



STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Northern Regional Housing Authority
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June 30, 2014

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Official Roster
June 30, 2014

<u>Name</u>	<u>Title</u>
<u>Board of Commissioners</u>	
Santiago Chavez	Board Chairman
Ryan Downey	Board Vice Chairman
Lauren Reichelt	Secretary
Paul Andrus	Treasurer
Tim Gallegos	Commissioner
Rayetta Trujillo	Commissioner
Della Barrone	Commissioner
Alfred Abeita	Commissioner
Garland Moore	Commissioner
<u>Administrative Officials</u>	
Elizabeth Metoyer	Interim Executive Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
To the Interim Executive Director and the Board of Commissioners
Northern Regional Housing Authority
Taos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northern Regional Housing Authority (the "Housing Authority") as of June 30, 2014 and from inception through June 30, 2014, and related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedule presented as supplementary information in the statement of revenues, expenses and changes in net position—budget and actual 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority as of June 30, 2014, and the respective changes in financial position and cash flows thereof, from inception through June 30, 2014 in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the statement of revenues, expenses and changes in net position—budget and actual referred to above presents fairly, in all material respects, the budgetary comparison of the Housing Authority in conformity 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 which is required 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Housing Authority's basic financial statements and the budgetary comparison. The Supporting Schedule I required by 2.2.2 NMAC is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule II Financial Data Schedule is presented for purposes of additional analysis as required by the U.S Department of Housing and Urban Development and is not a required part of the financial statements.

The Supporting Schedules I through II in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules I through II are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of the Housing 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 Housing Authority's internal control over financial reporting and compliance.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
August 31, 2015

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position
June 30, 2014

Exhibit A-1

ASSETS

Current assets

Cash and cash equivalents	\$ 9,799
Accounts receivable - other	<u>41,667</u>

<i>Total current assets</i>	<u>51,466</u>
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<i>Total assets</i>	<u><u>\$ 51,466</u></u>
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LIABILITIES AND NET POSITION

Current liabilities

Accounts payable	<u>\$ 40,144</u>
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<i>Total current liabilities</i>	<u>40,144</u>
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<i>Total liabilities</i>	<u>40,144</u>
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Net position

Unrestricted	<u>11,322</u>
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<i>Total net position</i>	<u>11,322</u>
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<i>Total liabilities and net position</i>	<u><u>\$ 51,466</u></u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
From inception through June 30, 2014

Exhibit A-2

<i>Operating revenues</i>	
Management fees revenue	\$ 125,000
	<hr/>
<i>Total operating revenues</i>	125,000
	<hr/>
<i>Operating expenses</i>	
Contractual services	113,648
Miscellaneous	30
	<hr/>
<i>Total operating expenses</i>	113,678
	<hr/>
<i>Operating income</i>	11,322
	<hr/>
<i>Change in net position</i>	11,322
	<hr/>
<i>Total net position - beginning of year</i>	-
	<hr/>
<i>Total net position - end of year</i>	\$ 11,322
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows
From inception through June 30, 2014

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from management fees	\$ 83,333
Cash payments to suppliers for goods and services	<u>(73,534)</u>
<i>Net cash provided by operating activities</i>	<u>9,799</u>
<i>Net increase in cash and cash equivalents</i>	9,799
<i>Cash and cash equivalents - beginning of year</i>	<u>-</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 9,799</u></u>
 <i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 11,322
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities	
Accounts receivable	\$ (41,667)
Accounts payable	<u>40,144</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 9,799</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Northern Regional Housing Authority (the “Housing Authority”) is a public housing authority that provides affordable housing to low-income and disadvantaged families in Cibola County, Taos County, McKinley County, Rio Arriba County, San Juan County, San Miguel County, Mora County, Los Alamos County, Colfax County, and Sandoval County; except for areas within the region that are within the territorial boundaries of a municipality or county that has established a local housing authority. As of June 30, 2014, the Authority only operated in Taos County, though it is authorized to operate in the other counties listed. The programs are primarily funded with federal grants, management fees, and tenant rents.

The Northern Regional Housing Authority was created under the authority of 11-3A-4 NMSA 1978, which was amended by Senate Bill 20 on March 31, 2009. Under that Bill the New Mexico Legislature restructured the State’s Regional Housing Authorities. Though created on under that Bill, the Authority did not begin operations until April 1, 2014. The Authority also assists other organizations and units of local governments to operate, manage, and administer housing programs and projects and achieve this objective. The Housing Authority managed the the operations of the Taos County Housing Authority under contract beginning on April 1, 2014. These financial statements represent the activity from inception until the year end as of June 30, 2014. Although the entity was created in prior under the legislation stated above, there have been no transactions or activities, thus, this is the first year financial statements have been presented and the caption “inception through June 30, 2014” is utilized to capture this first year activity.

The reporting entity for the Housing Authority is based upon criteria established by the Governmental Accounting Standards Board (GASB). All functions of the Housing Authority for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and special financing relationships.

This summary of significant accounting policies of the Housing Authority is presented to assist in the understanding of the Housing Authority’s financial statements. The financial statements and notes are the representation of the Housing Authority’s management, who is responsible for their integrity and objectivity. The financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

The following programs are maintained by the Housing Authority:

Management Fund – This program accounts for the revenues and expenditures generated by the Authority’s management of the Taos County Housing Authority under contract which began on April 1, 2014.

Financial Reporting Entity

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

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

Based upon the application of these criteria, the Housing Authority has no component units, and is not a component unit of another governmental agency.

Basis of Accounting and Measurement Focus

The Housing Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The Housing Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted; and unrestricted components.

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 the management of the housing authority activities. 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 nonoperating revenues and expenses.

Revenue Recognition

Management contract revenues are recorded as services are performed. Management contract fee payments received in advance are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

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. There are no significant estimates in the Housing Authority's financial statements.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position

Deposits and Investments

The Housing Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Housing Authority of the United States. The Housing Authority's cash and cash equivalents are considered to be cash on hand and demand deposits. Short-term investments are Certificates of Deposits and time accounts with original maturities of three months or less from the date of acquisition and are classified consistent with the Financial Data Schedule outline prescribed by HUD.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized. If the securities pledged are United States government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value.

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. As of year end, there are no trade receivables, the receivables consist of management fees for the month of June that were not collected.

Net Position

Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

- **Net investment in capital assets** – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** – Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Unrestricted and Restricted Revenues

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

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets

The Housing Authority's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenue and expenditures. Annual budgets of the Housing Authority are prepared, approved by the Board of Commissioners, and submitted to the New Mexico Mortgage Finance Authority for review not less than 30 days prior to the beginning of its fiscal year. Once the budget has been formally approved, any amendments must also be approved by the Board of Commissioners and submitted to the New Mexico Mortgage Finance Authority for review.

New Accounting Standards Adopted

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the Housing Authority's financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Housing 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 Housing Authority properly followed State investment requirements as of June 30, 2014.

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 Housing Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the Housing Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts.

Custodial Credit Risk – Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2014, none of the Housing Authority's bank balance of \$9,799 was exposed to custodial credit risk as the Authority's full balance was insured by the FDIC.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. Because the Authority's bank balances were fully insured by the FDIC, no collateral was required by law.

	Centinel Bank	Total
Amount of deposits	\$ 9,799	\$ 9,799
FDIC coverage	(9,799)	(9,799)
Total uninsured public funds	\$ -	\$ -

NOTE 3. ACCOUNTS RECEIVABLE

As of June 30, 2014, the Housing Authority had management fees accounts receivable totaling \$41,667. For the year ended June 30, 2014, there was no allowance for uncollectable management fees accounts receivable. The entire balance of management fees accounts receivable is considered collectable.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year ended June 30, 2014, the Authority only utilized the Management Fund Program, therefore there were no interfund receivables, payables, or transfers.

NOTE 5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Authority has purchased commercial insurance through the Housing Authority Insurance Group.

The Authority has not filed any claims for which the settlement amount exceeded the insurance coverage during the past year. However, should a claim be filed against the Authority which exceeds the insurance coverage, the Authority would be responsible for a loss in excess of the coverage amounts. As claims are filed, the Housing Authority Insurance Group assesses and estimates the potential for loss and handles all aspects of the claim.

At June 30, 2014, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Authority.

NOTE 6. CONTINGENT LIABILITIES

The Authority may be party to various claims and lawsuits in the normal course of business. The Authority is insured through the Housing Authority Insurers' Fund. The maximum exposure of the Authority is not estimable as of June 30, 2014.

NOTE 7. CONCENTRATIONS

All of the revenues of the Housing Authority are received from management fees associated with the Authority's management of Taos County Housing Authority. In addition, the Housing Authority has a contract in place with one vendor that accounted for 100% of the Housing Authority expenses.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2014

NOTE 8. SUBSEQUENT EVENTS

On August 1, 2014, the Northern Regional Housing Authority assumed the operations of the Taos County Housing authority under a consolidation agreement with the United States Department of Housing and Urban Development.

On July 20, 2014, the Northern Regional Housing Authority entered into a contract to manage the operations of the Cimarron Housing Authority.

The results of both of the above agreements have materially impacted the financial activities and operations of the Housing Authority for fiscal year ended 2015. The budgeted expenses for fiscal year ended 2015 are \$1,340,530.

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is August 31, 2015 which is the date on which the financial statements were available to be issued.

NOTE 9. SUBSEQUENT PRONOUNCEMENTS

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2015 and is not expected to significantly impact the Authority's financial statements.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. This standard will be implemented during fiscal year 2015 and it is expected to have a material effect on the Authority's financial statements.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement 68. The standard will be implemented during fiscal year June 30, 2015.

NOTE 10. COMMITMENTS

The Housing Authority has commitments at June 30, 2014 relating to the remainder of contracts in place for the management services of the Authority with a vendor in the amount of \$202,726.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Position - Budget and Actual
From inception through June 30, 2014

Statement A-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Management fee revenue	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
<i>Total operating revenues</i>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<i>Operating expenses</i>				
Contractual services	125,000	125,000	113,648	11,352
Miscellaneous	<u>-</u>	<u>-</u>	<u>30</u>	<u>(30)</u>
<i>Total operating expenses</i>	<u>125,000</u>	<u>125,000</u>	<u>113,678</u>	<u>11,322</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,322</u>	<u>\$ 11,322</u>

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Deposit Accounts
June 30, 2014

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits In Transit	Outstanding Checks	Book Balance
Centinel Bank Management Fund Account	Checking	\$ 9,799	\$ -	\$ -	\$ 9,799
Total Centinel Bank		<u>9,799</u>	<u>-</u>	<u>-</u>	<u>9,799</u>
Petty cash		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 9,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,799</u>
Cash and cash equivalents and short term investments per financial statements					
Cash and cash equivalents per Exhibit A-1				<u>\$ 9,799</u>	
Total deposits					<u>\$ 9,799</u>

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2014

Schedule II
Page 1 of 2

Line Item Number	Description	1 Business Activities	Total
111	Cash - Unrestricted	\$ 9,799	\$ 9,799
100	Total Cash	9,799	9,799
125	Accounts Receivable - Miscellaneous	41,667	41,667
120	Total Receivables, Net of Allowance for Doubtful Accounts	41,667	41,667
150	Total Current Assets	51,466	51,466
190	Total Assets	<u>\$ 51,466</u>	<u>\$ 51,466</u>
312	Accounts Payable <= 90 Days	\$ 40,144	\$ 40,144
310	Total Current Liabilities	40,144	40,144
300	Total Liabilities	40,144	40,144
512.1	Unrestricted Net Position	11,322	11,322
513	Total Equity/Net Position	11,322	11,322
600	Total Liabilities and Equity/Net Position	<u>\$ 51,466</u>	<u>\$ 51,466</u>

See independent auditors' report

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2014

Schedule II
Pages 2 of 2

Line Item Number	Description	1 Business Activities	Total
70710	Management fee	\$ 125,000	\$ 125,000
70000	Total Revenue	125,000	125,000
91300	Outside Management Fees	113,648	113,648
91900	Other Operating - Administrative	30	30
91000	Total Operating - Administrative	113,678	113,678
96900	Total Operating Expenses	\$ 113,678	\$ 113,678
90000	Total Expenses	\$ 113,678	\$ 113,678
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	11,322	11,322
11030	Beginning Equity	-	-
	Ending Equity (deficit)	\$ 11,322	\$ 11,322

See independent auditors' report

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
Interim Executive Director and the Board of Commissioners of
Northern Regional Housing Authority and
Taos, New Mexico

We have audited, 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, the financial statements of the Northern Regional Housing Authority (the "Housing Authority") as of June 30, 2014, and from inception through June 30, 2014, and related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and the budgetary comparison of the Housing Authority presented as supplementary information, and have issued our report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing 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 Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness identified as FS 2014-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* identified as FS 2014-001 and FS 2014-002.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
August 31, 2015

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

SECTION II – PRIOR YEAR AUDIT FINDINGS

None

SECTION III – FINANCIAL STATEMENT FINDINGS

FS 2014-001 Late Filing of Audit Report – Noncompliance

Condition: The Authority did not submit its fiscal year end 2014 audit report by September 30, 2014 as required by the Office of the State Auditor. The report was submitted on September 11, 2015.

Criteria: The Authority is required to submit their audit reports for the year ended June 30, on or before September 30, subsequent to the Authority's fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The Authority is not in compliance with State regulations. The Authority could be affected by a late submission by not seeing problems in a timely fashion to correct findings. The financial statements are also not available for use by the Authority in a timely fashion for purposes such as debt applications and reporting.

Cause: The Authority was unaware that a financial statement audit would be required for the year ended June 30, 2014 until well after the deadline.

Auditors' Recommendation: The Authority must ensure that procedures are in place to ensure that their audit report is submitted by the statutory deadline each year.

Agency's Response: Northern Regional Housing Authority has created a comprehensive calendar of due dates for submission of all required statutory and regulatory program requirements to ensure all deadlines are met.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2014-002 Late Submission of Audit Contract to Office of the State Auditor – Other Matter

Condition: The Authority did not submit their IPA recommendation form and contract to the Office of the State Auditor by the statutory deadline of April 15, 2014 for the period under audit.

Criteria: 2.2.2.8(G)(6)(c) NMAC states that the IPA recommendation form and contract are due at the regulatory dates set forth by the New Mexico State Audit Rule.

Effect: The Authority is not in compliance with 2.2.2.8(G)(6)(c) NMAC regarding their submission of IPA recommendation forms and contracts.

Cause: The Authority was unaware that a financial statement audit would be required for the period ended June 30, 2014 until well after the deadline to submit the IPA recommendation form and contract.

Auditors' Recommendations: The Authority should implement controls to ensure that their IPA selection form and contract are submitted in a timely manner.

Agency's Response: Northern Regional Housing Authority has created a comprehensive calendar of due dates for submission of all required statutory and regulatory program requirements to ensure all deadlines are met.

FS 2014-003 — Preparation of Material Account Balances – Material Weakness

Condition: During the performance of audit procedures relating to accounts receivable and accounts payable, the following were noted:

- The Authority did not include 1 item in the amount of \$41,667 as accounts receivable at year end.
- The Authority did not include 1 item in the amount of \$40,144 as accounts payable at year end.

Criteria: GASB authoritative pronouncements state that the Authority is required to prepare accurate account balances for financial presentation.

Effect: Preparing an accurate accounts receivable and accounts payable subledger is essential to the Authority's operational and management decision process. Incorrect preparation of the accounts receivable and accounts payable listings could lead to misstating the balances in the financial statements.

Cause: The Authority did not begin operations until April 1, 2014, and was unaware that a financial statement audit would be required for the year ended June 30, 2014 and had not prepared listings, or journal entries for accounts receivable or accounts payable at June 30, 2014.

Auditors' Recommendations: We recommend that the Authority review all reimbursement requests and purchase orders at year end that are outstanding, and review expenditures that have a related reimbursement request that has not been created, in order to verify that the revenues and expenditures are being properly accrued and accounted for in the accurate period.

Agency's Response: Northern Regional Housing Authority has hired a Comptroller and contracted with a Fee Accountant firm to review all reimbursement requests and purchase orders at year end that are outstanding. They will review all expenditures that have a related reimbursement request, in order to verify that the revenues and expenditures are being properly listed as accounts receivable and accounts payable and to ensure that they are accurately accounted for at the end of each year.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Other Disclosures
June 30, 2014

OTHER DISCLOSURES

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of Northern Regional Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority

B. EXIT CONFERENCE

The contents of the report for Northern Regional Housing Authority were discussed on September 3, 2015. The following individuals were in attendance.

Northern Regional Housing Authority

Elizabeth Metoyer, Interim Executive Director
Santiago Chavez, Commission Chairman
Amy Quintana, Comptroller
Knox LaSister, CEO – Smart, Inc.

Accounting and Consulting Group, LLP

Robert Cordova, Partner
Benjamin Martinez, Senior Accountant