement of net assets as of June 30, 2011 and 2010.

	2011	2010
Assets:		
Current and other assets	\$ 529,067	\$ 606,188
Capital assets, net of accumulated depreciation	<u>4,386,591</u>	<u>4,240,560</u>
Total assets	<u><u>4,915,658</u></u>	<u><u>4,846,748</u></u>
Liabilities:		
Current liabilities	139,567	125,214
Long-term liabilities	<u>19,776</u>	<u>23,999</u>
Total liabilities	159,343	149,213
Net assets:		
Invested in capital assets, net of related debt	4,386,591	4,240,560
Restricted for security deposits	-	226,758
Unrestricted	<u>369,724</u>	<u>230,217</u>
Total net assets	4,756,315	4,697,535
Total Liabilities and Net Assets	<u><u>\$ 4,915,658</u></u>	<u><u>\$ 4,846,748</u></u>

Investments in capital assets, net of related debt comprise of 89.2% of the Authority's total assets.

The Authority's net assets consist of unrestricted net assets. Unrestricted net assets would include cash in the bank, receivables net of allowances, and other assets less all other liabilities not previously applied.

**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**(MD&A)**  
**June 30, 2011**

**Revenues, Expenses and Changes in Fund Net Assets**

The results of the Authority's operations are reported in the statement of revenues, expenses and changes in net assets. In Fiscal Year 2011 the Authority realized an increase in net assets of \$58,780. The following table presents a condensed summary of data from the Authority's statement of revenues, expenses and changes in net assets.

	2011	2010
Revenues:		
Operating revenues		
Dwelling rentals & Non-rental Revenue	\$ 285,834	\$ 264,377
Federal operating grants	3,834,660	3,715,789
Non-operating revenues	<u>1,223</u>	<u>3,027</u>
Total revenues	<u>4,121,717</u>	<u>3,983,193</u>
Expenses:		
Operating expenses		
Housing assistance payments	2,639,496	2,360,952
General and Administration	962,127	895,723
Utilities	156,640	188,658
Depreciation	<u>304,674</u>	<u>366,346</u>
Total expenses	<u>4,062,937</u>	<u>3,811,679</u>
Increase (decrease) in net assets	58,780	171,514
Net assets, beginning of year	<u>4,697,535</u>	<u>4,526,021</u>
Net assets, end of year	<u>\$ 4,756,315</u>	<u>\$ 4,697,535</u>

About 92.1% of the Authority's total revenues in Fiscal Year 2011 were non-operating revenues that are derived from HUD Operating and Capital Grants, interest income, and miscellaneous income. The remaining 7.9% of revenues were from operating income.

In Fiscal Year 2011, the Authority incurred expense totaling \$3,749,979 that is operating expenses related to its role as a housing authority. About \$2,639,496, or 63%, of these operating expenses are housing assistance payments made in the Housing Choice Voucher programs. General and other program expenses include costs related to tenant and protective services, loans receivable, bad debt, and redevelopment and rehabilitation expenses.

**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2011**

The Authority's Fiscal Year 2010 Financial Data Schedule, included with these financial statements, supplies activity detail for the Statement of Revenues, Expenses and Change in Net Assets and shows noteworthy transactions that influenced financial results of its rental assistance programs - the Low Rent Public Housing Program and Housing Choice Voucher. These transactions include:

The Low Rent Public Housing Program had total revenues and expenses of approximately \$819,179 and \$1,023,153.

The Housing Choice Voucher (Section 8) Program had revenues totaling approximately \$2,755,446 and expenses (mainly housing assistance payments) of approximately \$2,931,244.

Capital Projects Fund had revenues totaling approximately \$547,568 and expenses of approximately \$96,860.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Authority's capital assets as of June 30, 2011, included land, buildings and improvements, and equipment that totaled \$12,470,642 (without accumulated depreciation), most of which is comprised of Public Housing units available for lease to low- and moderate-income residents, construction in these Public Housing areas in Taos County. A breakdown of these assets is shown below:

Description	Beginning Balance	Additions/ (Deletions)	Ending Balance
Non-depreciable assets:			
Land	\$ 167,589	\$ -	\$ 167,589
Other capital assets:			
Buildings and improvements	10,703,964	450,705	11,154,669
Furniture and equipment	1,148,384	-	1,148,384
Less accumulated depreciation:			
Buildings and improvements	( 7,352,562)	(284,426)	(7,636,988)
Furniture and equipment	<u>(426,814)</u>	<u>(20,249)</u>	<u>(447,063)</u>
Totals	\$ 4,240,560	\$ 146,030	\$ 4,386,591

The Authority had approximately \$146,030 in net additions/deletions to capital assets in FY 2011.

**TAOS COUNTY HOUSING AUTHORITY**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2011**

The Authority has no knowledge of currently known facts that are expected to have a significant effect on the financial position of the authority.

**CONTACTING AUTHORITY MANAGEMENT**

This financial report is designed to provide the citizens of Taos County, taxpayers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Administration, Taos County Housing Authority, NM038 4239 NDCBU, Taos, New Mexico 87571.

**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

Exhibit A-1

	<u>Low Income &amp; Indian Housing</u>	<u>Housing Choice Vouchers</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and temporary investments	\$ 269,401	\$ 90,878	\$ -	\$ 360,279
Investments	59,784	-	-	59,784
Receivables (net of allowance for uncollectibles)	6,271	-	-	6,271
Grant receivable	4,816	-	-	4,816
Due from other funds	-	2,289	-	2,289
Prepaid expenses	13,500	8,807	-	22,307
Total Current Assets	<u>353,772</u>	<u>101,974</u>	<u>-</u>	<u>455,746</u>
Noncurrent Assets				
Restricted assets:				
Cash and cash equivalents	51,853	15,810	-	67,663
Capital assets	12,470,642	-	-	12,470,642
Less: accumulated depreciation	(8,084,051)	-	-	(8,084,051)
Total capital assets	<u>4,386,591</u>	<u>-</u>	<u>-</u>	<u>4,386,591</u>
Total noncurrent Assets	<u>4,438,444</u>	<u>15,810</u>	<u>-</u>	<u>4,454,254</u>
Total assets	<u>\$ 4,792,216</u>	<u>\$ 117,784</u>	<u>\$ -</u>	<u>\$ 4,910,000</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 19,204	\$ 1,324	\$ -	\$ 20,528
Accrued salaries	26,361	7,990	-	34,351
Payroll Benefit Payable	-	4,135	-	4,135
Due to other funds	-	2,289	-	2,289
Current portion of accrued compensated absences	10,237	4,945	-	15,182
Total Current Liabilities (payable from current assets)	<u>55,802</u>	<u>20,683</u>	<u>-</u>	<u>76,485</u>
Other current liabilities:				
Security deposits	51,853	13,521	-	65,374
Total Current Liabilities (payable from restricted assets)	<u>51,853</u>	<u>13,521</u>	<u>-</u>	<u>65,374</u>
Noncurrent liabilities:				
Noncurrent portion of accrued compensated absences	14,772	5,004	-	19,776
Total liabilities	<u>122,427</u>	<u>39,208</u>	<u>-</u>	<u>161,635</u>
Invested in capital assets	4,386,591	-	-	4,386,591
Restricted for:				
Section 8 Housing	-	-	-	-
Unrestricted	<u>283,198</u>	<u>78,576</u>	<u>-</u>	<u>361,774</u>
Total net assets	<u>4,669,789</u>	<u>78,576</u>	<u>-</u>	<u>4,748,365</u>
Total liabilities and net assets	<u>\$ 4,792,216</u>	<u>\$ 117,784</u>	<u>\$ -</u>	<u>\$ 4,910,000</u>

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit A-2

	Low Income Indian Housing	Housing Choice Vouchers	Capital Projects Fund	Total
<i>Operating revenues:</i>				
Rental revenue	\$ 266,657	\$ -	\$ -	\$ 266,657
Operating and capital grants	536,060	2,751,032	547,565	3,834,657
Other tenant revenue	14,939	3,142	-	18,081
<b>Total operating revenues</b>	<b>817,656</b>	<b>2,754,174</b>	<b>547,565</b>	<b>4,119,395</b>
<i>Operating expenses:</i>				
Housing assistance payments	-	2,639,598	-	2,639,598
Depreciation	304,674	-	-	304,674
Personnel services	227,387	248,332	-	475,719
Contractual services	24,723	18,498	-	43,221
Supplies	-	4,956	-	4,956
Maintenance and materials	217,377	-	-	217,377
Utilities	155,864	-	-	155,864
Telephone	-	5,003	-	5,003
Insurance Expense	26,921	9,838	-	36,759
Bad Debt Expense	14,274	-	-	14,274
Miscellaneous	70,785	5,018	96,860	172,663
<b>Total operating expenses</b>	<b>1,042,005</b>	<b>2,931,243</b>	<b>96,860</b>	<b>4,070,108</b>
Operating income (loss)	(224,349)	(177,069)	450,705	49,287
<i>Nonoperating income:</i>				
Interest income	747	796	-	1,543
Total nonoperating revenues (expenses)	747	796	-	1,543
Net from operations	(223,602)	(176,273)	450,705	50,830
<i>Transfers</i>	450,705	-	(450,705)	-
<i>Change in net assets</i>	227,103	(176,273)	-	50,830
<i>Total net assets - beginning</i>	4,442,686	254,849	-	4,697,535
<i>Total net assets - ending</i>	\$ 4,669,789	\$ 78,576	\$ -	\$ 4,748,365

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit A-3

	Low Income & Indian Housing	Housing Choice Vouchers	Capital Project Fund	Total
<i>Cash Flows From Operating Activities:</i>				
Receipts from Customers and Users	\$ 817,656	\$ 2,751,032	\$ -	\$ 3,568,688
Cash paid to employees for services	(227,387)	(248,332)	-	\$ (475,719)
Cash paid to suppliers for goods and services	(509,944)	(2,682,911)	(96,860)	\$ (3,289,715)
Other cash received	-	3,142	547,565	\$ 550,707
	<u>80,325</u>	<u>(177,069)</u>	<u>450,705</u>	<u>\$ 353,961</u>
<i>Net Cash (Used) by Operating Activities</i>				
<i>Cash Flows From Non Capital Financing Activities:</i>				
Decrease in long term accrued compensated absences	3,411	812	-	\$ 4,223
Operating Transfers in(out)	450,705	-	(450,705)	\$ -
	<u>454,116</u>	<u>812</u>	<u>(450,705)</u>	<u>\$ 4,223</u>
<i>Net Cash Provided (Used) by Non Capital Financing Activities</i>				
<i>Cash Flows from Capital and related financing activities</i>				
Prepaid assets	79	(7,390)	-	\$ (7,311)
Acquisition of Capital Assets	(423,372)	-	-	\$ (423,372)
	<u>(423,293)</u>	<u>(7,390)</u>	<u>-</u>	<u>\$ (430,683)</u>
<i>Net Cash Provided (Used) by Capital and Related Financing Activities:</i>				
<i>Cash Flows From Investing Activities:</i>				
Interest on Investments	(747)	(796)	-	\$ (1,543)
	<u>(747)</u>	<u>(796)</u>	<u>-</u>	<u>\$ (1,543)</u>
<i>Net Cash Provided (Used) by Investing Activities:</i>				
Net Increase (Decrease) in Cash and Cash Equivalents	110,401	(184,443)	-	(74,042)
Cash and Cash Equivalents, Beginning of Year	270,637	291,131	-	\$ 561,768
Cash and Cash Equivalents, End of Year	<u>\$ 381,038</u>	<u>\$ 106,688</u>	<u>\$ -</u>	<u>\$ 487,726</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>				
Net from Operations (Loss)	\$ (224,349)	\$ (177,069)	\$ 450,705	\$ 49,287
Adjustments to reconcile operating Income (loss) to net cash provided (used) by operating activities:				
Depreciation	304,674	-	-	\$ 304,674
(Increase) Decrease in:				
Accounts receivable	15,410	-	-	\$ 15,410
Security Deposits	255	3,405	-	\$ 3,660
(Decrease) Increase in:				
Prepaid Expenses	79	(5,946)	-	\$ (5,867)
Accrued Expenses	(6,648)	2,386	-	\$ (4,262)
Accounts Payable	(9,096)	155	-	\$ (8,941)
	<u>\$ 80,325</u>	<u>\$ (177,069)</u>	<u>\$ 450,705</u>	<u>\$ 353,961</u>
<i>Net Cash Provided (Used) by Operating Activities</i>				

**Summary of Significant Noncash Activities:**

There were no significant noncash activities during the year ended June 30, 2011.

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**A COMPONENT UNIT OF TAOS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 1 Summary of Significant Accounting Policies**

*A. Financial Reporting Entity*

The Taos County Housing Authority (Authority) was organized under New Mexico statutes, to provide a conduit for housing funds for disadvantaged citizens of the County of Taos, New Mexico. The Authority is a political subdivision of the State of New Mexico of Taos County, New Mexico.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the County's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

This summary of significant accounting policies of Authority is presented to assist in the understanding of Authority's financial statements. The financial statements and notes are the representation of Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Authority has implemented Government Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* for the year ended June 30, 2004. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The programs of the authority are as follows:

**Section 8 Programs** - These programs, funded through direct grants from HUD, provide rental assistance to qualified families through rent subsidies paid directly to third-party landlords.

**Low Rent Housing Program** - The overall objective of the Public and Indian Housing program is to provide and operate cost-effective, decent, safe and affordable dwellings for lower income families.

**Capital Project Fund** - This program is funded by HUD and is for the purpose of upgrading existing rental properties.

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**A COMPONENT UNIT OF TAOS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 1      Summary of Significant Accounting Policies (continued)**

A.      *Financial Reporting Entity (continued)*

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential programs and operations of the entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14 as amended by GASB 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of 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 Taos County.

B.      *Basis of Accounting and Measurement Focus*

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary. That category, in turn, is divided into separate "programs". The programs are shown on the combining statements for grantor purposes but are all included on the one "fund".

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**A COMPONENT UNIT OF TAOS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 1 Summary of Significant Accounting Policies (continued)**

B. *Basis of Accounting and Measurement Focus (continued)*

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

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, although subsidies may be used for operating or capital to some degree. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The annual budget, which is not legally adopted, for the Taos County Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and included operating activities.

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, 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 annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes annual debt service contributions and monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as non-operating revenues.

C. *Assets, Liabilities, and Net Assets*

**Deposits and Temporary Investments**

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Note 2).

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
A COMPONENT UNIT OF TAOS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

**NOTE 1 Summary of Significant Accounting Policies (continued)**

C. *Assets, Liabilities, and Net Assets (Continued)*

**Accounts Receivable**

All trade receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

**Inventories**

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditure at the time of consumption. Inventory for the Authority is valued at cost using the First In, First Out Method.

**Capital Assets**

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more including software. Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Buildings & improvements	20-40 years
Equipment	5-15 years

There was no interest incurred during construction during the current fiscal year. There is no internally developed software expensed or capitalized. Information Technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

**Compensated Absences**

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, of which only vacation is payable to the employee upon termination or retirement.

	Balance	Additions	Deletions	Balance	Due Within
	June 30, 2010			June 30, 2011	One Year
Compensated absences	37,365	\$10,959	\$13,366	\$34,958	\$15,182
	\$ 37,365	\$10,959	\$13,366	\$34,958	\$15,182

**Interprogram Receivables / Payables**

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other programs" or "due to other programs" on the balance sheet. The purpose of the loans is temporary operating capital.

**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.



**STATE OF NEW MEXICO**  
TAOS COUNTY HOUSING AUTHORITY  
A COMPONENT UNIT OF TAOS  
COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

**NOTE 1 Summary of Significant Accounting Policies (continued)**

C. *Assets, Liabilities, and Net Assets (Continued)*

**Restricted Assets**

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. Another restriction is the use of assets set aside for debt service. The third type consists of capital assets less debt related to those assets. Net assets should be reported as restricted when constraints placed on net asset use are either:

- a) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments, or
- b) imposed by law through constitutional provision or enabling legislation.

**NOTE 2 Deposits and Investments**

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed the State investment requirements as of June 30, 2011.

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

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. . The Dodd Frank Act of 2010 required that all funds in a non-interest bearing bank account be fully insured by the FDIC through December 31, 2012. Taos County Housing Authority has a non-interest bearing account that is 100% FDIC insured through December 31, 2012.

The deposits consist of cash in demand deposit accounts and short-term investments with an original maturity of three months or less.

New Mexico State statutes requires collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution.

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**TAOS COUNTY HOUSING AUTHORITY**  
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**YEAR ENDED JUNE 30, 2011**

**NOTE 2 Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Authority's bank balances were exposed to custodial credit risk as follows:

	<b>First Community Bank</b>	<b>Centinel Bank</b>	<b>Peoples Bank</b>	<b>Totals</b>
Amount of Deposits (includes CD \$57,600)	\$ 357,931	\$ 108,003	\$ 51,130	\$ 517,065
FDIC Coverage	250,000	108,003	51,130	409,133
Total uninsured public funds	-	-	-	-
Collateral requirement (50%)	\$ 53,966	\$ -	\$ -	\$ -
Pledged Securities	<u>366,091</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Over ) under collateralized	<u>\$ (312,125)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bank Balance	517,065			
FDIC insured	409,133			
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	<u>\$ 107,932</u>			
Uninsured and uncollateralized	<u>\$ -</u>			

**NOTE 3 Accounts Receivable**

The Authority's accounts receivable at June 30, 2011, are as follows:

	<u>Accounts Receivable</u>
Tenants, net of allowance for doubtful accounts	\$ 8,560
Federal Grants	<u>4,816</u>
	<u>\$ 13,376</u>

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**TAOS COUNTY HOUSING AUTHORITY**  
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**NOTE 4 Capital Assets**

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Capital Assets:				
Land	\$ 167,589	\$ -	\$ -	\$ 167,589
Buildings	10,703,964	450,705	-	11,154,669
Equipment	<u>1,148,384</u>	<u>-</u>	<u>-</u>	<u>1,148,384</u>
	\$12,019,937	450,705	-	12,470,642
Accumulated Depreciation				
Buildings	7,352,562	284,426	-	7,636,988
Equipment	<u>426,814</u>	<u>20,249</u>	<u>-</u>	<u>447,063</u>
Total Accumulated Depreciation	<u>7,779,377</u>	<u>304,675</u>	<u>-</u>	<u>8,084,051</u>
<b>Net Capital Assets</b>	<u><u>\$ 4,240,560</u></u>	<u><u>\$146,030</u></u>	<u><u>\$ -</u></u>	<u><u>\$4,386,591</u></u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2011, totaled \$304,675.

**NOTE 5 Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Authority expects such amounts, if any, to be immaterial.

**NOTE 6 Risk Management**

Taos 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. 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.

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 7      Other Information**

**Pension Plan- Public Employees Retirement Association**

**Plan Description.** Substantially all of the Taos County Housing Authority full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute 7% to 8%% (ranges from 4.0% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Housing Authority is required to contribute 7% to 11%% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Housing Authority's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$49,042, \$40,396 and \$52,975 respectively, which equal the required contributions for each year.

**Post-Employment Benefits-State Retiree Healthcare Plan**

The Retiree Health Care Act (the "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 purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. Monies flow to the Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, Schools, or other entities participating in the Public REC Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.66 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.833 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage. Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd NE, Suite 104, Albuquerque NM 87107.

For the years ended June 30, 2011, 2010 and 2009, the Housing Authority remitted \$ 6,952, \$4,508, and \$5,911 in employer contributions and \$3,476, \$2,254 and \$2,956 in employee contributions, respectively.

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**A COMPONENT UNIT OF TAOS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 8 Concentrations**

All of the Authority's revenues are derived from grants from various federal agencies. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

**NOTE 9 Transfers**

The transfers between Programs totaling \$450,705 were for the cost of construction borne by the CFP Program for the Low Rent Program.

**NOTE 10 Other Required Individual Fund Disclosures**

**Fund Deficits**

At June 30, 2011, the Authority reported no deficit fund balances.

**NOTE 11 Subsequent Accounting Standards**

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. That Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. . The REC is reviewing the effects of the implementation of this statement.

In June 2011, the GASB issued Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Housing Authority is reviewing the effects of the implementation of this statement.

**NOTE 12 Federal and State Grants**

Taos County Housing Authority participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, Taos County Housing Authority may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of Taos County Housing Authority.

**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**A COMPONENT UNIT OF TAOS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**NOTE 13 Commitments**

Taos County Housing Authority has construction contracts under the Capital Project Fund as follows:

Rivercrest Construction for general renovations to Owner selected buildings, including but not limited to, exterior Insulation and re-stuccoing. The Contract Price was \$207,550 plus GRT and the outstanding balance as of June 30 is \$90,769.

Conron & Woods Architects for architect to complete additional drawings for Change Order for Contractor. Drawings will include general renovations to the existing Linda Vista Office and storage buildings, including but not limited to, removal of selected areas of drywall, clean, prep and repaint and roofing. The Contract Price was \$135,000 plus GRT and the outstanding balance as of June 30 is \$3,413.

**NOTE 14 Subsequent Events**

Management performed a review of subsequent events from June 30, 2011 to the date of the financial statements, which is September 2, 2011. The results of their review are as follows:

Taos County Housing Authority received notification that they have been accepted to participate in the MFA House by House Program where they will provide funding to low income home owners, who are in jeopardy of losing their homes due to degradation, to renovate their homes.

In addition, Taos County Housing Authority received notification that they will receive set-aside funding of \$ \$106,980 for the 2011 fiscal year. This funding is in addition to their Housing Choice Voucher Program funding.

**SUPPLEMENTARY INFORMATION**

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## STATE OF NEW MEXICO

Statement A-1

TAOS COUNTY HOUSING AUTHORITY  
LOW INCOME AND INDIAN HOUSINGSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Intergovernmental	763,558	763,558	818,403	54,845
<i>Total revenues</i>	<u>763,558</u>	<u>763,558</u>	<u>818,403</u>	<u>54,845</u>
<i>Expenditures:</i>				
Current Housing	763,558	763,558	1,042,005	(278,447)
<i>Total expenditures</i>	<u>763,558</u>	<u>763,558</u>	<u>1,042,005</u>	<u>(278,447)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(223,602)</u>	<u>(223,602)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	450,705	450,705
Bond proceeds	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>450,705</u>	<u>450,705</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>227,103</u>	<u>227,103</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,442,686</u>	<u>4,442,686</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,669,789</u>	<u>\$ 4,669,789</u>

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**HOUSING CHOICE VOUCHERS**

Statement A-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Intergovernmental	2,799,740	2,799,740	2,754,970	44,770
<i>Total revenues</i>	<u>2,799,740</u>	<u>2,799,740</u>	<u>2,754,970</u>	<u>44,770</u>
<i>Expenditures:</i>				
Current				
Housing	2,797,240	2,797,240	2,931,243	(134,003)
<i>Total expenditures</i>	<u>2,797,240</u>	<u>2,797,240</u>	<u>2,931,243</u>	<u>(134,003)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,500</u>	<u>2,500</u>	<u>(176,273)</u>	<u>178,773</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash	(2,500)	(2,500)	-	2,500
<i>Total other financing sources (uses)</i>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>	<u>2,500</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(176,273)</u>	<u>(176,273)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>254,849</u>	<u>254,849</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,577</u>	<u>\$ 78,577</u>

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**CAPITAL FUNDS PROJECT**

Statement A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Intergovernmental	547,565	547,565	547,565	-
<i>Total revenues</i>	547,565	547,565	547,565	-
<i>Expenditures:</i>				
Current				
Housing	96,860	96,860	96,860	-
<i>Total expenditures</i>	96,860	96,860	96,860	-
<i>Excess (deficiency) of revenues over expenditures</i>	450,705	450,705	450,705	-
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(450,705)	(450,705)	(450,705)	-
Bond proceeds	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	(450,705)	(450,705)	(450,705)	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2011**

Schedule I

Name of Depository	Description of Pledged Collateral	Market Value June 30, 2011	Name and Location of Safekeeper
First Community Bank	GNR 2009-67 PA, 11/20/2038, 5%,38373AQK5	\$ 276,606	FHLB, Dallas TX
First Community Bank	GNR 2009-93 PB, 12/18/2018, 3%, 38376KLZ2	<u>89,485</u>	FHLB, Dallas TX
Total Pledged Collateral		<u>\$ 366,091</u>	

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**STATE OF NEW MEXICO**  
**TAOS COUNTY HOUSING AUTHORITY**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
June 30, 2011

Schedule II

<u>Bank Account Type/Name</u>	<u>First Community</u>	<u>Centinel Bank</u>	<u>Peoples Bank</u>	<u>Totals</u>
Section 8 Housing Assistance Program Checking	\$ 103,455	\$ -	\$ -	\$ 103,455
Low Rent Checking	229,568	-	-	229,568
Escrow Account Checking	24,908	-	-	24,908
Payroll Checking	-	165	-	165
Taos County Housing Authority Checking	-	48,055	-	48,055
Certificate of Deposit	-	59,784	-	59,784
Low Rent Public Housing Checking	-	-	51,130	51,130
Total On Deposit	357,931	108,004	51,130	517,065
Petty Cash				200
Reconciling Items	(9,399)	(3,455)	(16,685)	(29,539)
Reconciled Balance June 30, 2011	<u>\$ 348,532</u>	<u>\$ 104,549</u>	<u>\$ 34,445</u>	<u>\$ 487,726</u>
Cash as shown on the Statement of Net Assets				
Cash and Temporary Investments				487,726
Restricted Cash				-
				<u>\$ 487,726</u>

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STATE OF NEW MEXICO  
 TAOS COUNTY HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule III

	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund	Total
<b>Assets</b>				
111 Cash-Unrestricted	269,401	90,878	-	360,279
112 Cash-Restricted-Modernization & Development	-	-	-	-
113 Cash-Other Restricted	-	-	-	-
114 Cash-Tenant Security Deposits	51,853	15,810	-	67,663
115 Cash Restricted for Payment of Current Liability	-	-	-	-
100 Total Cash	<u>321,254</u>	<u>106,688</u>	-	<u>427,942</u>
121 Accounts Receivable-PHA projects	4,816	-	-	4,816
122 Accounts Receivable-HUD projects	-	-	-	-
124 Accounts Receivable-Other Government	-	-	-	-
125 Accounts Receivable -Miscellaneous	-	2,289	-	2,289
126 Accounts Receivable- Tenants Dwelling Rents	14,221	-	-	14,221
126.1 Allowance for Doubtful Accounts-Dwelling Rents	(7,950)	-	-	(7,950)
126.2 Allowance for Doubtful Accounts-Other	-	-	-	-
128 Fraud Recovery	-	-	-	-
128.1 Allowance for Doubtful Accounts-Fraud	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-
120 Total Receivables, Net of Allowance for Doubtful Accounts	<u>11,087</u>	<u>2,289</u>	-	<u>13,376</u>
131 Investments-Unrestricted	59,784	-	-	59,784
132 Investmetns-Restricted	-	-	-	-
135 Investments Restricted for Payment of Current Liability	-	-	-	-
142 Prepaid Expense and Other Assets	13,500	8,807	-	22,307
143 Inventories	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-
144 Interprogram Due From	-	-	-	-
145 Assets Held for Sale	-	-	-	-
146 Amounts to be provided	-	-	-	-
150 Total Current Assets	<u>405,625</u>	<u>117,784</u>	-	<u>523,409</u>
161 Land	167,589	-	-	167,589
162 Buildings	11,154,669	-	-	11,154,669
163 Furniture, Equipment & Machinery-Dwelling	857,588	-	-	857,588
164 Furniture, Equipment & Machinery-Administration	290,796	-	-	290,796
165 Leasehold improvements	-	-	-	-
166 Accumulated Depreciation	(8,084,051)	-	-	(8,084,051)
167 Construction in Progress	-	-	-	-
168 Infrastructure	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	<u>4,386,591</u>	-	-	<u>4,386,591</u>
171 Notes, Loans, and Mortgages Receivable-Noncurrent	-	-	-	-
172 Notes, Loans, and Mortgages Receivable-Noncurrent-past due	-	-	-	-
173 Grants Receivable-Noncurrent	-	-	-	-
174 Other Assets	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-
180 Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
190 Total Assets	<u><u>4,792,216</u></u>	<u><u>117,784</u></u>	<u><u>-</u></u>	<u><u>4,910,000</u></u>

	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund	Total
<b>Liabilities</b>				
311 Loan Payable to Town	-	-	-	-
312 Accounts Payable-less than 90 days	19,204	3,613	-	22,817
313 Accounts Payable-greater than 90 days	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	26,361	12,125	-	38,486
322 Accrued Compensated Absences-Current	10,237	4,945	-	15,182
324 Accrued Contingency Liability	-	-	-	-
325 Accrued Interest Payable	-	-	-	-
331 Accounts Payable-HUD PHA programs	-	-	-	-
332 Accounts Payable PHA projects	-	-	-	-
333 Accounts Payable-Other Government	-	-	-	-
341 Tenant Security Deposits	51,853	13,521	-	65,374
342 Deferred Revenue	-	-	-	-
344 Current Portion of Long-term Debt Operating Borrowings	-	-	-	-
345 Other Current Liabilities	-	-	-	-
346 Accrued Liabilities-Other	-	-	-	-
347 Interprogram Due To	-	-	-	-
348 Loan Liability-Current	-	-	-	-
310 Total Current Liabilities	107,655	34,204	-	141,859
352 Long-term Debt, net of current-operating borrowings	-	-	-	-
353 Noncurrent liabilities-Other	-	-	-	-
354 Accrued Compensated Absences-Noncurrent	14,772	5,004	-	19,776
355 Loan liability-noncurrent	-	-	-	-
350 Total Noncurrent Liabilities	14,772	5,004	-	19,776
300 Total Liabilities	122,427	39,208	-	161,635
<b>Equity</b>				
501 Investments in General Capital Assets	-	-	-	-
502 Project Notes (HUD)	-	-	-	-
503 Long-term Debt-HUD Guaranteed	-	-	-	-
504 Net HUD PHA Contributions	-	-	-	-
505 Other HUD Contributions	-	-	-	-
507 Other Contributions	-	-	-	-
508 Total Contributed Capital	-	-	-	-
508.1 Invested in capital assets, net of related debt	4,386,591	-	-	4,386,591
510 Fund Balance reserved for capital activities	-	-	-	-
511 Total reserved fund balance	-	-	-	-
511.1 Restricted Net Assets	-	-	-	-
512 Undesignated fund balance/retained earnings	-	-	-	-
512.1 Unrestricted Net Assets	283,198	78,576	-	361,774
513 Total Equity/Net Assets	4,669,789	78,576	-	4,748,365
600 Total Liabilities and Equity/Net Assets	4,792,216	117,784	-	4,910,000

	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund	Total
<b>Revenues</b>				
703 Net Tenant Rental Revenue	266,657	-	-	266,657
704 Tenant Revenue-Other	14,939	-	-	14,939
705 Total Tennant Revneue	<u>281,596</u>	-	-	<u>281,596</u>
706 HUD PHA Operating Grants	496,969	2,751,032	96,860	3,344,861
706.1 Capital Grants	-	-	450,705	450,705
708 Other Government Grants	39,091	-	-	39,091
711 Investment Income-Unrestricted	747	476	-	1,223
714 Fraud Recovery	-	3,142	-	3,142
715 Other Revenue	-	-	-	-
720 Investment Income-Restricted	-	320	-	320
700 Total Revenue	<u>818,403</u>	<u>2,754,970</u>	<u>547,565</u>	<u>4,120,938</u>
<b>Expenses</b>				
911 Administrative Salaries	258,658	161,381	48,386	468,425
912 Auditing Fees	7,000	3,165	-	10,165
913 Outside Management Fees	17,723	5,000	-	22,723
914 Advertising and Marketing	-	-	-	-
915 Employee Benefit Contributions-Administrative	162,918	80,231	-	243,149
916 Office Expense	(37,673)	9,959	-	(27,714)
917 Legal Expense	-	-	-	-
918 Travel Expense	(44,724)	2,425	-	(42,299)
919 Other	15,510	15,351	48,474	79,335
931 Water	77,951	-	-	77,951
932 Electricity	18,986	-	-	18,986
933 Gas	51,925	-	-	51,925
938 Other Utilities Expense	7,002	-	-	7,002
941 Ordinary Maintenance and Operations-Labor	130,953	-	-	130,953
942 Ordinary Maintenance and Operations-Materials and Other	32,240	-	-	32,240
943 Ordinary Mainenance and Operations-Contract Costs	35,821	-	-	35,821
961 Insurance Premiums	26,921	9,838	-	36,759
962 Compensated Absences	(525)	4,295	-	3,770
964 Bad Debt-Tenant Rents	14,274	-	-	14,274
969 Total Operating Expenses	<u>774,960</u>	<u>291,645</u>	<u>96,860</u>	<u>1,163,465</u>
970 Excess Operating Revenue over Operaing Expenses:	<u>43,443</u>	<u>2,463,325</u>	<u>450,705</u>	<u>2,957,473</u>
971 Extraordinary Maintenance	3,924	-	-	3,924
973 Housing Assistance Payments	-	2,639,599	-	2,639,599
974 Depreciaiton Expense	304,674	-	-	304,674
Total Other Expenses	<u>308,598</u>	<u>2,639,599</u>	<u>-</u>	<u>2,948,197</u>
900 Total Expenses	1,083,558	2,931,244	96,860	4,111,662
1001 Operating Transfers In (out)	<u>450,705</u>	<u>-</u>	<u>(450,705)</u>	<u>-</u>
1000 Excess (deficiency) of Revenue over Total Expenses:	<u>185,550</u>	<u>(176,273)</u>	<u>-</u>	<u>9,277</u>
1103 Beginning Equity	<u>4,442,687</u>	<u>254,849</u>	<u>-</u>	<u>4,697,536</u>
Ending Equity (deficit)	<u>4,628,237</u>	<u>78,576</u>	<u>-</u>	<u>4,706,813</u>

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**COMPLIANCE SECTION**

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**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***

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Taos County Housing Authority  
Taos, New Mexico

We have audited the financial statements of the business-type activities of Taos County Housing Authority, a component unit of Taos County, New Mexico, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 2, 2011. We have also audited the budgetary comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taos County Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Taos County Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taos County Housing Authority's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. A significant deficiency is a deficiency or 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.

*Where Quality & Accuracy Count*

6565 Americas Parkway NE, Ste 670  
Albuquerque, NM 87110

Office: 505-563-5525  
Fax: 505-563-5524

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taos County Housing Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, NM Public Education Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*  
Albuquerque, New Mexico  
September 2, 2011

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**FEDERAL FINANCIAL ASSISTANCE**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Taos County Housing Authority  
Taos, New Mexico

Compliance

We have audited the compliance of Taos County Housing Authority, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Taos County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taos County Housing Authority management. Our responsibility is to express an opinion on Taos County Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taos County Housing Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Taos County Housing Authority's compliance with those requirements.

In our opinion, Taos County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Taos County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Taos County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Taos County Housing Authority's internal control over compliance.

*Where Quality & Accuracy Count*

6565 Americas Parkway NE, Ste 670  
Albuquerque, NM 87110

Office: 505-563-5525  
Fax: 505-563-5524

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected, and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the New Mexico Legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Precision Accounting LLC*  
Albuquerque, New Mexico  
September 2, 2011

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**STATE OF NEW MEXICO**  
 Taos County Housing Authority  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

Schedule V

**Section I - Summary of Audit Results**

*Financial Statements:*

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued   | Unqualified |
| 2. Internal control over financial reporting:                                    |             |
| a. Material weakness identified?   | No          |
| b. Significant deficiencies identified not considered to be material weaknesses? | No          |
| c. Noncompliance material to the financial statements noted?                     | No          |

*Federal Awards:*

- |  |                                   |                        |               |  |        |                                   |        |                               |  |
|--|-----------------------------------|------------------------|---------------|--|--------|-----------------------------------|--------|-------------------------------|--|
| 1. Internal control over major programs:   |                                   |                        |               |  |        |                                   |        |                               |  |
| a. Material weaknesses identified?   | No                                |                        |               |  |        |                                   |        |                               |  |
| b. Significant deficiencies identified not considered to be material weaknesses?   | No                                |                        |               |  |        |                                   |        |                               |  |
| 2. Type of auditors' report issued on compliance for major programs  | Unqualified                       |                        |               |  |        |                                   |        |                               |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  | No                                |                        |               |  |        |                                   |        |                               |  |
| 4. Identification of major programs:   |                                   |                        |               |  |        |                                   |        |                               |  |
| <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><u>CFDA</u></td> <td style="text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td></td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Low Income and Indian Housing</td> </tr> </table> | <u>CFDA</u>                       | <u>Federal Program</u> | <u>Number</u> |  | 14.871 | Section 8 Housing Choice Vouchers | 14.850 | Low Income and Indian Housing |  |
| <u>CFDA</u>  | <u>Federal Program</u>            |                        |               |  |        |                                   |        |                               |  |
| <u>Number</u>  |                                   |                        |               |  |        |                                   |        |                               |  |
| 14.871   | Section 8 Housing Choice Vouchers |                        |               |  |        |                                   |        |                               |  |
| 14.850   | Low Income and Indian Housing     |                        |               |  |        |                                   |        |                               |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:  | \$300,000                         |                        |               |  |        |                                   |        |                               |  |
| 6. Auditee qualified as low-risk auditee?  | Yes                               |                        |               |  |        |                                   |        |                               |  |

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**STATE OF NEW MEXICO**  
Taos County Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Schedule V

**SECTION II FINANCIAL STATEMENT FINDINGS**

None

**SECTION III FEDERAL AWARD FINDINGS**

None

**SECTION IV PRIOR YEAR AUDIT FINDINGS**

FS-2010-01 Procurement-Contracts and corresponding purchase order - Cleared

FS-2010-02 Non-compliance with County Purchasing Policy - Cleared

**STATE OF NEW MEXICO**  
Taos County Housing Authority  
Other Disclosures  
For the Year Ended June 30, 2011

**Other Disclosures**

**Exit Conference**

An exit conference was held on September 1, 2011. In attendance were the following:

**Representing the Taos County Housing Authority:**

Della Barone, Board Member  
Carmella Martinez, Executive Director  
Uvaldo Mondragon, Fee Accountant  
Richard Bellis, Deputy County Manager

**Representing Precision Accounting LLC:**

Melissa R. Santistevan, CPA  
C. Jack Emmons, CPA, CFE

**Auditor Prepared Financial Statements**

Precision Accounting LLC prepared the financial statements of Taos County Housing Authority from the original books and records provided to them by the management of the Housing Authority as agreed upon in the contract for services. The Housing Authority has the ability to prepare, understand and accept responsibility for their financial statements.