



STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Northern Regional Housing Authority
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June 30, 2015

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Official Roster
June 30, 2015

<u>Name</u>	<u>Title</u>
<u>Board of Commissioners</u>	
Santiago Chavez	Board Chairman
Tim Gallegos	Board Vice Chairman
Lauren Reichelt	Secretary
Paul Andrus	Treasurer
Ryan Downey	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 M. Keller
New Mexico State Auditor
The Office of Management and Budget
To the 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 Northern Regional Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2015, 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, as defined by the Government Accounting Standards Board, in the accompanying statement of revenues, expenses and changes in net position—budget and actual, as of and for the year ended June 30, 2015, 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 the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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.

Accounting principles generally accepted in the United States of America require the schedules I and II on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Housing Authority's basic financial statements and the budgetary comparison. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the Program Detail Financial Statements within the Supplementary Information Section and Supporting Schedule III required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule IV 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 Schedule of Expenditures of Federal Awards, the Program Detail Financial Statements within the Supplementary Information, and Supporting Schedules III and IV in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Program Detail Financial Statements within the Supplementary Information and Supporting Schedules III and IV are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section and Schedule V have 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 September 25, 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
September 25, 2015

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 1 of 2

ASSETS

Current assets

Cash and cash equivalents	\$ 128,895
Accounts receivable - grants	253,706
Accounts receivable - tenants, net	21,796
Accounts receivable - other	29,538
Inventory	15,564
Prepaid expenses	14,868
	464,367
<i>Total current assets</i>	464,367

Non-current assets

Restricted cash and cash equivalents	66,023
Capital assets	12,123,643
Less: accumulated depreciation	(7,430,465)
	4,759,201
<i>Total non-current assets</i>	4,759,201
 <i>Total assets</i>	 5,223,568

DEFERRED OUTFLOWS

Employer contributions subsequent to measurement date	31,084
<i>Total deferred outflows</i>	31,084
 <i>Total assets and deferred outflows</i>	 \$ 5,254,652

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 2 of 2

LIABILITIES

Current liabilities

Accounts payable	\$ 51,212
Accrued payroll	18,570
Other current liabilities	19,509
Unearned tenant revenue	4,516
Compensated absences	1,861
<i>Total current liabilities</i>	95,668

Current liabilities (payable from restricted assets)

Tenant deposits	48,337
FSS deposits	16,925
<i>Total current liabilities (payable from restricted assets)</i>	65,262

Non-current liabilities

Compensated absences	5,986
Net pension liability	284,831
<i>Total non-current liabilities</i>	290,817

<i>Total liabilities</i>	451,747
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DEFERRED INFLOWS

Net difference between expected and actual earnings	110,687
Change in assumptions	3,296
<i>Total deferred inflows</i>	113,983

NET POSITION

Net investment in capital assets	4,693,178
Unrestricted	(4,256)

<i>Total net position</i>	4,688,922
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<i>Total liabilities, deferred inflows, and net position</i>	\$ 5,254,652
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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
For the Year Ended June 30, 2015

Exhibit A-2

<i>Operating revenues</i>	
Rental revenue	\$ 271,004
Management fees revenue	19,521
Other tenant revenue	18,508
Subsidy grants	<u>2,380,597</u>
 <i>Total operating revenues</i>	 <u>2,689,630</u>
 <i>Operating expenses</i>	
Personnel services	398,431
Contractual services	440,004
Supplies	25,197
Maintenance and materials	296,757
Utilities	131,752
Telephone	8,101
Insurance	63,677
Bad debt	52,079
Housing assistance payments	1,838,445
Depreciation	281,350
Miscellaneous	<u>108,986</u>
 <i>Total operating expenses</i>	 <u>3,644,779</u>
 <i>Operating income</i>	 <u>(955,149)</u>
 <i>Non-operating revenues (expenses)</i>	
Interest income	92
Insurance proceeds	149,152
Casualty loss	(148,193)
Fraud recovery	20,108
Miscellaneous income	<u>86,045</u>
 <i>Total non-operating revenues (expenses)</i>	 <u>107,204</u>
 Capital grants	 <u>295,332</u>
 <i>Change in net position</i>	 <u>(552,613)</u>
 <i>Total net position - beginning of year</i>	 11,322
 <i>Restatements - See Note 13</i>	 (384,415)
 <i>Equity transfers in - Taos County Housing Authority</i>	 <u>5,614,628</u>
 <i>Total net assets - beginning of year, as restated</i>	 <u>5,241,535</u>
 <i>Total net position - end of year</i>	 <u>\$ 4,688,922</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2015

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from tenants	\$ 302,410
Cash received from management fees	60,017
Cash payments to employees for services	(396,354)
Cash payments to suppliers for goods and services	(2,972,291)
Cash received from subsidy grants	<u>2,234,996</u>
<i>Net cash used by operating activities</i>	<u>(771,222)</u>
<i>Cash flows from noncapital financing activities:</i>	
Miscellaneous income	<u>107,112</u>
<i>Net cash provided by noncapital financing activities</i>	<u>107,112</u>
<i>Cash flows from capital and related financing activities:</i>	
Capital grants	295,332
Acquisition of capital assets	<u>(17,500)</u>
<i>Net cash provided by capital and related financing activities</i>	<u>277,832</u>
<i>Cash flows from investing activities:</i>	
Interest on cash deposits	<u>92</u>
<i>Net cash provided by investing activities</i>	<u>92</u>
<i>Net decrease in cash and cash equivalents</i>	<u>(386,186)</u>
<i>Cash and cash equivalents - beginning of year</i>	9,799
<i>Cash and cash equivalents - transfer from Taos County Housing Authority</i>	<u>571,305</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 194,918</u></u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ (955,149)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	281,350
Changes in assets and liabilities	
Accounts receivable	(99,020)
Inventory	(15,564)
Prepaid expenses	1,960
Accounts payable	(5,223)
Accounts payable - other governments	(1,629)
Accrued payroll expenses	10,915
Other current liabilities	13,163
Deferred outflows of resources	(16,685)
Unearned tenant rent	4,516
FSS Deposits	1,660
Accrued compensated absences	7,847
Tenant deposits	<u>637</u>
<i>Net cash used by operating activities</i>	<u><u>\$ (771,222)</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, 2015

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, 2015, 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 from April 1, 2014 to July 31, 2014 and Village of Cimarron Housing Authority beginning on July 22, 2014. On August 1, 2014 the Housing Authority consolidated with the Taos County Housing Authority. After consolidation with Taos County Housing Authority, the Housing Authority manages seven (7) low rent public housing developments containing 169 total units and administers Housing and Urban Development’s (HUD) Housing Choice Vouchers Section 8 housing assistance program.

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:

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

Section 8 Housing Choice Voucher Program – These programs, funded through direct grants from HUD, provide rental assistance to qualified families through rent subsidies paid directly to third-party landlords.

Capital Fund Projects – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing, and modernization of public housing developments and for management improvements. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program on the Financial Statements.

Management Fund Program – This program accounts for the revenues and expenditures generated by the Authority’s management of the Taos County Housing Authority under contract from April 1, 2014 to July 31, 2014 and Village of Cimarron Housing Authority under contract beginning July 22, 2014.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

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.

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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Measurement Focus (continued)

Revenue Recognition

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

Dwelling rental revenues are recorded as rents become due. Rental payments received in advance are deferred until earned.

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

The Housing Authority has entered into contracts with U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grants revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Housing Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences, and net pension liability.

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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Accounts Receivable

All trade receivables are presented net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible, based upon prior experience with tenant collectability and the length of time receivables are outstanding.

Inventory

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and combining financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Housing Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The Housing Authority does have an exception for purchases made under Capital Fund Projects. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40-45
Infrastructure	30
Vehicles	5-10
Machinery and equipment	5-10

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Authority has only one type of item that qualifies for reporting in this category. Accordingly, the item, contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources the next period. The Authority has recorded \$31,084 related to contributions subsequent to the measurement date.

Compensated Absences

Housing Authority employees are entitled to be compensated for accrued vacation time off, which is reported as an expense and a liability of the program that will fund it. When an employee separates from employment with the Housing Authority in good standing, the employee is eligible to receive payment for accrued time remaining.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, 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. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Authority has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority has recorded \$110,687 related to the net difference between expected and actual investment earnings and \$3,296 related to the changes in assumptions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement Board (PERB) and additions to/deductions from PERB's fiduciary net position have been determined on the same basis as they are reported by PERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Net Position (continued)

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

- **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.

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

During the year ended June 30, 2015, the Housing Authority implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations (“GASB 69”). The Statement establishes accounting and financial reporting standards related to government combinations (including mergers, acquisitions, and transfers of operations), and disposals of government operations. The Statement also requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The Housing Authority consolidated with the Taos County Housing Authority on August 1, 2014.

During the year ended June 30, 2015, the Housing Authority adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

New Accounting Standards Adopted (continued)

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

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, 2015.

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.

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, 2015, none of the Housing Authority’s bank balance of \$218,881 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, 2015

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.

	Centinal Bank	Total
Amount of deposits	\$ 218,881	\$ 218,881
FDIC Coverage	(218,881)	(218,881)
Total uninsured public funds	\$ -	\$ -

Reconciliation to Statement of Net Position

The carrying amount of deposits and investments shown above are included in the Housing Authority's statement of net position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 128,895
Restricted cash and cash equivalents per Exhibit A-1	66,023
Total cash and cash equivalents	194,918
Add: outstanding checks	24,163
Less: petty cash	(200)
Bank balance of deposits	\$ 218,881

NOTE 3. ACCOUNTS RECEIVABLE

As of June 30, 2015, the Housing Authority had the following receivables:

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
Federal grants receivable	\$ 230,862	\$ 22,844	\$ -	\$ 253,706
Other receivables	20,662	7,705	1,171	29,538
Tenant receivables	50,431	15,618	-	66,049
Allowance for doubtful accounts - tenants	(33,789)	(10,464)	-	(44,253)
Total	\$ 268,166	\$ 35,703	\$ 1,171	\$ 305,040

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 4. CAPITAL ASSETS

The following summarizes changes in capital assets activity for the Low Rent Public Housing Program during fiscal year 2015.

Low Rent Public Housing Program	Balance June 30, 2014	Transfer In	Adjustments to Net Assets	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:						
Land	\$ -	\$ 167,589	\$ -	\$ -	\$ -	\$ 167,589
Total capital assets not being depreciated	-	167,589	-	-	-	167,589
Capital assets being depreciated:						
Buildings	-	11,370,181	63,876	-	-	11,434,057
Equipment	-	568,373	(63,876)	12,775	-	517,272
Total capital assets being depreciated	-	11,938,554	-	12,775	-	11,951,329
Less accumulated depreciation:						
Buildings/Equipment	-	7,149,115	-	281,219	-	7,430,334
Total accumulated depreciation	-	7,149,115	-	281,219	-	7,430,334
Total capital assets, net of depreciation	\$ -	\$ 4,957,028	\$ -	\$ (268,444)	\$ -	\$ 4,688,584

Depreciation expense for the year ended June 30, 2015 totaled \$281,219 for the Low Rent Public Housing Program.

The above transfer in of capital assets and related items was related to the consolidation with the Taos County Housing Authority during fiscal year ended June 30, 2015.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 4. CAPITAL ASSETS (continued)

The following summarizes changes in capital assets activity for the Section 8 Housing Choice Voucher Program during fiscal year 2015.

Section 8 Housing Choice Voucher Program	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Equipment	\$ -	\$ 4,725	\$ -	\$ 4,725
Total capital assets being depreciated	-	4,725	-	4,725
Less accumulated depreciation:				
Buildings/Equipment	-	131	-	131
Total accumulated depreciation	-	131	-	131
depreciation	<u>\$ -</u>	<u>\$ 4,594</u>	<u>\$ -</u>	<u>\$ 4,594</u>

Depreciation expense for the year ended June 30, 2015 totaled \$131 for the Section 8 Housing Choice Voucher Program.

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term debt activity during fiscal year 2015.

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ -	\$ 10,335	\$ 2,488	\$ 7,847	\$ 1,861
Totals	<u>\$ -</u>	<u>\$ 10,335</u>	<u>\$ 2,488</u>	<u>\$ 7,847</u>	<u>\$ 1,861</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following inter-program transfers have been reported on the Statement of Net Position – Detail:

Due from	Due to	
Section 8 Housing Choice Voucher Program	Low Rent Public Housing Program	\$ 188,731
Management Fund Program	Low Rent Public Housing Program	4,329
		<u>\$ 193,060</u>

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 7. CONTINGENT LIABILITIES

Federal Grants—The Housing Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

During fiscal year ending June 30, 2014, the Taos County Housing Authority (which was consolidated into the Northern Regional Housing Authority on August 1, 2014) was part of Taos County. All PERA contributions for the Taos County Housing Authority were paid by and in conjunction with the Taos County's PERA contributions. Due to this, the pension liability and related items for the Northern Regional Housing Authority employees were listed as part of the Taos County pension liability within the Public Employees Retirement Association of New Mexico Schedule of Employer Allocations and Pension Amounts for the measurement date of June 30, 2014. The break-out between the pension liability and related items was determined based on the employer portion of PERA contributions made for Taos County and Taos County Housing Authority. The employer contributions to PERA for the Housing Authority employee's was 2.84% (or \$29,198) of the total contributions (\$1,029,784) made by Taos County for fiscal year ending June 30, 2014.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Northern Regional Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to the Northern Regional Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Northern Regional Housing Authority were \$31,084 and there were no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2015.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Northern Regional Housing Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division, at June 30, 2015, Northern Regional Housing Authority reported a liability of \$284,831 for its proportionate share of the net pension liability. At June 30, 2014, the total Taos County portion was 1.1136% percent for the Municipal General Division and 0.4167% for the Municipal Police Division, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference. The calculated portion for the Northern Regional Housing Authority was 2.84% of the total Taos County portion.

For the year ended June 30, 2015, Northern Regional Housing Authority recognized PERA Fund Municipal General Division pension expense of \$14,398. At June 30, 2015, Northern Regional Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	\$ -	\$ 3,296
Net difference between projected and actual earnings on pension plan investments	-	110,687
Northern Regional Housing Authority's contributions subsequent to the measurement date	31,084	-
Total	\$ 31,084	\$ 113,983

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

\$31,084 reported as deferred outflows of resources related to pensions resulting from Northern Regional Housing Authority's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	28,491
2017		28,491
2018		28,491
2019		28,491
2020		19
Thereafter		-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Housing Authority’s net pension liability in each PERA Fund Division that Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Northern Regional Housing Authority's proportionate share of the net pension liability	\$ 537,808	\$ 284,831	\$ 90,296

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Housing Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribution 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Housing Authority's contribution to the RHCA for the year ended June 30, 2015 was \$4,834 which equals the required contributions for the year.

NOTE 10. 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, 2015, 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 11. CONCENTRATIONS

A significant portion of the receivables and revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Housing Authority's continued compliance with grant provisions and the continuance of the grant programs by this U.S. Governmental agency.

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 25, 2015 which is the date on which the financial statements were available to be issued. There were no events noted as of this date.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 13. NET POSITION RESTATEMENT

The Housing Authority has restated net position in the amount of \$384,415 (a reduction) for the implementation of GASB 68, which requires the inclusion of the Housing Authority's proportionate share of the net pension liability related to the Housing Authority's participation in the Public Employees Retirement Association.

NOTE 14. EQUITY TRANSFER IN

Under an intergovernmental agreement between Taos County and Northern Regional Housing Authority, Taos County agreed to combine its Housing Authority with Northern Regional Housing Authority. On August 1, 2014, Taos County transferred the assets and liabilities comprising its housing authority, Taos County Housing Authority, to the Northern Regional Housing Authority. As a result of the transfer, the Northern Regional Housing Authority recognized the following assets, liabilities, and net position:

	Carrying Values as of August 1, 2014
Transferred Assets	
Cash and cash equivalents	\$ 571,305
Accounts receivable - tenants	27,881
Accounts receivable - grants	136,472
Prepaid expenses	16,828
Land	167,589
Buildings	11,370,181
Equipment	568,373
Accumulated depreciation	(7,149,115)
Total assets	\$ 5,709,514
 Transferred Liabilities	
Accounts payable	\$ 16,291
Accounts payable - other governments	1,629
Accrued payroll	7,655
Other current liabilities	6,346
Tenant deposits	47,700
FSS deposits	15,265
 Net Position of Transferred Taos County Housing Authority Operation	
Net investment in capital assets	4,957,028
Unrestricted	657,600
Total liabilities and net position	\$ 5,709,514

NOTE 15. SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2016. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2015

NOTE 15. SUBSEQUENT PRONOUNCEMENTS (continued)

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the Housing Authority.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the Housing Authority's financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Housing Authority expects this pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2016. The Housing Authority expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2017. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

Northern Regional Housing Authority
Schedule of Employer's Proportionate Share of the Net Pension Liability of PERA Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	<u>2015</u>
Northern Regional Housing Authority's proportion of the net pension liability**	0.04%
Northern Regional Housing Authority's proportionate share of the net pension liability**	\$ 284,831
Northern Regional Housing Authority's covered-employee payroll	\$ 241,697
Northern Regional Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	117.85%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Northern Regional Housing Authority will present information for those years for which information is available.

** This was calculated using the Taos County's proportion of the net pension liability times the percentage which represented the employer contributions to the employees of the Taos County Housing Authority which was consolidated into Northern Regional Housing Authority during fiscal year 2015.

See independent auditors' report
See notes to required supplementary information

STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

Schedule II

	2015
Contractually required contributions	\$ 31,084
Contributions in relation to the contractually required contribution	(31,084)
Contribution deficiency (excess)	\$ -
Northern Regional Housing Authority's covered-employee payroll	\$ 241,697
Contributions as a percentage of covered-employee payroll	13%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Northern Regional Housing Authority will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Required Supplementary Information
June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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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
For the Year Ended June 30, 2015

Statement A-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Rental revenue (tenants)	\$ 285,746	\$ 291,140	\$ 271,004	\$ (20,136)
Management fee revenue	25,000	16,480	19,521	3,041
Other tenant revenue	151,093	60,710	18,508	(42,202)
Operating subsidies and grants	2,327,911	2,523,910	2,380,597	(143,313)
<i>Total operating revenues</i>	<u>2,789,750</u>	<u>2,892,240</u>	<u>2,689,630</u>	<u>(202,610)</u>
<i>Operating expenses</i>				
Personnel services	370,026	460,800	398,431	62,369
Contractual services	114,513	477,960	440,004	37,956
Supplies	20,000	10,700	25,197	(14,497)
Maintenance and materials	340,000	367,270	296,757	70,513
Utilities	164,000	135,000	131,752	3,248
Telephone	15,000	15,000	8,101	6,899
Insurance	71,999	63,630	63,677	(47)
Housing assistance payments	1,856,275	1,856,275	1,838,445	17,830
Miscellaneous	317,041	111,670	108,986	2,684
<i>Total operating expenses (budgeted)</i>	<u>3,268,854</u>	<u>3,498,305</u>	<u>3,311,350</u>	<u>186,955</u>
Depreciation	-	-	281,350	(281,350)
Bad debt	-	-	52,079	(52,079)
<i>Total operating expenses (non-budgeted)</i>	<u>-</u>	<u>-</u>	<u>333,429</u>	<u>(333,429)</u>
<i>Total operating expenses</i>	<u>3,268,854</u>	<u>3,498,305</u>	<u>3,644,779</u>	<u>(146,474)</u>
<i>Operating income (loss)</i>	<u>(479,104)</u>	<u>(606,065)</u>	<u>(955,149)</u>	<u>(349,084)</u>
<i>Non-operating revenues (expenses)</i>				
Capital grants	304,000	304,000	295,332	(8,668)
Interest income	141	150	92	(58)
Insurance proceeds	-	-	149,152	149,152
Casualty loss	-	-	(148,193)	148,193
Miscellaneous income	-	-	106,153	106,153
<i>Total non-operating revenues</i>	<u>304,141</u>	<u>304,150</u>	<u>402,536</u>	<u>394,772</u>
<i>Change in net position</i>	<u><u>\$ (174,963)</u></u>	<u><u>\$ (301,915)</u></u>	<u><u>\$ (552,613)</u></u>	<u><u>\$ (250,698)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position - Detail
June 30, 2015

Statement B-1

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	\$ 40,233	\$ 68,805	\$ 19,857	\$ 128,895
Accounts receivable - grants	230,862	22,844	-	253,706
Accounts receivable - tenants	16,642	5,154	-	21,796
Accounts receivable - other	20,662	7,705	1,171	29,538
Due from other funds	193,060	-	-	193,060
Inventory	15,564	-	-	15,564
Prepaid expenses	11,450	3,390	28	14,868
<i>Total current assets</i>	<u>528,473</u>	<u>107,898</u>	<u>21,056</u>	<u>657,427</u>
<i>Non-current assets</i>				
Restricted cash and cash equivalents	61,196	4,827	-	66,023
Capital assets	12,118,918	4,725	-	12,123,643
Less: accumulated depreciation	<u>(7,430,334)</u>	<u>(131)</u>	<u>-</u>	<u>(7,430,465)</u>
<i>Total non-current assets</i>	<u>4,749,780</u>	<u>9,421</u>	<u>-</u>	<u>4,759,201</u>
<i>Total assets</i>	<u>5,278,253</u>	<u>117,319</u>	<u>21,056</u>	<u>5,416,628</u>
DEFERRED OUTFLOWS				
Employer contributions subsequent to measurement date	<u>22,266</u>	<u>8,169</u>	<u>649</u>	<u>31,084</u>
<i>Total deferred outflows</i>	<u>22,266</u>	<u>8,169</u>	<u>649</u>	<u>31,084</u>
<i>Total assets and deferred outflows</i>	<u>\$ 5,300,519</u>	<u>\$ 125,488</u>	<u>\$ 21,705</u>	<u>\$ 5,447,712</u>

See independent auditors' report

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position - Detail
June 30, 2015

Statement B-1

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
LIABILITIES				
<i>Current liabilities</i>				
Accounts payable	\$ 36,315	\$ 14,026	\$ 871	\$ 51,212
Accrued payroll	15,518	2,863	189	18,570
Other current liabilities	19,509	-	-	19,509
Prepaid rent	4,516	-	-	4,516
Compensated absences	1,160	685	16	1,861
Due to other funds	-	188,731	4,329	193,060
<i>Total current liabilities</i>	<u>77,018</u>	<u>206,305</u>	<u>5,405</u>	<u>288,728</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	48,337	-	-	48,337
FSS deposits	12,098	4,827	-	16,925
<i>Total current liabilities (payable from restricted assets)</i>	<u>60,435</u>	<u>4,827</u>	<u>-</u>	<u>65,262</u>
<i>Non-current liabilities</i>				
Compensated absences	4,364	1,456	166	5,986
Net pension liability	204,029	74,855	5,947	284,831
<i>Total non-current liabilities</i>	<u>208,393</u>	<u>76,311</u>	<u>6,113</u>	<u>290,817</u>
<i>Total liabilities</i>	<u>345,846</u>	<u>287,443</u>	<u>11,518</u>	<u>644,807</u>
DEFERRED INFLOWS				
Net difference between expected and actual earnings	79,287	29,089	2,311	110,687
Change in assumptions	2,361	866	69	3,296
<i>Total deferred inflows of resources</i>	<u>81,648</u>	<u>29,955</u>	<u>2,380</u>	<u>113,983</u>
NET POSITION				
Net investment in capital assets	4,688,584	4,594	-	4,693,178
Unrestricted	184,441	(196,504)	7,807	(4,256)
<i>Total net position</i>	<u>4,873,025</u>	<u>(191,910)</u>	<u>7,807</u>	<u>4,688,922</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 5,300,519</u>	<u>\$ 125,488</u>	<u>\$ 21,705</u>	<u>\$ 5,447,712</u>

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STATE OF NEW MEXICO

Statement B-2

Northern Regional Housing Authority
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2015

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
<i>Operating revenues</i>				
Rental revenue	\$ 271,004	\$ -	\$ -	\$ 271,004
Management/Admin fees	-	-	19,521	19,521
Other tenant revenue	12,660	5,848	-	18,508
Subsidy grants	426,689	1,953,908	-	2,380,597
<i>Total operating revenues</i>	<u>710,353</u>	<u>1,959,756</u>	<u>19,521</u>	<u>2,689,630</u>
<i>Operating expenses</i>				
Personnel services	287,939	104,848	5,644	398,431
Contractual services	321,521	110,457	8,026	440,004
Supplies	20,886	4,175	136	25,197
Maintenance and materials	296,757	-	-	296,757
Utilities	131,752	-	-	131,752
Telephone	5,621	2,313	167	8,101
Insurance	55,564	7,799	314	63,677
Bad debt	41,615	10,464	-	52,079
Housing assistance payments	-	1,838,445	-	1,838,445
Depreciation	281,219	131	-	281,350
Miscellaneous	83,428	24,664	894	108,986
<i>Total operating expenses</i>	<u>1,526,302</u>	<u>2,103,296</u>	<u>15,181</u>	<u>3,644,779</u>
<i>Operating (loss) income</i>	<u>(815,949)</u>	<u>(143,540)</u>	<u>4,340</u>	<u>(955,149)</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	61	31	-	92
Insurance proceeds	149,152	-	-	149,152
Casualty loss	(148,193)	-	-	(148,193)
Fraud recovery	-	20,108	-	20,108
Miscellaneous income	54,182	31,692	171	86,045
<i>Total non-operating revenues (expenses)</i>	<u>55,202</u>	<u>51,831</u>	<u>171</u>	<u>107,204</u>
Capital grants	<u>295,332</u>	<u>-</u>	<u>-</u>	<u>295,332</u>
<i>Change in net position</i>	<u>(465,415)</u>	<u>(91,709)</u>	<u>4,511</u>	<u>(552,613)</u>
<i>Total net position - beginning of year</i>	-	-	11,322	11,322
<i>Restatement - See Note 13</i>	(275,363)	(101,026)	(8,026)	(384,415)
<i>Equity transfer in - Taos County Housing Authority</i>	<u>5,613,803</u>	<u>825</u>	<u>-</u>	<u>5,614,628</u>
<i>Total net assets - beginning of year, as restated</i>	<u>5,338,440</u>	<u>(100,201)</u>	<u>3,296</u>	<u>5,241,535</u>
<i>Total net position - end of year</i>	<u>\$ 4,873,025</u>	<u>\$ (191,910)</u>	<u>\$ 7,807</u>	<u>\$ 4,688,922</u>

See independent auditors' report

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows - Detail
For the Year Ended June 30, 2015

Statement B-3

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
<i>Cash flows from operating activities:</i>				
Cash received from tenants	\$ 300,056	\$ 2,354	\$ -	\$ 302,410
Cash received from management fees	-	-	60,017	60,017
Cash payments to employees for services	(282,419)	(108,314)	(5,621)	(396,354)
Cash payments to suppliers for goods and services	(924,209)	(1,999,244)	(48,838)	(2,972,291)
Cash received from subsidy grants	311,637	1,923,359	-	2,234,996
<i>Net cash provided (used) by operating activities</i>	<u>(594,935)</u>	<u>(181,845)</u>	<u>5,558</u>	<u>(771,222)</u>
<i>Cash flows from noncapital financing activities:</i>				
Miscellaneous income	55,141	51,800	171	107,112
Temporary loans between funds	(193,060)	188,731	4,329	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(137,919)</u>	<u>240,531</u>	<u>4,500</u>	<u>107,112</u>
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	295,332	-	-	295,332
Acquisition of capital assets	(12,775)	(4,725)	-	(17,500)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>282,557</u>	<u>(4,725)</u>	<u>-</u>	<u>277,832</u>
<i>Cash flows from investing activities:</i>				
Interest on cash deposits	61	31	-	92
<i>Net cash provided by investing activities</i>	<u>61</u>	<u>31</u>	<u>-</u>	<u>92</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>(450,236)</u>	<u>53,992</u>	<u>10,058</u>	<u>(386,186)</u>
<i>Cash and cash equivalents - beginning of year</i>	-	-	9,799	9,799
<i>Cash and cash equivalents - transfer from Taos County Housing Authority</i>	<u>551,665</u>	<u>19,640</u>	<u>-</u>	<u>571,305</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 101,429</u>	<u>\$ 73,632</u>	<u>\$ 19,857</u>	<u>\$ 194,918</u>

See independent auditors' report

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows - Detail
For the Year Ended June 30, 2015

Statement B-3

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program	Total
<i>Reconciliation of operating (loss) income to net cash provided (used) by operating activities:</i>				
Operating (loss) income	\$ (815,949)	\$ (143,540)	\$ 4,340	\$ (955,149)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:				
Depreciation	281,219	131	-	281,350
Changes in assets and liabilities				
Accounts receivable	(103,813)	(35,703)	40,496	(99,020)
Inventory	(15,564)	-	-	(15,564)
Prepaid expenses	5,378	(3,390)	(28)	1,960
Accounts payable	19,604	12,817	(39,273)	(6,852)
Accrued payroll expenses	11,948	(1,222)	189	10,915
Other current liabilities	13,163	-	-	13,163
Deferred outflows	(11,952)	(4,385)	(348)	(16,685)
Unearned tenant rent	4,516	-	-	4,516
FSS deposits	10,354	(8,694)	-	1,660
Accrued compensated absences	5,524	2,141	182	7,847
Tenant deposits	637	-	-	637
<i>Net cash provided (used) by operating activities</i>	<u>\$ (594,935)</u>	<u>\$ (181,845)</u>	<u>\$ 5,558</u>	<u>\$ (771,222)</u>

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Deposit Accounts
June 30, 2015

Schedule III

Bank Name/Account Name	Account Type	Bank Balance	Deposits In Transit	Outstanding Checks	Book Balance
Centinel Bank					
Low Rent Operating	Checking	\$ 69,160	\$ -	\$ 17,835	51,325
Section 8	Checking	72,792	-	3,987	68,805
Management Fund Account	Checking	8,565	-	-	8,565
Public Housing Security Deposit	Checking	51,439	-	2,341	49,098
Restricted FSS Escrow	Checking	12,098	-	-	12,098
Section 8 Restricted FSS Escrow	Checking	4,827	-	-	4,827
Total Centinel Bank		<u>218,881</u>	<u>-</u>	<u>24,163</u>	<u>194,718</u>
Petty cash		<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total		<u>\$ 219,081</u>	<u>\$ -</u>	<u>\$ 24,163</u>	<u>\$ 194,918</u>
Cash and cash equivalents and short term investments per financial statements					
Cash and cash equivalents per Exhibit A-1				\$ 128,895	
Restricted cash and cash equivalents per Exhibit A-1				<u>66,023</u>	
Total deposits					<u>\$ 194,918</u>

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2015

Schedule IV
Page 1 of 4

Line Item Number	Description	Low Rent Public Housing Program NM088 14.850	Section 8 Housing Choice Vouchers Program 14.871	Management Fund Program 14.XXX	Total
111	Cash - Unrestricted	\$ 40,233	\$ 68,805	\$ 19,857	\$ 128,895
113	Cash - Other Restricted	12,098	4,827	-	16,925
114	Cash - Tenant Security Deposits	49,098	-	-	49,098
100	Total Cash	<u>101,429</u>	<u>73,632</u>	<u>19,857</u>	<u>194,918</u>
	Accounts Receivable - HUD Other				
122	Projects	230,862	22,844	-	253,706
125	Accounts Receivable - Miscellaneous	20,662	7,705	1,171	29,538
	Accounts Receivable - Tenants -				
126	Dwelling Rents	50,431	-	-	50,431
	Allowance for Doubtful Accounts -				
126.1	Dwelling Rents	(33,789)	-	-	(33,789)
128	Fraud Recovery	-	15,618	-	15,618
128.1	Allowance for Doubtful Accounts - Fraud	-	(10,464)	-	(10,464)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>268,166</u>	<u>35,703</u>	<u>1,171</u>	<u>305,040</u>
142	Prepaid Expenses and Other Assets	11,450	3,390	28	14,868
143	Inventories	17,293	-	-	17,293
143.1	Allowance for Obsolete Inventories	(1,729)	-	-	(1,729)
144	Inter Program Due From	193,060	-	-	193,060
150	Total Current Assets	<u>589,669</u>	<u>112,725</u>	<u>21,056</u>	<u>723,450</u>
161	Land	167,589	-	-	167,589
162	Buildings	11,434,057	-	-	11,434,057
	Furniture, Equipment & Machinery -				
163	Dwellings	227,052	-	-	227,052
	Furniture, Equipment & Machinery -				
164	Administration	290,220	4,725	-	294,945
166	Accumulated Depreciation	(7,430,334)	(131)	-	(7,430,465)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>4,688,584</u>	<u>4,594</u>	<u>-</u>	<u>4,693,178</u>
180	Total Non-Current Assets	<u>4,688,584</u>	<u>4,594</u>	<u>-</u>	<u>4,693,178</u>
190	Total Assets	<u>5,278,253</u>	<u>117,319</u>	<u>21,056</u>	<u>5,416,628</u>
200	Deferred Outflows of Resources	<u>22,266</u>	<u>8,169</u>	<u>649</u>	<u>31,084</u>
290	Total Assets and Deferred Outflows of Resources	<u>\$ 5,300,519</u>	<u>\$ 125,488</u>	<u>\$ 21,705</u>	<u>\$ 5,447,712</u>

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2015

Schedule IV
Page 2 of 4

Line Item Number	Description	Low Rent Public Housing Program NM088 14.850	Section 8 Housing Choice Vouchers Program 14.871	Management Fund Program 14.XXX	Total
312	Accounts Payable <= 90 Days	\$ 36,315	\$ 14,026	\$ 871	\$ 51,212
321	Accrued Wage/Payroll Taxes Payable	15,518	2,863	189	18,570
	Accrued Compensated Absences -				
322	Current Portion	1,160	685	16	1,861
333	Accounts Payable - Other Government	14,319	-	-	14,319
341	Tenant Security Deposits	48,337	-	-	48,337
342	Deferred Revenues	4,516	-	-	4,516
345	Other Current Liabilities	12,098	4,827	-	16,925
346	Accrued Liabilities - Other	5,190	-	-	5,190
347	Inter Program Due To	-	188,731	4,329	193,060
310	Total Current Liabilities	<u>137,453</u>	<u>211,132</u>	<u>5,405</u>	<u>353,990</u>
	Accrued Compensated Absences - Non-				
354	Current	4,364	1,456	166	5,986
357	Accrued Pension and OPEB Liabilities	<u>204,029</u>	<u>74,855</u>	<u>5,947</u>	<u>284,831</u>
350	Total Non-Current Liabilities	<u>208,393</u>	<u>76,311</u>	<u>6,113</u>	<u>290,817</u>
300	Total Liabilities	<u>345,846</u>	<u>287,443</u>	<u>11,518</u>	<u>644,807</u>
400	Deferred Inflows of Resources	<u>81,648</u>	<u>29,955</u>	<u>2,380</u>	<u>113,983</u>
508.1	Net investment in capital assets	4,688,584	4,594	-	4,693,178
512.1	Unrestricted Net Position	<u>184,441</u>	<u>(196,504)</u>	<u>7,807</u>	<u>(4,256)</u>
513	Total Equity/Net Position	<u>4,873,025</u>	<u>(191,910)</u>	<u>7,807</u>	<u>4,688,922</u>
600	Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	<u>\$ 5,300,519</u>	<u>\$ 125,488</u>	<u>\$ 21,705</u>	<u>\$ 5,447,712</u>

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2015

Schedule IV
Pages 3 of 4

Line Item Number	Description	Low Rent Public Section 8 Housing Housing Program Choice Vouchers Capital Fund Management NM002000001 Program Program Fund Program 14.850 14.871 14.872 14.XXX				Total
70300	Net Tenant Rental Revenue	\$ 271,004	\$ -	\$ -	\$ -	\$ 271,004
70400	Tenant Revenue - Other	12,660	-	-	-	12,660
70500	Total Tenant Revenue	283,664	-	-	-	283,664
70600	HUD PHA Operating Grants	426,689	1,953,908	295,332	-	2,675,929
70610	Capital Grants	-	-	-	-	-
70710	Management fee	-	-	-	19,521	19,521
71100	Investment Income - Unrestricted	61	31	-	-	92
71400	Fraud Recovery	-	20,108	-	-	20,108
71500	Other Revenue	203,334	37,540	-	171	241,045
70000	Total Revenue	913,748	2,011,587	295,332	19,692	3,240,359
91100	Administrative Salaries	84,049	75,659	-	3,687	163,395
91200	Auditing Fees	3,077	1,170	-	87	4,334
91300	Outside Management Fees	274,148	104,253	-	7,722	386,123
91400	Advertising and Marketing	1,554	610	-	41	2,205
	Employee Benefit Contributions -					
91500	Administrative	22,205	26,058	-	1,756	50,019
91600	Office Expenses	20,293	9,119	-	552	29,964
91800	Travel	2,781	747	-	55	3,583
91900	Other Operating - Administrative	43,691	16,251	-	740	60,682
91000	Total Operating - Administrative	451,798	233,867	-	14,640	700,305
93100	Water	30,176	-	-	-	30,176
93200	Electricity	20,987	-	-	-	20,987
93300	Gas	52,640	-	-	-	52,640
93600	Sewer	26,227	-	-	-	26,227
93800	Other Utilities Expense	1,722	-	-	-	1,722
93000	Total Utilities	131,752	-	-	-	131,752
94100	Ordinary Maintenance & Operation -	120,414	-	-	-	120,414
94200	Ordinary Maintenance & Operation - Materials & Other	312,779	1,649	-	26	314,454
94300	Ordinary Maintenance & Operation Contracts	32,825	-	-	-	32,825
94500	Employee Benefit Contributions - Ordinary Maintenance	54,267	-	-	-	54,267
94000	Total Maintenance	520,285	1,649	-	26	521,960
	Protective Services - Other Contract					
95200	Costs	547	-	-	-	547
95000	Total Protective Services	547	-	-	-	547

See independent auditors' report

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2015

Schedule IV
Pages 4 of 4

Line Item Number	Description	Low Rent Public Housing Program NM002000001 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872	Management Fund Program 14.XXX	Total
96110	Property Insurance	25,056	-	-	-	25,056
96120	Liability Insurance	5,422	2,629	-	164	8,215
96130	Workmen's Compensation	3,332	1,346	-	1	4,679
96140	All Other Insurance	21,754	3,824	-	149	25,727
96100	Total Insurance Premiums	55,564	7,799	-	314	63,677
96200	Other General Expenses	22,199	6,227	-	-	28,426
96210	Compensated Absences	7,004	3,131	-	201	10,336
96300	Payment In Lieu of Taxes	14,319	-	-	-	14,319
96400	Bad Debt - Tenant Rents	41,615	-	-	-	41,615
96600	Bad Debt - Other	-	10,464	-	-	10,464
96000	Total Other General	85,137	19,822	-	201	105,160
96900	Total Operating Expenses	\$ 1,245,083	\$ 263,137	\$ -	\$ 15,181	\$ 1,523,401
97000	Excess Operating Revenue Over Operating Expenses	(331,335)	1,748,450	295,332	4,511	1,716,958
97200	Casualty Losses - Non-Capitalized	148,193	-	-	-	148,193
97300	Housing Assistance Payments	-	1,838,445	-	-	1,838,445
97350	HAP Portability-In	-	1,583	-	-	1,583
97400	Depreciation Expense	281,219	131	-	-	281,350
90000	Total Expenses	1,674,495	2,103,296	-	15,181	3,792,972
10020	Operating Transfers Out	295,332	-	(295,332)	-	-
10100	Total Other Financing Sources (Uses)	295,332	-	(295,332)	-	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(465,415)	(91,709)	-	4,511	(552,613)
11030	Beginning Equity	-	-	-	11,322	11,322
11040-10	Prior Period Adjustments - GASB 68 Equity Transfers Taos County	(275,363)	(101,026)	-	(8,026)	(384,415)
11040-20	Housing	5,613,803	825	-	-	5,614,628
	Ending Equity (deficit)	\$ 4,873,025	\$ (191,910)	\$ -	\$ 7,807	\$ 4,688,922
11190	Unit Months Available	1,970	5,376	-	-	7,346
11210	Number of Unit Months Leased	1,884	3,701	-	-	5,585
11270	Excess Cash	\$ 344,250	\$ -	\$ -	\$ -	\$ 344,250
11640	Furniture & Equipment - Administrative Purchases	\$ 12,775	\$ 4,725	\$ -	\$ -	\$ 17,500

See independent auditors' report

STATE OF NEW MEXICO

Schedule V

Northern Regional Housing Authority

Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended June 30, 2015

Prepared by: NRHA Staff

Title: Executive Director

Date: September 25, 2015

<u>Bid/RFP #</u>	<u>Respondent Vendor</u>	<u>Awarded? (Yes/No)</u>	<u>In-State Vendor (Yes/No)</u>	<u>Did In-State Vendor Choose Veterans' Preference Instead of In-State Preference?</u>	<u>Scope of Work</u>	<u>Dollar Amount Awarded to this Vendor</u>
None						

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
The Office of Management and Budget
To the Executive Director and the Board of Commissioners
Northern Regional Housing Authority
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, 2015, and for the year then ended, 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 September 25, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a significant deficiency identified as FS 2015-001.

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 2014-002, FS 2015-002, FS 2015-003, FS 2015-004, and FS 2015-005.

The Housing Authority's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
September 25, 2015

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget
To the Executive Director and the Board of Commissioners
Northern Regional Housing Authority
Taos, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Northern Regional Housing Authority's (the "Housing Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2015. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2015-001. Our opinion on each major program is not modified with respect to this matter.

The Housing Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the schedule of findings and questioned costs as item FA 2015-001 that we consider to be a significant deficiency.

The Housing Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 25, 2015

STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Schedule VI

Federal Grantor/Pass Through Grantor/Program Title	Grant or State Number	Federal CFDA Number		Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Programs:</i>				
Public and Indian Housing	NM088	14.850	*	\$ 426,689
Section 8 Housing Choice Vouchers	N/A	14.871	*	1,838,445
Public Housing Capital Fund	CFP 2012	14.872		124,820
Public Housing Capital Fund	CFP 2011	14.872		170,512
<i>Total Capital Fund Program</i>				295,332
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>				2,560,466
Total Expenditures of Federal Awards				<u>\$ 2,560,466</u>

* Major program

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Northern Regional Housing Authority New Mexico (The Authority) and is presented on the full accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*.

Subrecipients

The Authority did not provide any federal awards to subrecipients during the year.

Non-Cash Federal Assistance

The Authority received no non-cash assistance during the year.

Federally Funded Insurance and Federally Funded Loans

The Authority has no federally funded insurance, and no federally funded loans or loan guarantees.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,560,466
Total expenditures funded by other sources	1,232,506
Total expenditures	<u>\$ 3,792,972</u>

See independent auditors' report

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

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

Federal Awards:

- | 1. Internal control over major programs: | | | | | | | |
|---|-----------------------------------|-----------------|--------|---------------------------|--------|-----------------------------------|--|
| a. Material weaknesses identified? | None Noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Public and Indian Housing</td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> </tbody> </table> | CFDA
Number | Federal Program | 14.850 | Public and Indian Housing | 14.871 | Section 8 Housing Choice Vouchers | |
| CFDA
Number | Federal Program | | | | | | |
| 14.850 | Public and Indian Housing | | | | | | |
| 14.871 | Section 8 Housing Choice Vouchers | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

- FS 2014-001 – Late Filing of Audit Report – Noncompliance - Resolved
FS 2014-002 – Late Submission of Audit Contract to Office of the State Auditor – Other Matter - Repeated
FS 2014-003 – Preparation of Material Account Balances – Material Weakness - Resolved

SECTION III – FINANCIAL STATEMENT FINDINGS

FS 2014-002 Late Submission of Audit Contract to Office of the State Auditor – Finding that does not rise to Significant Deficiency - Repeated

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, 2015 for the period under audit. Due to the late timing of the Authority's engagement of a firm for both the FY 2014 and FY 2015 audits, this finding could not be cleared during FY 2015. The Executive Director has created a calendar for future use to meet statutory and regulatory deadlines.

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 did not complete the process for selecting an IPA for the period ended June 30, 2015 until 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's Executive Director 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 2015-001 Design of Internal Controls Over Cash Disbursements – Significant Deficiency

Condition: During our process of understanding the Housing Authority and its environment, we noted instances where elements of the Housing Authority's internal control framework were deficient or need improvement. The Housing Authority's monitoring element was not documented, sufficiently designed, or implemented as we noted the following:

- Within the Housing Authority's accounting system, the Comptroller has access to the Vendor Master File and the ability to print checks
- During the year under audit, procedures were not in place to document the reviews and approvals within the Cash Disbursements cycle.

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the Authority can maximize its potential for safeguarding assets and reduce the risk of misstatements within its financial statements. Effective monitoring enhances the collective effectiveness of all five components of internal control. Unmonitored controls tend to deteriorate over time.

Effect: Without all of the five elements of the COSO Internal Control Integrated Framework present, the Housing Authority is exposing itself to the risk of misappropriation of assets and needs to improve upon its processes in place to maximize the resources of the Housing Authority to safeguard assets and prevent or detect misstatements.

Cause: Conflicting accounting duties within the Housing Authority's software are not properly segregated. The Housing Authority's controls have not been designed to incorporate documentation of reviews during the Cash Disbursements cycle.

Auditors' Recommendation: We recommend that the Housing Authority properly segregate duties within the accounting software. The Housing Authority should also implement controls in the Cash Disbursement cycle to ensure that reviews performed during the cycle are documented with a signoff.

Agency Response: Northern Regional Housing Authority has segregated the duties of the Comptroller and the Executive Director will perform periodic internal controls over the Vender Master Files. Internal controls have been established in the cash disbursement cycle as the Executive Director will review each invoice and sign off on the accounts payable report before each disbursement.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2015-002 – Travel and Per Diem – Finding that does not rise to Significant Deficiency

Condition: During travel and per diem testwork we noted the following condition:

- In 1 out of 5 travel transactions tested, in the amount of \$436.61, it was noted that the Housing Authority paid a travel advance for \$436.61. The actual expenditures for this travel were \$209.18. The Housing Authority did not request a full refund of the travel advance in excess of actual expenditures. At the time of testwork, the Authority had requested/received \$49.61 out of \$227.43 paid in excess of actuals.
- In 2 out of 5 transactions tested, totaling \$539.00, the Housing Authority calculated and paid the travel and per diem using incorrect rates. This resulted in an overpayment of \$199 by the Housing Authority. The travel as calculated correctly should have been paid \$340.00.

Criteria: NMAC 2.42.2.8 sets forth the allowable rates for the calculation of travel and per diem by the Housing Authority to comply with the Per Diem and Mileage Act. NMAC 2.42.2.10 B (1) requires that where a travel advance is made for a single trip, the officer or employee shall remit, within 5 working days of return from the trip, a refund of any excess advance payment to the agency.

Effect: Payments in excess of the statutory rates allowed for travel could result in overpayments to employees for travel that occurred. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

Cause: The Housing Authority utilized GSA travel and meal reimbursement rates instead of the rates set forth in state statutes during the year ended June 30, 2015. The Housing Authority did not have policies in place to require the refunding of excess travel advances in accordance with state statutes.

Auditors' Recommendation: We recommend the Housing Authority review State Statute NMAC 2.42.2 in order to develop a travel and per diem policy in compliance with state statutes. This policy should include the rates set forth by the Per Diem and Mileage act and also include policies regarding repayment of excess travel advances.

Agency's Response: Northern Regional Housing Authority has revised Personnel Policy related to travel and per diem to match NMAC 2.42.2 on September 15, 2015, Resolution Number 2015-132.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2015-003 – Retiree Health Care Fund Contributions – Finding that does not rise to Significant Deficiency

Condition: During testwork over Retiree Health Care we noted the following condition:

- For the period from 8/1/2014 to 5/15/2015 the Housing Authority did not make timely contributions to the Retiree Health Care Association. Amounts for each month's payroll are due to NMRHCA before the 10th day of the following month.
- Initially, the Housing Authority was withholding for Retiree Health Care based upon total wages, including overtime hours. NMRHCA should only be withheld on straight time hours, as overtime hours are excluded from eligible salary. This resulted in a net overpayment to NMRHCA of \$114.32.
- At the beginning of the fiscal year, the Housing Authority was not withholding NMRHCA at the appropriate rate of 1% for employee and 2% for employer. The rates withheld were .090349% and 1.81268%. This was due to the Housing Authority withholding based upon net pay instead of gross pay (less overtime as noted above).

Criteria: NMSA 10-7C-15 (D) states that each participating employer that fails to remit before the tenth day of the month all employer and employee deposits required by the Retiree Health Care Act to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year, compounded monthly. NMAC 2.81.5.7(B) defines salary as base salary or wages paid for personal services rendered to the employer by the employee, but shall not include overtime pay. NMSA 10-7C-15(A)(1)(d) states each participating employer shall make contributions to the fund in the amount of two percent of each participating employee's salary. NMSA 10-7C-15(B)(1)(d) states each participating employee shall make contributions to the fund in the amount of one percent of the employee's salary.

Effect: Payments not made in a timely manner result in unneeded interest being paid by the Housing Authority. This could affect the Housing Authority's budgetary performance.

Cause: The Housing Authority experienced several delays in their efforts to join and be covered under the New Mexico Health Care Act. The Housing Authority also did not properly implement the withholding for Retiree Health Care contributions in their payroll software. It was noted that by June 30, 2015, the Housing Authority was correctly calculating and withholding NMRHCA contributions and remitting these on a timely basis.

Auditors' Recommendation: We recommend the Housing Authority continue to review and be familiar with the requirements for inclusion in, withholding of, and remitting of NMRHCA contributions.

Agency's Response: Northern Regional Housing Authority's Executive Director and Comptroller will continue to review and be kept abreast of any changes to New Mexico Health Care Act to ensure that the withholding are with NMRHCA limits and that payment are being made timely.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2015-004 – Deficiency in Internal Control Over Fuel Purchases – Finding that does not rise to Significant Deficiency

Condition: During our testwork over fuel card purchases we noted the following:

- Out of 5 monthly statements tested, there were 2 transactions noted where a receipt was not attached to the monthly reconciliation of the bill in accordance with Housing Authority policy.
- Out of 5 monthly statements tested, there were 2 transactions where a vehicle mileage log was not properly/completely filled out in accordance with Housing Authority policy.

Criteria: As required by NMSA 1978 Section 6-6-3, the Housing Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Effect: Because controls over fuel card usage have not been followed, the Housing Authority is at risk for abuse or misappropriation related to fuel cards.

Cause: The Housing Authority did not enforce policies regarding the completion of fuel logs and retention of receipts. The Housing Authority does not have procedures in place to account for the possible loss of fuel card purchase receipts.

Auditors' Recommendations: The Housing Authority should amend controls over fuel purchase receipts to include a sworn affidavit of purchase in the event a receipt is lost to document purchases that are approved during the fuel statement reconciliation process. The Housing Authority should implement procedures to insure that fuel logs are properly filled out.

Agency's Response: Northern Regional Housing Authority will implement a contingency procedure (sworn affidavit of purchase) in the event a receipt is lost. The Comptroller will be responsible to ensure this is in place and the Executive Director will approve the sworn affidavit of purchase. The Housing Authority Comptroller has provided staff training to all employees utilizing the fuel card to ensure that all logs are completed properly and completely each time a purchase is made. The travel log and receipts are required to be turned in at the end of each month to the Comptroller who verifies it against the actual invoice prior to the disbursement schedule being generated.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2015-005 – Lack of Proper Documentation in Tenant Files – Low Rent – Other Noncompliance

Condition: During testwork over Low Rent Housing Program information was missing from tenant files tested:

- In 1 out of 51 tenant files selected for testwork, third party verification of income & expenses was not included in the file. The amount of unverified annual medical expenses was \$432.11, which resulted in a difference of \$10.80 in monthly rent for this tenant.

Criteria: In accordance with 24 CFR part 5, subpart F (24 CFR sections 5.601 et seq., and 24 CFR sections 960.253, 690.255, and 960.259), the Housing Authority is required to determine income eligibility and calculate the tenant's rent payments using the documentation from third-party verified sources.

Effect: The Housing Authority could be providing services to tenants who are not eligible for the program, and by undercharging for tenant rent, the Housing Authority is missing out on possible revenue to fund operations. As a result, it could also affect funding for the program.

Cause: Prior year's third party verified expenses were not cleared out from the Housing Authority's system when calculating the tenant's rent during their 2015 recertification.

Auditors' Recommendation: Management should implement an internal controls and policies to ensure that any prior year data is removed from tenant rent calculations if such information is not applicable in a subsequent recertification. Also, controls should be implemented to ensure that proper supporting documentation for all tenant expenses and income is present in tenant files along with each recertification.

Agency's Response: Northern Regional Housing Authority has established internal controls by conducting in house audits on tenants file to ensure NRHA policies are being implemented, a file order checklist has been established to ensure proper forms for program are being utilized. The Asset Manager is responsible for this task. NRHA conducts a yearly review of its Admissions and Continued Occupancy Policy and where necessary it is revised accordingly by the NRHA Board of Commissioners.

SECTION IV – FEDERAL AWARD FINDINGS

FA 2015-001 – Lack of Proper Documentation in Tenant Files – Section 8 – Significant Deficiency

Federal Program Information:

Funding agency: U.S. Department of Housing and Urban Development
Title: Section 8 Housing Choice Vouchers
Grant Number: NM088 FY 2015
CFDA number: 14.871

Condition: During testwork the following documentation was found to be missing from tenant files:

- In 5 out of 60 tenants selected for testwork, the tenant lease located in the file had expired, there was no current lease, and there was no clause in the lease that changed the lease to a 'month to month' lease after expiration.

Criteria: The COSO Internal Control Integrated Framework requires a documented system of internal controls. Maintaining a current lease contract is a key part of the Housing Authority's system of internal controls over the Section 8 Housing Choice Voucher Program.

Questioned Costs: None

Effect: The Housing Authority is providing housing assistance payments on behalf of tenants without an unexpired lease agreement. As a result, it could affect funding for the program.

Cause: The Authority has not completed the process of reviewing all files to ensure that each file contained all required documents. As of the date of audit testwork, this process had not been completed and some files did not contain unexpired leases.

Auditors' Recommendation: Management should continue and complete the ongoing process of tenant file reviews to ensure that all tenant files have all required information and have valid lease agreements. The Housing Authority should ensure that all aspects of its internal control system are implemented and operating effectively.

Agency's Response: Northern Regional Housing Authority has established a file order checklist for each tenant file and upon the yearly reexamination each file is being checked to ensure proper documents are maintained. Additionally, period random QC control audits are being performed to ensure file integrity by the Asset Manager.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Other Disclosures
June 30, 2015

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 29, 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