

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**

FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2018

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**

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**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**  
Directory of Officials  
June 30, 2018

***Board of Commissioners***

James P. Angel..... Chairperson  
Samuel Roy, Sr..... Vice-Chairperson  
Patricia White..... Commissioner

***Administrative Staff***

Julie Martinez..... Executive Director

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent Auditors' Report

Wayne A. Johnson, State Auditor  
and  
Board of Commissioners  
Town of Springer Public Housing Authority  
Springer, New Mexico

***Report on Financial Statements***

We have audited the accompanying financial statements of the business-type activities and each major fund, of the Public Housing Authority (Authority) of the Town of Springer, New Mexico, a component unit of the Town of Springer, New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the low rent major enterprise fund presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2018, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Auditors' Responsibility (continued)**

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of the Authority, as of June 30, 2018, and the respective changes in financial position and cash flows thereof, and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of the Authority's proportionate share of the net pension and other post-employment benefit liabilities and the schedules of the Authority's contributions on pages thirty-one through thirty-five 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 opinions on the Authority's financial statements and the budgetary comparison. The financial data schedule and other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule and other schedule required by 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the other schedule required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Fierro + Fierro, P.A.*

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 26, 2018

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Low Rent Fund	Capital Fund Program Fund	Total
<b>Assets:</b>			
Current assets:			
Cash	\$ 149,708	\$ -	\$ 149,708
Receivables, net	333	-	333
Prepaid expenses	10,316	-	10,316
Inventory	9,099	-	9,099
Total current assets	169,456	-	169,456
Noncurrent assets:			
Restricted cash	12,877	-	12,877
Capital assets, not being depreciated	41,101	-	41,101
Capital assets, being depreciated	306,043	90,097	396,140
Total noncurrent assets	360,021	90,097	450,118
<b>Deferred Outflows of Resources:</b>			
Pension related	57,984	-	57,984
OPEB related	2,371	-	2,371
Total deferred outflows of resources	60,355	-	60,355
Total assets and deferred outflows of resources	<u>\$ 589,832</u>	<u>\$ 90,097</u>	<u>\$ 679,929</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 3,949	\$ -	\$ 3,949
Accrued salaries	5,630	-	5,630
Accrued payroll liabilities	2,780	-	2,780
Tenant deposits	13,044	-	13,044
Current maturities of liabilities:			
Compensated absences	1,853	-	1,853
Total current liabilities	27,256	-	27,256
Noncurrent liabilities:			
Compensated absences	13,401	-	13,401
Net pension liability	192,372	-	192,372
Net OPEB liability	125,074	-	125,074
Total noncurrent liabilities	330,847	-	330,847
Total liabilities	358,103	-	358,103
<b>Deferred Inflows of Resources:</b>			
Unearned revenues	279	-	279
Pension related	13,953	-	13,953
OPEB related	28,467	-	28,467
Total deferred inflows of resources	42,699	-	42,699
<b>Net Position:</b>			
Net investment in capital assets	347,144	90,097	437,241
Unrestricted	(158,114)	-	(158,114)
Total net position	189,030	90,097	279,127
Total liabilities, deferred inflows of resources and net position	<u>\$ 589,832</u>	<u>\$ 90,097</u>	<u>\$ 679,929</u>

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



**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

	Low Rent Fund	Capital Fund Program Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 148,865	\$ -	\$ 148,865
<b>Operating Expenses:</b>			
Personnel services	130,063	-	130,063
Employee benefits	62,823	-	62,823
Repairs and maintenance	16,563	2,891	19,454
Professional services	5,056	6,000	11,056
Utilities	23,084	-	23,084
Insurance	19,643	-	19,643
General operating	12,683	-	12,683
Depreciation	59,097	11,428	70,525
Total operating expenses	<u>329,012</u>	<u>20,319</u>	<u>349,331</u>
Operating (loss)	(180,147)	(20,319)	(200,466)
<b>Non-Operating Revenues (Expenses):</b>			
Intergovernmental	102,087	24,636	126,723
Interest income	663	-	663
Miscellaneous income	66	-	66
Total non-operating revenues (expenses)	<u>102,816</u>	<u>24,636</u>	<u>127,452</u>
Income (loss) before capital contributions and transfers	(77,331)	4,317	(73,014)
<b>Capital Contributions and Transfers:</b>			
Capital contributions	-	13,592	13,592
Capital transfers in	52,382	-	52,382
Operating transfers in	15,745	-	15,745
Capital transfers (out)	-	(52,382)	(52,382)
Operating transfers (out)	-	(15,745)	(15,745)
Total capital contributions and transfers	<u>68,127</u>	<u>(54,535)</u>	<u>13,592</u>
Change in net position	(9,204)	(50,218)	(59,422)
Net position, beginning of year	346,700	140,315	487,015
Restatement	<u>(148,466)</u>	<u>-</u>	<u>(148,466)</u>
Net position, beginning of year, restated	<u>198,234</u>	<u>140,315</u>	<u>338,549</u>
Net position, end of year	<u>\$ 189,030</u>	<u>\$ 90,097</u>	<u>\$ 279,127</u>

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Low Rent Fund	Capital Fund Program Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from tenants	\$ 148,906	\$ -	\$ 148,906
Cash payments to suppliers for goods and services	(76,326)	(8,891)	(85,217)
Cash payments to employees for services	<u>(195,302)</u>	<u>-</u>	<u>(195,302)</u>
Net cash (used) by operating activities	(122,722)	(8,891)	(131,613)
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>			
Cash received from intergovernmental sources	102,087	24,636	126,723
Cash received from miscellaneous sources	663	-	663
Net change in tenant deposits	(150)	-	(150)
Net transfers in (out)	<u>15,745</u>	<u>(15,745)</u>	<u>-</u>
Net cash provided by non-capital and related financing activities	118,345	8,891	127,236
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Cash received from intergovernmental sources	-	13,592	13,592
Acquisition and construction of capital assets	<u>(1,946)</u>	<u>(13,592)</u>	<u>(15,538)</u>
Net cash (used) by capital and related financing activities	(1,946)	-	(1,946)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from maturities of investments	73,316	-	73,316
Purchase of investments	(55,513)	-	(55,513)
Interest income	<u>66</u>	<u>-</u>	<u>66</u>
Net cash provided by investing activities	<u>17,869</u>	<u>-</u>	<u>17,869</u>
Net increase in cash	11,546	-	11,546
Cash and cash equivalents, beginning of year	<u>151,039</u>	<u>-</u>	<u>151,039</u>
Cash and cash equivalents, end of year	<u>\$ 162,585</u>	<u>\$ -</u>	<u>\$ 162,585</u>
Displayed as:			
Cash	\$ 149,708	\$ -	\$ 149,708
Restricted cash	<u>12,877</u>	<u>-</u>	<u>12,877</u>
	<u>\$ 162,585</u>	<u>\$ -</u>	<u>\$ 162,585</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
STATEMENT OF CASH FLOWS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2018

	Low Rent Fund	Capital Fund Program Fund	Total
<b>Reconciliation of Operating (Loss) to Net Cash</b>			
Used by Operating Activities:			
Operating (loss)	\$ (180,147)	\$ (20,319)	\$ (200,466)
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities:			
Depreciation	59,097	11,428	70,525
<b>Change in Assets and Liabilities:</b>			
(Increase) in accounts receivable	(203)	-	(203)
Decrease in inventories	333	-	333
Decrease in prepaid expenses	(54)	-	(54)
Increase in accoutns payable	424	-	424
Increase in accrued salaries	372	-	372
(Decrease) in accrued payroll liabilities	(5,813)	-	(5,813)
Increase in compensated absences	3,025	-	3,025
Increase in unearned revenues	244	-	244
	<u>(1,672)</u>	<u>-</u>	<u>(1,672)</u>
Total adjustments			
Net cash (used) by operating activities	<u>\$ (122,722)</u>	<u>\$ (8,891)</u>	<u>\$ (131,613)</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Public Housing Authority (the Authority) of the Town of Springer was established in 1972. Three commissioners who are selected by the Town of Springer Council govern it. For financial reporting purposes, the Authority is a discretely presented component unit of the Town of Springer. The Authority was created to provide a conduit for housing funds for disadvantaged citizens.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with 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 used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. 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.

**B. Basis of Presentation and Accounting**

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies the pronouncements issued by the Government Auditing Standards Board (GASB).

The accounts of the Authority are organized on the basis of proprietary fund type, specifically two enterprise funds. The activities of these funds are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

B. Basis of Presentation and Accounting (continued)

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenues are rental income and charges for services. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal non-operating revenues are governmental subsidies and grants. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position such as total assets net of total liabilities, are segregated into invested in capital assets; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

The Authority reports the following two major business-type funds:

The *low rent fund* accounts for the provisions of low rent income services to the residents of the Authority. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collection.

The *capital fund program fund* accounts for the yearly capital grants and associated capital projects at the Authority. The fund is required by the U.S. Department of Housing and Urban Development.

**STATE OF NEW MEXICO**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

C. Budgets

The Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.
2. HUD reviews the proposed budget and makes corrections, revisions, and amendments as necessary.
3. The executive director submits the budget to the Authority's board of commissioners for approval.
4. The board of commissioners approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, certificates of deposit, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State 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. The pledged securities remain in the name of the financial institution.

E. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

F. Inventory

Material and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO). The Authority has created an allowance for obsolete inventory. The allowance is 10% of total cost. The Authority deems this percentage sufficient.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

H. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation.

Major outlay for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	50 years
Equipment, computer hardware and software, furniture, and fixtures	5 years
Building improvements	20 years
Vehicles	5 years

I. Compensated Absences

Vested or accumulated vacation leave, is reflected as a liability of Authority. In accordance with the provisions of Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned based on years of service. Upon termination, any unused annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave, up to two hundred forty (240) hours upon termination.

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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.

K. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net position component as the spent proceeds.

**Restricted** – This component of net position consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

L. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.



**STATE OF NEW MEXICO**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

M. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. 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. 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.

O. Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. CASH**

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposit of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that 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.

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**2. CASH (continued)**

*Cash Deposited with Financial Institutions*

The Authority maintains cash in one financial institution within Springer, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2018, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Financial Institution	Reconciling Items	Per Financial Statements
International Bank	\$ 162,585	\$ -	\$ 162,585

The amounts reported as cash for the Authority within the financial statements is displayed as:

Statement of Net Position:	
Cash	\$ 149,708
Restricted cash	12,877
Total cash reported on the financial statements	\$ 162,585

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	International Bank
Total deposits in bank	\$ 162,585
Less FDIC insurance	(162,585)
Uninsured public funds	-
Pledged collateral held by pledging bank's agent, but not in the Authority's name	-
Uninsured and uncollateralized public funds	\$ -
Total pledged collateral	\$ -
50% pledged collateral requirement per state statute	-
Pledged collateral (under) over the requirement	\$ -

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**2. CASH (continued)**

*Cash Deposited with Financial Institutions (continued)*

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the Authority’s bank balance was exposed to custodial credit risk.

**3. RECEIVABLES, NET**

Receivables at June 30, 2018, consisted of the following:

Accounts:		
Tenants' rent	\$	670
Less allowance for doubtful accounts		<u>(402)</u>
		268
Interest		<u>65</u>
	<u>\$</u>	<u>333</u>

The Authority’s policy is to provide for uncollectible accounts based upon expected defaults.

**4. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2018:

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 41,101	\$ -	\$ -	\$ 41,101
Construction in progress	124,944	-	(124,944)	-
Total capital assets, not being depreciated	166,045	-	(124,944)	41,101
Other capital assets, being depreciated:				
Buildings	2,640,504	140,482	-	2,780,986
Non-dwelling structures	233,192	-	-	233,192
Furniture and equipment - administration	147,885	-	-	147,885
Total other capital assets, being depreciated	3,021,581	140,482	-	3,162,063

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**4. CAPITAL ASSETS (continued)**

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Less accumulated depreciation for:				
Buildings	(2,411,150)	(51,253)	-	(2,462,403)
Non-dwelling structures	(164,813)	(10,359)	-	(175,172)
Furniture and equipment - administration	(119,437)	(8,911)	-	(128,348)
Total accumulated depreciation	<u>(2,695,400)</u>	<u>(70,523)</u>	<u>-</u>	<u>(2,765,923)</u>
Other capital assets, net	<u>326,181</u>	<u>69,959</u>	<u>-</u>	<u>396,140</u>
Total capital assets, net	<u>\$ 492,226</u>	<u>\$ 69,959</u>	<u>\$ (124,944)</u>	<u>\$ 437,241</u>

**5. ACCRUED COMPENSATED ABSENCES**

Changes in accrued compensated absences during the year ended June 30, 2018, were as follows:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Amount Due Within One Year
Accrued compensated absences	<u>\$ 12,230</u>	<u>\$ 5,133</u>	<u>\$ (2,109)</u>	<u>\$ 15,254</u>	<u>\$ 1,853</u>

**6. RESTATEMENT OF NET POSITION**

The Authority discovered an error in the beginning of year net position balance. The Authority implemented GABS 75 during the fiscal year. As a result, the following restatements have been made to the beginning net position:

	Low Rent Fund
Low Rent Fund:	
Beginning net position was understated	\$ (101)
GASB 75 implementation	<u>148,567</u>
	<u>\$ 148,466</u>

**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information About the Pension Plan**

**Plan description** - The Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan.

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**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information About the Pension Plan (continued)**

***Plan description (continued)*** - This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. 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), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

***Benefits provided*** – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II**

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

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**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

**General Information About the Pension Plan (continued)**

**TIER II (continued)**

Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised by .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions** - See PERA's compressive annual financial report for contribution provided description.

<b>PERA Contributuion Rates and Pension Factors as of July 1, 2017</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER I	TIER II	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90%
<b>MUNICIPAL PLANS 1 -4</b>						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers on 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers on 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%
<b>MUNICIPAL POLICE PLANS 1 -5</b>						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
<b>MUNICIPAL FIRE PLANS 1 -5</b>						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

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**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

**General Information About the Pension Plan (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the Authority reported a liability of \$192,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

*PERA Fund Municipal General Division*

At June 30, 2017, the Authority’s proportion was 0.0140%, which was a decrease of 0.0017%, from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$26,790. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ 7,559	\$ 9,853
Changes of assumptions	8,871	1,988
Net difference between projected and actual earnings on pension plan investments	15,783	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,449	2,112
Employer contributions subsequent to the measurement date	11,322	-
	<u>\$ 57,984</u>	<u>\$ 13,953</u>

\$57,984 reported as deferred outflows of resources related to pensions resulting from the Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

**General Information About the Pension Plan (continued)**

Year Ending	
2019	\$ 8,968
2020	21,412
2021	6,941
2022	(4,612)
2023	-
Thereafter	-

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

**PERA Fund**

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
• Investment rate of return	7.51% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	2.75% for first 9 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate, first 9 years 2.75% all other years
• Mortality Assumption	RP-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with
• Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



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**7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

**General Information About the Pension Plan (continued)**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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 to Include		
Real Estate Equity	<u>20.00%</u>	7.35%
Total	100.00%	

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

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

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

	1% Decrease 6.51%	Current Discount Rate 7.51%	1% Increase 8.51%
PERA Fund Municipal General Division			
The Authority’s proportionate share of the net pension liability	<u>\$ 301,510</u>	<u>\$ 192,372</u>	<u>\$ 101,608</u>

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

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**8. OPEB**

***General Information about the OPEB***

***Plan description*** - Employees of the Authority are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed on February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part of the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA's financial information is included with the financial presentation of the state of New Mexico.

***Benefits provided*** - The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

***Employees covered by benefit terms*** – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349

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**8. OPEB (continued)**

***General Information about the OPEB (continued)***

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on the actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$2,371 for the year ended June 30, 2018.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the Authority reported a liability of \$125,074 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of that date. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2017. At June 30, 2017, the Authority’s proportion was 0.00276 percent.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$4,973. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,800
Change of assumptions	-	21,868
Net difference between projected and actual earnings on OPEB plan investments	-	1,799
Employer contributions subsequent to the measurement date	<u>2,371</u>	<u>-</u>
Total	<u>\$ 2,371</u>	<u>\$ 28,467</u>

Deferred outflows of resources totaling \$28,467 represent the Authority’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

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**8. OPEB (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued):***

Year ended June 30:

2019	\$	6,052
2020		6,052
2021		6,052
2022		6,052
2023		4,259
Total	\$	28,467

***Actuarial assumptions*** - The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age, normal, level percent of pay, calculated on individual employee basis.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50 for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

***Rate of return*** - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimated for the long-term expected rate of return is summarized as follows:

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**8. OPEB (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued):***

Asset Class	Long-Term Rate of Return
U.S. Core Fixed Income	4.10%
U.S. Equity - Large Cap	9.10%
Non U.S. - Emerging Markets	12.20%
Non U.S. - Development Equities	9.80%
Private Equity	13.80%
Credit and Structured Finance	7.30%
Real Estate	6.90%
Absolute Return	6.10%
U.S. Equity - Small/Mid Cap	9.10%

**Discount rate** - The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ended June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for a 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the Authority, as well as the what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
\$ 151,713	\$ 125,074	\$ 104,174

The following present the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare costs trend rates:

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**8. OPEB (continued)**

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. (continued):***

1% Decrease	Current Discount Rate	1% Increase
\$ 106,384	\$ 125,074	\$ 139,648

***OPEB plan fiduciary net position*** - Detailed information about the OPEB plan's fiduciary net position is available in the NMRHCA's audited financial statements for the year ended June 30, 2017.

***Payable changes in the net OPEB liability*** - At June 30, 2018, the Authority reported a payable of \$148 for outstanding contributions due to NMRCHA for the year ended June 30, 2018.

**9. RISK MANAGEMENT**

The 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 purchased commercial insurance to provide for these contingencies. The Authority pays an annual premium for its general insurance coverage and risk of loss is transferred.

**10. CONTINGENT LIABILITIES**

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

**11. INTERFUND TRANSFERS**

The capital fund program fund has transferred \$12,036 to the low rent fund. The capital fund program fund is responsible for collecting revenues that are used for the operations and thus those funds were transferred for use in the low rent fund.

The capital fund program fund has transferred \$52,382 to the low rent fund. The capital fund program fund is responsible for collecting grant revenues for property and equipment upgrades throughout the Authority. Once a project has been completed, the capital fund program fund transfers the assets to the low rent fund.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**12. RECONCILIATION OF SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION**

The financial data schedule presented as supplemental federal financial information is additional financial information required by the U.S. Department of Housing and Urban Development (HUD). The schedule, although prepared in accordance with accounting principles generally accepted in the United States of America, requires reporting of the various grants awarded to the Authority as separate funds. These grants are combined by program within the financial statements. The financial data schedules require classifications and terminology that differ from those used in the financial statements. Therefore, the presentation may differ from that used in the financial statements. A reconciliation of the financial statements and financial data schedule is presented below:

	<u>Financial Statements</u>	<u>Differences</u>	<u>Financial Data Schedule</u>
Assets	\$ 619,574	\$ -	\$ 619,574
Deferred outflows of resources	<u>60,355</u>	<u>-</u>	<u>60,355</u>
Total assets and deferred outflows of resources	<u>\$ 679,929</u>	<u>\$ -</u>	<u>\$ 679,929</u>
Liabilities	\$ 358,103	\$ -	\$ 358,103
Deferred inflows of resources	42,699	-	42,699
Net position	<u>279,127</u>	<u>-</u>	<u>279,127</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 679,929</u>	<u>\$ -</u>	<u>\$ 679,929</u>
Revenues	\$ 276,317	\$ -	\$ 276,317
Expenses	<u>(349,331)</u>	<u>-</u>	<u>(349,331)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (73,014)</u>	<u>\$ -</u>	<u>\$ (73,014)</u>

## **SUPPLEMENTARY INFORMATION**



**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
STATEMENT OF LOW RENT FUND REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>				
Tenant income	\$ 153,210	\$ 149,120	\$ 148,865	\$ (255)
Intergovernmental	89,107	103,337	102,087	(1,250)
Interest income	150	140	663	523
Miscellaneous income	-	90	66	(24)
<b>Total operating revenues</b>	<b>242,467</b>	<b>252,687</b>	<b>251,681</b>	<b>(1,006)</b>
<b>Operating Expenses:</b>				
Administrative salaries	69,470	55,500	55,243	257
Travel	3,000	400	296	104
Accounting fees	2,050	3,230	3,342	(112)
Auditing fees	2,000	1,720	1,714	6
Legal	2,000	-	-	-
Other administrative expenses	11,500	9,930	11,025	(1,095)
Water and solid waste	10,280	8,140	8,210	(70)
Electricity	2,560	1,400	1,531	(131)
Gas	3,100	1,800	1,869	(69)
Other utilities	12,220	11,380	11,474	(94)
Maintenance labor	75,920	71,750	69,687	2,063
Maintenance materials	18,000	18,950	14,461	4,489
Maintenance contracts	13,000	3,670	4,048	(378)
Insurance	21,200	19,630	19,643	(13)
Compensated absences	7,710	5,690	5,133	557
Other general expenses	4,250	780	1,362	(582)
Employee benefits	55,920	42,690	62,823	(20,133)
<b>Total operating expenses</b>	<b>314,180</b>	<b>256,660</b>	<b>271,861</b>	<b>(15,201)</b>
<b>Transfers:</b>				
Transfers in	-	15,750	15,745	5
<b>Net income (loss)</b>	<b>\$ (71,713)</b>	<b>\$ 11,777</b>	<b>\$ (4,435)</b>	<b>\$ 14,200</b>
<b>Beginning of year cash available to absorb deficit budget</b>	<b>\$ 71,713</b>	<b>\$ -</b>		

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
LOW RENT FUND**

**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULES TO THE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedules: \$ 251,681

Differences - Budget to GAAP:

The Authority budgets for Low Rent grant revenues as operating revenues for budgetary purposes. Low Rent revenues are reported as non-operating revenues for financial reporting purposes. (102,087)

The Authority budgets for interest income as operating revenues for budgetary purposes. Interest income is reported as non-operating revenues for financial reporting purposes. (66)

The Authority budgets for miscellaneous revenues as operating revenues for budgetary purposes. Miscellaneous revenue is reported as non-operating revenues for financial reporting purposes. (663)

Total operating revenues as reported on the statement of revenues, expenses and changes in fund net position. \$ 148,865

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedules. \$ 271,861

Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. 59,097

Total operating expenses as reported on the statement of revenues, expenses and changes in fund net position. \$ 330,958

Transfers:

Actual amounts (budgetary basis) "transfers" from the budgetary comparison schedules: \$ 15,745

Differences - Budget to GAAP:

The Authority does not budget transfers from the capital fund program fund once grants have been closed to the low rent fund. 52,382

Total transfers as reported on the statement of revenues, expenses, and changes in fund net position. \$ 68,127

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**  
SCHEDULE OF TOWN OF SPRINGER PUBLIC HOUSING AUTHORITY'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
MUNICIPAL GENERAL DIVISION  
LAST TEN FISCAL YEARS \*

	June 30,			
	Fiscal Year 2018	2017	2016	2015
Measurement Date	2017	2016	2015	2014
County's proportionate of the net pension liability (asset)	0.0140%	0.0123%	0.0124%	0.0129%
County's proportionate share of the net pension liability (asset)	\$ 192,372	\$ 196,513	\$ 126,429	\$ 100,634
County's covered-employee payroll	\$ 125,332	\$ 105,361	\$ 104,480	\$ 107,476
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.49%	186.51%	121.01%	93.63%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	81.31%	81.29%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
 SCHEDULE OF TOWN OF SPRINGER PUBLIC HOUSING AUTHORITY'S  
 CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
 MUNICIPAL GENERAL DIVISION  
 LAST TEN FISCAL YEARS \*

	2018	2017	2016	2015
Statutory required	\$ 11,322	\$ 11,322	\$ 10,062	\$ 9,814
Contributions in relation to the statutorily required contributions	11,322	11,322	10,062	9,814
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**  
 SCHEDULE OF TOWN OF SPRINGER PUBLIC HOUSING AUTHORITY'S  
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 RETIREE HEALTH CARE ACT (RHCA) PLAN  
 LAST TEN FISCAL YEARS \*

	2018
Authority's proportionate of the net OPEB liability	0.00276%
Authority's porportionate share of the net OPEB liability	\$ 125,074
Authority's covered-employee payroll	\$ 114,972
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**  
 SCHEDULE OF TOWN OF SPRINGER PUBLIC HOUSING AUTHORITY'S  
 CONTRIBUTIONS RETIREE HEALTH CARE ACT (RHCA) PLAN  
 LAST TEN FISCAL YEARS \*

	2018
Contractually required contribution	\$ 8,764
Contributions in relation to the contractually required contribution	4,399
Contribution deficiency (excess)	\$ 4,366
Employer's covered-employee payroll	\$ 114,972
Contributions as a percentage of covered-employee payroll	3.83%

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

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

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

**PERA PLAN**

***Changes of benefit terms*** - The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA's CAFR. That report is available at <https://www.saonm.org>.

***Changes of assumption*** - The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2017, is available at <https://www.nmpera.org>.

**RHCA PLAN**

***Changes in benefit provisions*** – There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

***Changes in assumptions and methods*** – There were no modifications to the assumption and methods as this is the first year of adoption of the OPEB accounting standard.



**OTHER SCHEDULES REQUIRED BY 2.2.2 NMAC**

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2018**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
International Bank 419 Maxwell Avenue Springer, NM 87747				
Springer Housing Authority	Checking	\$ 75,794	\$ -	\$ 75,794
Springer Housing Authority	Checking	12,877	-	12,877
Springer Housing Authority	CD	40,112	-	40,112
Springer Housing Authority	CD	16,899	-	16,899
Springer Housing Authority	CD	16,903	-	16,903
		<u>\$ 162,585</u>	<u>\$ -</u>	<u>\$ 162,585</u>

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2018**

Line Item	Description	Total Projects
111	Cash - unrestricted	\$ 75,794
114	Cash - tenant security deposits	12,877
100	Total cash	88,671
126	Accounts receivable - tenants	670
126.1	Allowance for doubtful accounts - dwelling rent	(402)
129	Accrued interest receivable	65
120	Total receivables, net of allowance for doubtful accounts	333
131	Investments - unrestricted	73,914
142	Prepaid expenses and other assets	10,316
143	Inventories	10,110
143.1	Allowance for obsolete inventories	(1,011)
150	Total current assets	182,333
161	Land	41,101
162	Buildings	3,014,178
164	Furniture, equipment and machinery - administration	147,885
166	Accumulated depreciation	(2,765,923)
160	Total capital assets, net of a/d	437,241
200	Deferred outflows of resources	60,355
290	Total assets	\$ 679,929
312	Accounts payable <= 90 days	\$ 3,949
321	Accrued wage/payroll taxes payable	8,410
322	Accrued compensated absences - current portion	1,853
341	Tenant security deposits	13,044
342	Unearned revenues	279
310	Total current liabilities	27,535
354	Accrued compensated absences - non-current	13,401
357	Accrued pension and OPEB liabilities	317,446
	Total noncurrent liabilities	330,847
300	Total liabilities	358,382
400	Deferred inflows of resources	42,420
508.1	Net investment in capital assets	437,241
512.1	Unrestricted net assets	(158,114)
513	Total equity	279,127
600	Total liabilities and equity	\$ 679,929

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2018**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
70300	Net tenant rental revenue	\$ 147,493	\$ -	\$ 147,493
70400	Tenant revenue - other	1,372		1,372
70500	Total tenant revenues	148,865	-	148,865
70600	HUD PHA operating grants	102,087	24,636	126,723
70610	Capital grants	-	13,592	13,592
71100	Investment income - unrestricted	663	-	663
71500	Other revenue	66	-	66
70000	Total revenues	251,681	38,228	289,909
91100	Administrative salaries	55,243	-	55,243
91200	Auditing fees	1,714	6,000	7,714
91310	Bookkeeping fees	3,342	-	3,342
91500	Employee benefit contributions - administrative	24,856	-	24,856
91600	Office expenses	11,025	-	11,025
91800	Travel	296	-	296
91900	Other	794	-	794
91000	Total operating - administrative	97,270	6,000	103,270
92200	Relocation costs	68	-	68
93100	Water	8,210	-	8,210
93200	Electricity	1,531	-	1,531
93300	Gas	1,869	-	1,869
93600	Sewer	11,474	-	11,474
93000	Total utilities	23,084	-	23,084
94100	Ordinary maintenance and operations - labor	69,687	-	69,687
94200	Ordinary maintenance and operations - materials and other	14,461	2,891	17,352
94300-010	Ordinary maintenance and operations contracts - garbage and trash removal contracts	1,389	-	1,389
94300-020	Ordinary maintenance and operations contracts - heating and cooling contracts	722	-	722
94300-090	Ordinary maintenance and operations contracts - extermination contracts	1,937	-	1,937
94300	Ordinary maintenance and operations contracts	4,048	-	4,048
94500	Employee benefit contribution - ordinary maintenance	37,967	-	37,967
94000	Total maintenance	126,163	2,891	129,054

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2018**

Line Item	Description	Low Rent 14.850	Capital Fund Program 14.872	Total
96110	Property insurance	9,487	-	9,487
96120	Liability insurance	2,517	-	2,517
96130	Workmen's compensation	4,818	-	4,818
96140	All other insurance	2,821	-	2,821
96100	Total insurance premiums	<u>19,643</u>	<u>-</u>	<u>19,643</u>
96200	Other general expenses	211	-	211
96210	Compensated absences	5,133	-	5,133
96400	Bad debt - tenant rents	289	-	289
96000	Total other general expenses	<u>5,633</u>	<u>-</u>	<u>5,633</u>
96000	Total operating expenses	<u>271,861</u>	<u>8,891</u>	<u>280,752</u>
97000	Excess (deficiency) revenues over operating expenses	(20,180)	29,337	14,569
97400	Depreciation expense	59,097	11,428	70,525
90000	Total expenses	<u>330,958</u>	<u>20,319</u>	<u>345,865</u>
10010	Operating transfers in	15,745	-	15,745
10020	Operating transfers out	-	(15,745)	(15,745)
10100	Total other financing sources (uses)	<u>15,745</u>	<u>(15,745)</u>	<u>-</u>
	Excess (deficiency) of revenues over (under) expenses	<u>\$ (63,532)</u>	<u>\$ 2,164</u>	<u>\$ (55,956)</u>
11030	Beginning equity	\$ 346,700	\$ 140,315	\$ 487,015
11040-010	Restatement	(148,466)	-	(148,466)
11040-070	Equity transfers	52,382	(52,382)	-
11190	Unit months available	672	-	672
11210	Unit months leased	658	-	658

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

Ed Fierro, CPA • Rose Fierro, CPA

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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*

Independent Auditors' Report

Wayne A. Johnson, State Auditor  
and  
Board of Commissioners  
Town of Springer Public Housing Authority  
Springer, 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 and each major fund, of the Public Housing Authority (Authority) of Town of Springer, New Mexico, a component unit of the Town of Springer, New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the budgetary comparison of low rent major enterprise fund of the Authority, presented as supplemental information, and have issued our report thereon dated November 26, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 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 responses as items 2018-001 and 2018-002.

## **Authority's Response to Findings**

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

## **Purpose of this Report**

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

Handwritten signature in cursive script that reads "Fierro + Fierro, P.A."

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 26, 2018



**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

*Item 2018-001 – Other Non-Compliance – FY 2016 – 2017 Audit Report Discussion*

**Statement of Condition** – During the review of the Board of Commissioners’ board minutes, it was discovered that the audit report for the fiscal year ended June 30, 2017 was presented during the February 21, 2018 meeting; however, there were no auditing firm personnel present at the meeting to present the audit report.

**Criteria** – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 2.2.2.10 M (4) states, *‘Once the audit report is officially released to the agency the by State Auditor (by a release letter) and the required waiting period of five calendar days has passed, unless waived by the agency in writing, the audit report shall be presented by the IPA, to a quorum of the governing authority of the agency at a meeting held in accordance with the Open Meetings Act, if applicable.’*

**Effect** – By the auditing firm not being present during the presentation of the audit report, to the Board of Commissioners, during a public meeting, the insight to the audit report as well as the discussion of any audit findings and recommendations are not communicated to those charged with governance. Discussing the audit findings with the Board, and answering any questions the Commissioners or staff may have, can help ensure creation and implementation of a corrective action plan; thus, a less likelihood of repeat findings in subsequent years. Finally, Authority officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

**Cause** – The Board of Commissioners and the executive director were unaware of the requirements of the Administrative Code and the State Auditor’s office concerning the presentation of the audit report by the auditing firm, in a public meeting, after the report has been released by the State Auditor’s Office.

**Recommendation** – We recommend Authority officials and staff review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

**View of Responsible Officials and Planned Corrective Actions** – The Springer Housing Authority officials and staff ensure that they will review the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations by June 30, 2019.

*Item 2018-002 – Other Non-Compliance - Tenant Files*

**Statement of Condition** – During the course of our audit, we performed audit tests of the tenant files retained by the Authority. We selected twelve tenant files to test. Our tests revealed the following matters:

- Eleven instances where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Two instances where the tenant was not re-examined on a timely basis.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**FINANCIAL STATEMENT FINDINGS (continued)**

*Item 2018-002 – Other Non-Compliance - Tenant Files (continued)*

**Statement of Condition (continued) –**

- Two instances where the property had not been inspected during the fiscal year.
- Two instances where the property had been inspected during the fiscal year, but not countersigned by the tenant.
- One instance where the Release of Information/Federal Privacy form was not signed by a tenant.

**Criteria** – The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259).

24 CFR section 5.230 states that *‘as a condition of admission or continued occupancy, the Authority require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility’*.

24 CFR section 5.601 *et seq.* states that the Authority *‘determine income eligibility and calculate the tenant’s rent payment using the documentation from third party verification’*. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority *‘reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification’*.

Finally, the Quality Housing and Work Responsibility Act of 1998 requires that *‘all non-exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes, and other activities which help an individual toward self-sufficiency and economic independence. This is a requirement of the Public Housing Lease.’*

**Effect** – Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

**Cause** – The Authority’s executive director failed to maintain the tenant files as per HUD regulations.

**Recommendation** – The Authority needs to review its procedures concerning their tenant files and documentation retention. All tenant files need to be reviewed to determine what documentation is missing or out of date, if applicable, and the Authority needs to take the appropriate steps to complete the tenant files.

**Views of Responsible Officials and Planned Corrective Actions** – The Springer Housing Authority’s Executive Director ensures that they will review its procedures concerning tenant files and documentation retention. All files will be reviewed to determine what documentation is missing or out of date and will take appropriate steps to complete the tenant files by June 30, 2019.

**STATE OF NEW MEXICO  
TOWN OF SPRINGER  
PUBLIC HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**STATUS OF PRIOR YEAR FINDINGS**

None.

**STATE OF NEW MEXICO**  
**TOWN OF SPRINGER**  
**PUBLIC HOUSING AUTHORITY**  
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2018

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2018, was discussed during the exit conference held on November 29, 2018. Present for the Public Housing Authority was: James P. Angel, chairperson; and Julie Martinez, executive director. Present from the auditing firm was Dominic Fierro, manager.

**FINANCIAL STATEMENT PREPARATION**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Town of Springer Public Housing Authority as of and for the year ended June 30, 2018. The Authority prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The Authority also performed all depreciation calculations for the Authority. The Authority's upper management has reviewed and approved the financial statements and related notes, and they believe the Authority's books and records adequately support them.