

State of  
New Mexico  
Northern  
Regional  
Housing  
Authority

Annual Financial Report  
For the Year Ended June 30, 2016



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Annual Financial Report  
June 30, 2016  
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**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Official Roster  
June 30, 2016

<u>Name</u>	<u>Title</u>
<b><u>Board of Commissioners</u></b>	
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
<b><u>Administrative Officials</u></b>	
Richard Frey	Executive Director
Elizabeth Metoyer	Interim Executive Director
Amy Quintana	Comptroller

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## **FINANCIAL SECTION**

## 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, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedule presented as supplementary information in the statement of revenues, expenses, and changes in net position—budget and actual as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, and the 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 budget comparison schedule presented as supplementary information referred to above presents fairly, in all material respects, the budgetary comparison of the Housing Authority in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require the Schedules I and II on pages 38 and 39 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*

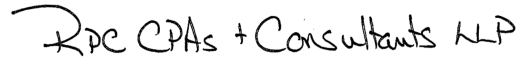
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements and the budgetary comparison schedule. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Program Detail Financial Statements, Supporting Schedules III, IV and VI required by 2.2.2 NMAC, and Schedule V Financial Data Schedule as required by the U.S Department of Housing and Urban Development are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Program Detail Financial Statements within the Supplementary Information, and Supporting Schedules III, IV and V 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, IV and V are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section and Schedule VI 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 26, 2016, 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.



RPC CPAs + Consultants, LLP  
Albuquerque, NM  
September 26, 2016

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Statement of Net Position  
June 30, 2016

**ASSETS**

*Current assets*

Cash and cash equivalents	\$ 562,740
Accounts receivable - grants, net	57,938
Accounts receivable - tenants, net	21,401
Accounts receivable - other	10,905
Inventory	1,341
Prepaid expenses	5,125
	5,125
<i>Total current assets</i>	659,450

*Non-current assets*

Restricted cash and cash equivalents	208,352
Capital assets	12,291,795
Less: accumulated depreciation	(7,714,719)
	4,785,428
<i>Total non-current assets</i>	4,785,428
 <i>Total assets</i>	 5,444,878

**DEFERRED OUTFLOWS**

Change in proportion	218,617
Employer contributions subsequent to measurement date	36,710
	255,327
<i>Total deferred outflows</i>	255,327
 <i>Total assets and deferred outflows</i>	 \$ 5,700,205

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

**LIABILITIES***Current liabilities*

Accounts payable	\$ 83,689
Accrued payroll	23,735
Other current liabilities	41,585
Unearned tenant revenue	8,513
Compensated absences	5,997
<i>Total current liabilities</i>	<u>163,519</u>

*Current liabilities (payable from restricted assets)*

Tenant deposits	41,773
FSS deposits	39,075
<i>Total current liabilities (payable from restricted assets)</i>	<u>80,848</u>

*Non-current liabilities*

Compensated absences	6,934
Net pension liability	374,186
<i>Total non-current liabilities</i>	<u>381,120</u>

*Total liabilities*625,487**DEFERRED INFLOWS**

Net difference between projected and actual investment earnings	1,184
Actuarial experience	8,288
Change in assumptions	146
<i>Total deferred inflows</i>	<u>9,618</u>

**NET POSITION**

Net investment in capital assets	4,577,076
Restricted for:	
Section 8 housing	113,221
Unrestricted	374,803
<i>Total net position</i>	<u>5,065,100</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 5,700,205</u>

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, 2016

Exhibit A-2

<i>Operating revenues</i>	
Rental revenue	\$ 300,050
Management fees revenue	20,695
Other tenant revenue	15,259
Subsidy grants	<u>3,213,829</u>
<i>Total operating revenues</i>	<u>3,549,833</u>
 <i>Operating expenses</i>	
Personnel services	214,829
Contractual services	356,485
Supplies	97,400
Maintenance and materials	63,151
Utilities	138,527
Insurance	56,467
Bad debt	103,651
Housing assistance payments	1,973,860
Depreciation	284,254
Miscellaneous	<u>106,937</u>
<i>Total operating expenses</i>	<u>3,395,561</u>
 <i>Operating income</i>	 <u>154,272</u>
 <i>Non-operating revenues</i>	
Interest income	248
Insurance proceeds	7,085
Fraud recovery	748
Miscellaneous income	<u>45,672</u>
<i>Total non-operating revenues</i>	<u>53,753</u>
 <i>Income (loss) before transfers and capital grants</i>	 208,025
 Capital grants	 <u>168,153</u>
 <i>Change in net position</i>	 376,178
 <i>Total net position - beginning of year</i>	 <u>4,688,922</u>
 <i>Total net position - end of year</i>	 <u><u>\$ 5,065,100</u></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, 2016

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from tenants	\$ 280,463
Cash received from management fees	20,695
Cash payments to employees for services	(443,671)
Cash payments to suppliers for goods and services	(2,692,320)
Cash received from subsidy grants	3,357,253
	<u>522,420</u>
<i>Net cash provided by operating activities</i>	
<i>Cash flows from noncapital financing activities:</i>	
Cash received from miscellaneous sources	53,505
	<u>53,505</u>
<i>Net cash provided by noncapital financing activities</i>	
<i>Cash flows from capital and related financing activities:</i>	
Cash received from capital grants	168,153
Acquisition of capital assets	(168,152)
	<u>1</u>
<i>Net cash provided by capital and related financing activities</i>	
<i>Cash flows from investing activities:</i>	
Interest received on cash deposits	248
	<u>248</u>
<i>Net cash provided by investing activities</i>	
<i>Net increase in cash and cash equivalents</i>	
	576,174
<i>Cash and cash equivalents - beginning of year</i>	<u>194,918</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 771,092</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 154,272
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	284,254
Net pension expense	(15,010)
Bad debt expense	103,651
Changes in assets and liabilities	
Accounts receivable	111,145
Inventory	14,223
Prepaid expenses	9,743
Accounts payable	32,477
Accrued payroll expenses	5,165
Other current liabilities	22,076
Deferred outflows of resources	(224,243)
Unearned tenant revenue	3,997
FSS deposits	22,150
Accrued compensated absences	5,084
Tenant deposits	(6,564)
	<u>\$ 522,420</u>

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

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**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

*A. 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, 2016, the Housing 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, however the Authority did not begin operations until April 1, 2014. The Housing 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 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.

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

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

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

*A. Financial Reporting Entity (continued)*

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

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

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 Village of Cimarron Housing Authority under contract beginning July 22, 2014, Grants Housing Authority under contract beginning November 17, 2015, and Cuba Housing Authority under contract beginning April 16, 2016.

*B. 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, deferred outflows net of total liabilities and deferred inflows) are segregated into net investment in capital assets; restricted; and unrestricted components.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

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

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

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 subsidy grants and charges to customers for the management of the housing authority activities. Operating expenses for enterprise funds include the personnel and contractual services, repair and maintenance, housing assistance payments, other administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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, allowance for doubtful accounts for grant and tenant receivables, the current portion of accrued compensated absences, the net pension liability, and related deferred inflows and deferred outflows.

*C. 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 Agency 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.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

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

*C. Assets, Liabilities and Net Position (continued)*

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. The Housing Authority had no short-term investments as of June 30, 2016.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. However, any portion of PHA/IHA funds not insured by a Federal insurance organization shall be fully 100% and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD. 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 fair market value.

**Fair Value Measurements:** The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2016, there are no items required to be valued using the fair value framework.

**Accounts Receivable:** All 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 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.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

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

*C. Assets, Liabilities and Net Position (continued)*

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	40-45
Equipment	5-10

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

The Housing Authority has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion of \$218,617 and employer contributions subsequent to measurement date of \$36,710, are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources the next period.

**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, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Housing Authority has three types of items accordingly, the items, net difference between projected and expected investment earnings of \$1,184, actuarial experience of \$8,288, and change in assumptions of \$146, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

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

*C. Assets, Liabilities and Net Position (continued)*

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

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

**Unrestricted and Restricted Revenues:** When both restricted and unrestricted resources are available for use, it is the Housing Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

**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.

*D. New Accounting Standards Adopted*

During the year ended June 30, 2016, the Housing Authority adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of 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*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*. These five Statements are required to be implemented as of June 30, 2016, if applicable.

GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financials statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

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

*D. New Accounting Standards Adopted (continued)*

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statements 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 by (1) clarifying information required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities; (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in special funding situation.

In addition, effective for June 30, 2016 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. Effective for June 30, 2017 is the portion related to pensions provided through pension plans that are not administered trusts which follows principals of Statement No. 68 for employer measurement, financial reporting and disclosure. Key differences include (1) no investment or pension plan related amounts or disclosures, (2) discount using 20-year tax exempt high quality municipal bond index, (3) total pension liability recorded by the employer, (4) no deferral relating to differences between expected and actual earnings on plan investments, (5) no expected return on plan investments component of pension expense, (6) no investment related disclosure, and (7) no discount rate calculation rate disclosure. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 objective is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAPP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

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

*D. New Accounting Standards Adopted (continued)*

GASB Statement No. 79 addresses the accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**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, 2016.

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.



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

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

All of the Housing Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts.

**Custodial Credit Risk – Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the 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, 2016, \$566,755 of the Housing Authority's bank balance of \$816,755 was exposed to custodial credit risk. Although the \$566,755 was uninsured, all of this amount was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	<b>Centinel Bank</b>
Amount of deposits	\$ 816,755
FDIC Coverage	(250,000)
Total uninsured public funds	\$ 566,755
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority Agency's name	566,755
Uninsured and uncollateralized	\$ -
Collateral requirement (100% of uninsured funds)	\$ 566,755
Pledged Collateral	610,075
Over (Under) collateralized	\$ 43,320

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

**Reconciliation to Statement of Net Position**

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

Cash and cash equivalents per Exhibit A-1	\$ 562,740
Restricted cash and cash equivalents per Exhibit A-1	<u>208,352</u>
Total cash and cash equivalents	<u>771,092</u>
Add: outstanding checks	45,863
Less: petty cash	<u>(200)</u>
Bank balance of deposits	<u><u>\$ 816,755</u></u>

**NOTE 3. Accounts Receivable**

As of June 30, 2016, the Housing Authority had the following receivables:

	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>Total</b>
Federal grants receivable	\$ 128,915	\$ -	\$ -	\$ 128,915
Allowance for doubtful accounts - grants	(70,977)	-	-	(70,977)
Other receivables	7,085	-	3,820	10,905
Tenant receivables	49,632	15,218	-	64,850
Allowance for doubtful accounts - tenants	<u>(33,253)</u>	<u>(10,196)</u>	<u>-</u>	<u>(43,449)</u>
Total	<u><u>\$ 81,402</u></u>	<u><u>\$ 5,022</u></u>	<u><u>\$ 3,820</u></u>	<u><u>\$ 90,244</u></u>

The Housing Authority had an allowance for doubtful accounts in the amount of \$70,977 related to grant receivables from HUD and \$43,449 related to tenant receivables.

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**NOTE 4. Capital Assets**

The following summarizes changes in capital assets activity for the Housing Authority during fiscal year 2016:

<b>Total Housing Authority</b>	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
Capital assets not being depreciated:				
Land	\$ 167,589	\$ -	\$ -	\$ 167,589
Construction in Progress	-	110,232	-	110,232
Total capital assets not being depreciated	<u>167,589</u>	<u>110,232</u>	<u>-</u>	<u>277,821</u>
Capital assets being depreciated:				
Buildings	11,434,057	57,920	-	11,491,977
Equipment	521,997	-	-	521,997
Total capital assets being depreciated	<u>11,956,054</u>	<u>57,920</u>	<u>-</u>	<u>12,013,974</u>
Less accumulated depreciation:				
Buildings and Equipment	<u>7,430,465</u>	<u>284,254</u>	<u>-</u>	<u>7,714,719</u>
Total accumulated depreciation	<u>7,430,465</u>	<u>284,254</u>	<u>-</u>	<u>7,714,719</u>
Total capital assets, net of depreciation	<u>\$ 4,693,178</u>	<u>\$ (116,102)</u>	<u>\$ -</u>	<u>\$ 4,577,076</u>

Depreciation expense for the year ended June 30, 2016 totaled \$284,254 for the Low Rent Public Housing Program.

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**NOTE 4. Capital Assets (continued)**

The following summarizes changes in capital assets activity for the Low Rent Public Housing Program during fiscal year 2016:

<b>Low Rent Public Housing Program</b>	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
Capital assets not being depreciated:				
Land	\$ 167,589	\$ -	\$ -	\$ 167,589
Construction in Progress	-	110,232	-	110,232
Total capital assets not being depreciated	<u>167,589</u>	<u>110,232</u>	<u>-</u>	<u>277,821</u>
Capital assets being depreciated:				
Buildings	11,434,057	57,920	-	11,491,977
Equipment	517,272	-	-	517,272
Total capital assets being depreciated	<u>11,951,329</u>	<u>57,920</u>	<u>-</u>	<u>12,009,249</u>
Less accumulated depreciation:				
Buildings and Equipment	<u>7,430,334</u>	<u>282,679</u>	<u>-</u>	<u>7,713,013</u>
Total accumulated depreciation	<u>7,430,334</u>	<u>282,679</u>	<u>-</u>	<u>7,713,013</u>
Total capital assets, net of depreciation	<u>\$ 4,688,584</u>	<u>\$ (114,527)</u>	<u>\$ -</u>	<u>\$ 4,574,057</u>

Depreciation expense for the year ended June 30, 2016 totaled \$282,679 for the Low Rent Public Housing Program.

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**NOTE 4. Capital Assets (continued)**

The following summarizes changes in capital assets activity for the Section 8 Housing Choice Voucher Program during fiscal year 2016:

<b>Section 8 Housing Choice Voucher Program</b>	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
Capital assets being depreciated:				
Equipment	\$ 4,725	\$ -	\$ -	\$ 4,725
Total capital assets being depreciated	4,725	-	-	4,725
Less accumulated depreciation:				
Equipment	131	1,575	-	1,706
Total accumulated depreciation	131	1,575	-	1,706
Total capital assets, net of depreciation	\$ 4,594	\$ (1,575)	\$ -	\$ 3,019

Depreciation expense for the year ended June 30, 2016 totaled \$1,575 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 2016:

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
Compensated absences	\$ 7,847	\$ 16,326	\$ 11,242	\$ 12,931	\$ 5,997

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**NOTE 6. Interfund Receivables and Payables**

The following interfund receivables and payables have been reported on the Statement of Net Position – Detail:

<u>Due from</u>	<u>Due to</u>	
Section 8 Housing Choice Voucher Program	Low Rent Public Housing Program	\$ 323,500
Low Rent Public Housing Program	Management Fund Program	9,560
State and Local Program	Low Rent Public Housing Program	132
State and Local Program	Section 8 Housing Choice Voucher Program	1,613
		<u>\$ 334,805</u>

**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**

**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, 2015 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

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**NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)**

**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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.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 \$36,710 and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2016.

**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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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.

**Reallocation of Deferred Amounts Due to Changes in proportion,** in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer’s change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$286,647 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA’s Schedule of Employer Pension Amounts for the year ended June 30, 2015.

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**NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)**

**For PERA Fund Municipal General Division**, at June 30, 2016, Northern Regional Housing Authority reported a liability of \$374,186 for its proportionate share of the net pension liability. At June 30, 2016, the Housing Authority's proportion was 0.0367 percent, which changed from its proportion measured as of June 30, 2015 of 0.0400 percent.

For the year ended June 30, 2016, Northern Regional Housing Authority recognized PERA Fund Municipal General Division pension expense of \$82,002. At June 30, 2016, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 8,288
Changes of assumptions	-	146
Investment experience	-	-
Changes in proportion and differences between Northern Regional Housing Authority contributions and proportionate share of contributions	218,617	-
Net difference between projected and actual earnings on pension plan investments	-	1,184
Northern Regional Housing Authority's contributions subsequent to the measurement date	36,710	-
Total	\$ 255,327	\$ 9,618

\$36,710 reported as deferred outflows of resources related to pensions resulting from Northern Regional Housing Authority's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	57,772
2018		57,772
2019		57,772
2020		35,681
2021		2
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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2014, actuarial valuation.



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**NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)**

Actuarial valuation date	June 30, 2014
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%	

**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.

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**NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)**

<b>PERA Fund Municipal General Division</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Northern Regional Housing Authority's proportionate share of the net pension liability	\$ 637,094	\$ 374,186	\$ 155,600

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** The Housing Authority had payables to PERA totaling \$4,508 as of June 30, 2016.

**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.

*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](http://www.nmrhca.state.nm.us).

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Notes to Financial Statements  
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**NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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, 2016, the statute required each participating employer to contribute 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 years ended June 30, 2016 and June 30, 2015 were \$6,093 and \$4,834 respectively, which equal the required contributions for each year.

**NOTE 10. Risk Management**

The Housing 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 Housing 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, 2016, 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 Housing 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, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 26, 2016 which is the date on which the financial statements were available to be issued.

As of July 1, 2016, the Cimarron Housing Authority in Cimarron, NM, consisting of 16 units, was transferred to Northern Regional Housing Authority.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Notes to Financial Statements  
June 30, 2016

**NOTE 13. Subsequent Pronouncements**

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: A portion of this provision 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 financial statements.

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 affect 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 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 affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

**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>2016</u>	<u>2015</u>
Northern Regional Housing Authority's proportion of the net pension liability	0.0367%	0.4000%
Northern Regional Housing Authority's proportionate share of the net pension liability	\$ 374,186	\$ 284,831
Northern Regional Housing Authority's covered-employee payroll	\$ 304,643	\$ 241,697
Northern Regional Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.83%	117.85%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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.

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

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 36,710	\$ 31,084
Contributions in relation to the contractually required contribution	(36,710)	(31,084)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Northern Regional Housing Authority's covered-employee payroll	\$ 304,643	\$ 241,697
Contributions as a percentage of covered-employee payroll	12.05%	12.86%

\* 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, 2016

***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at [http://osanm.org/media/audits/366-B\\_PERA\\_Schedule\\_of\\_Employer\\_Allocations\\_FY2015.pdf](http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf)

See Independent Auditors' Report.



## **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, 2016

Statement A-1

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<i>Operating revenues</i>				
Rental revenue	\$ 291,140	\$ 306,980	\$ 300,050	\$ (6,930)
Management fee revenue	41,350	19,420	20,695	1,275
Other tenant revenue	6,360	15,470	15,259	(211)
Operating subsidies and grants	2,512,080	2,636,822	3,213,829	577,007
<i>Total operating revenues</i>	<u>2,850,930</u>	<u>2,978,692</u>	<u>3,549,833</u>	<u>571,141</u>
<i>Operating expenses</i>				
Personnel services	495,860	498,770	214,829	283,941
Contractual services	485,360	332,390	356,485	(24,095)
Supplies	52,340	92,280	97,400	(5,120)
Maintenance and materials	15,730	19,500	63,151	(43,651)
Utilities	135,000	150,680	138,527	12,153
Insurance	63,630	56,130	56,467	(337)
Housing assistance payments	1,838,445	1,973,860	1,973,860	-
Miscellaneous	83,610	87,060	106,937	(19,877)
<i>Total operating expenses (budgeted)</i>	<u>3,169,975</u>	<u>3,210,670</u>	<u>3,007,656</u>	<u>203,014</u>
Depreciation	-	-	284,254	(284,254)
Bad debt	9,000	9,000	103,651	(94,651)
<i>Total operating expenses (non-budgeted)</i>	<u>9,000</u>	<u>9,000</u>	<u>387,905</u>	<u>(378,905)</u>
<i>Total operating expenses</i>	<u>3,178,975</u>	<u>3,219,670</u>	<u>3,395,561</u>	<u>(175,891)</u>
<i>Operating income (loss)</i>	<u>(328,045)</u>	<u>(240,978)</u>	<u>154,272</u>	<u>395,250</u>
<i>Non-operating revenues</i>				
Interest income	150	230	248	18
Insurance proceeds	-	-	7,085	7,085
Fraud recovery	-	-	748	(748)
Miscellaneous income	23,480	23,480	45,672	22,192
<i>Total non-operating revenues</i>	<u>23,630</u>	<u>23,710</u>	<u>53,753</u>	<u>28,547</u>
<i>Income (loss) before transfers and capital grants</i>	<u>(304,415)</u>	<u>(217,268)</u>	<u>208,025</u>	<u>423,797</u>
Capital grants	304,000	274,500	168,153	(106,347)
<i>Change in net position</i>	<u>\$ (415)</u>	<u>\$ 57,232</u>	<u>\$ 376,178</u>	<u>\$ 317,450</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Statement of Net Position - Detail  
June 30, 2016

	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>State and Local Program</b>	<b>Total</b>
<b>ASSETS</b>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 315,467	\$ 231,769	\$ 13,484	\$ 2,020	\$ 562,740
Accounts receivable - grants, net	57,938	-	-	-	57,938
Accounts receivable - tenants, net	16,379	5,022	-	-	21,401
Accounts receivable - other	7,085	-	3,820	-	10,905
Due from other funds	323,632	1,613	9,560	-	334,805
Inventory	1,341	-	-	-	1,341
Prepaid expenses	4,466	620	39	-	5,125
<i>Total current assets</i>	<u>726,308</u>	<u>239,024</u>	<u>26,903</u>	<u>2,020</u>	<u>994,255</u>
<i>Non-current assets</i>					
Restricted cash and cash equivalents	85,513	122,839	-	-	208,352
Capital assets	12,287,070	4,725	-	-	12,291,795
Less: accumulated depreciation	<u>(7,713,013)</u>	<u>(1,706)</u>	<u>-</u>	<u>-</u>	<u>(7,714,719)</u>
<i>Total non-current assets</i>	<u>4,659,570</u>	<u>125,858</u>	<u>-</u>	<u>-</u>	<u>4,785,428</u>
<i>Total assets</i>	<u>5,385,878</u>	<u>364,882</u>	<u>26,903</u>	<u>2,020</u>	<u>5,779,683</u>
<b>DEFERRED OUTFLOWS</b>					
Change in proportion	156,389	57,480	3,438	1,310	218,617
Net difference between expected and actual earnings	-	-	-	656	656
Employer contributions subsequent to measurement date	26,261	9,652	577	220	36,710
Change in assumption	<u>-</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
<i>Total deferred outflows</i>	<u>182,650</u>	<u>67,132</u>	<u>4,015</u>	<u>2,205</u>	<u>256,002</u>
<i>Total assets and deferred outflows</i>	<u>\$ 5,568,528</u>	<u>\$ 432,014</u>	<u>\$ 30,918</u>	<u>\$ 4,225</u>	<u>\$6,035,685</u>

See Independent Auditors' Report.

	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>State and Local Program</b>	<b>Total</b>
<b>LIABILITIES</b>					
<i>Current liabilities</i>					
Accounts payable	\$ 80,576	\$ 3,030	\$ 66	\$ 17	\$ 83,689
Accrued payroll	19,505	4,062	168	-	23,735
Other current liabilities	41,585	-	-	-	41,585
Unearned tenant revenue	1,581	6,932	-	-	8,513
Compensated absences	4,288	1,620	89	-	5,997
Due to other funds	9,560	323,500	-	1,745	334,805
<i>Total current liabilities</i>	<u>157,095</u>	<u>339,144</u>	<u>323</u>	<u>1,762</u>	<u>498,324</u>
<i>Current liabilities (payable from restricted assets)</i>					
Tenant deposits	41,773	-	-	-	41,773
FSS deposits	29,457	9,618	-	-	39,075
<i>Total current liabilities (payable from restricted assets)</i>	<u>71,230</u>	<u>9,618</u>	<u>-</u>	<u>-</u>	<u>80,848</u>
<i>Non-current liabilities</i>					
Compensated absences	5,241	1,620	73	-	6,934
Net pension liability	267,950	98,349	7,352	535	374,186
<i>Total non-current liabilities</i>	<u>273,191</u>	<u>99,969</u>	<u>7,425</u>	<u>535</u>	<u>381,120</u>
<i>Total liabilities</i>	<u>501,516</u>	<u>448,731</u>	<u>7,748</u>	<u>2,297</u>	<u>960,292</u>
<b>DEFERRED INFLOWS</b>					
Net difference between expected and actual earnings	953	298	589	-	1,840
Actuarial experience	5,929	2,179	130	50	8,288
Change in assumptions	108	38	19	-	165
<i>Total deferred inflows of resources</i>	<u>6,990</u>	<u>2,515</u>	<u>738</u>	<u>50</u>	<u>10,293</u>
<b>NET POSITION</b>					
Net investment in capital assets	4,574,057	3,019	-	-	4,577,076
Restricted for:					
Section 8 housing	-	113,221	-	-	113,221
Unrestricted	485,965	(135,472)	22,432	1,878	374,803
<i>Total net position</i>	<u>5,060,022</u>	<u>(19,232)</u>	<u>22,432</u>	<u>1,878</u>	<u>5,065,100</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 5,568,528</u>	<u>\$ 432,014</u>	<u>\$ 30,918</u>	<u>\$ 4,225</u>	<u>\$6,035,685</u>

See Independent Auditors' Report.

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**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Statement of Revenues, Expenses, and Changes in Net Position - Detail  
For the Year Ended June 30, 2016

Statement B-2

	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>State and Local Program</b>	<b>Total</b>
<i>Operating revenues</i>					
Rental revenue	\$ 300,050	\$ -	\$ -	\$ -	\$ 300,050
Management fees revenue	-	-	20,695	-	20,695
Other tenant revenue	15,259	-	-	-	15,259
Subsidy grants	934,164	2,271,680	-	7,985	3,213,829
<i>Total operating revenues</i>	<u>1,249,473</u>	<u>2,271,680</u>	<u>20,695</u>	<u>7,985</u>	<u>3,549,833</u>
<i>Operating expenses</i>					
Personnel services	159,541	54,096	1,192	-	214,829
Contractual services	299,496	52,904	4,040	45	356,485
Supplies	96,417	902	71	10	97,400
Maintenance and materials	63,151	-	-	-	63,151
Utilities	138,527	-	-	-	138,527
Insurance	48,527	7,404	461	75	56,467
Bad debt	103,651	-	-	-	103,651
Housing assistance payments	-	1,965,875	-	7,985	1,973,860
Depreciation	282,679	1,575	-	-	284,254
Miscellaneous	76,807	28,831	1,165	134	106,937
<i>Total operating expenses</i>	<u>1,268,796</u>	<u>2,111,587</u>	<u>6,929</u>	<u>8,249</u>	<u>3,395,561</u>
Operating (loss) income	<u>(19,323)</u>	<u>160,093</u>	<u>13,766</u>	<u>(264)</u>	<u>154,272</u>
<i>Non-operating revenues</i>					
Interest income	99	144	5	-	248
Insurance proceeds	7,085	-	-	-	7,085
Fraud recovery	-	748	-	-	748
Miscellaneous income	30,983	11,693	854	2,142	45,672
<i>Total non-operating revenues</i>	<u>38,167</u>	<u>12,585</u>	<u>859</u>	<u>2,142</u>	<u>53,753</u>
<i>Income (loss) before transfers and capital grants</i>	18,844	172,678	14,625	1,878	208,025
Capital grants	168,153	-	-	-	168,153
<i>Change in net position</i>	186,997	172,678	14,625	1,878	376,178
<i>Total net position - beginning of year</i>	<u>4,873,025</u>	<u>(191,910)</u>	<u>7,807</u>	<u>-</u>	<u>4,688,922</u>
<i>Total net position - end of year</i>	<u>\$ 5,060,022</u>	<u>\$ (19,232)</u>	<u>\$ 22,432</u>	<u>\$ 1,878</u>	<u>\$ 5,065,100</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Statement of Cash Flows - Detail  
For the Year Ended June 30, 2016

	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>State and Local Program</b>	<b>Total</b>
<i>Cash flows from operating activities:</i>					
Cash received from tenants	\$ 273,399	\$ 7,064	\$ -	\$ -	\$ 280,463
Cash received from management fees	-	-	20,695	-	20,695
Cash payments to employees for services	(322,670)	(114,707)	(4,836)	(1,458)	(443,671)
Cash payments to suppliers for goods and services	(618,022)	(2,059,351)	(6,553)	(8,394)	(2,692,320)
Cash received from subsidy grants	1,049,688	2,302,229	(2,649)	7,985	3,357,253
<i>Net cash provided (used) by operating activities</i>	382,395	135,235	6,657	(1,867)	522,420
<i>Cash flows from noncapital financing activities:</i>					
Cash received from miscellaneous source:	38,068	12,441	854	2,142	53,505
Temporary loans between funds	(121,012)	133,156	(13,889)	1,745	-
<i>Net cash provided (used) by noncapital financing activities</i>	(82,944)	145,597	(13,035)	3,887	53,505
<i>Cash flows from capital and related financing activities:</i>					
Cash received from capital grants	168,153	-	-	-	168,153
Acquisition of capital assets	(168,152)	-	-	-	(168,152)
<i>Net cash provided (used) by capital and related activities</i>	1	-	-	-	1
<i>Cash flows from investing activities:</i>					
Interest received on cash deposits	99	144	5	-	248
<i>Net cash provided by investing activities</i>	99	144	5	-	248
<i>Net increase (decrease) in cash and cash equivalents</i>	299,551	280,976	(6,373)	2,020	576,174
<i>Cash and cash equivalents - beginning of year</i>	101,429	73,632	19,857	-	194,918
<i>Cash and cash equivalents - end of year</i>	\$ 400,980	\$ 354,608	\$ 13,484	\$ 2,020	\$ 771,092

See Independent Auditors' Report.



	<b>Low Rent Public Housing Program</b>	<b>Section 8 Housing Choice Vouchers Program</b>	<b>Management Fund Program</b>	<b>State and Local Program</b>	<b>Total</b>
<i>Reconciliation of operating (loss) income to net cash provided (used) by operating activities:</i>					
Operating (loss) income	\$ (19,323)	\$ 160,093	\$ 13,766	\$ (264)	\$ 154,272
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:					
Depreciation	282,679	1,575	-	-	284,254
Net pension expense	(10,737)	(3,946)	1,485	585	(12,613)
Bad debt expense	103,651	-	-	-	103,651
Changes in assets and liabilities					
Accounts receivable	83,113	30,681	(2,649)	-	111,145
Inventory	14,223	-	-	-	14,223
Prepaid expenses	6,984	2,770	(11)	-	9,743
Accounts payable	44,261	(10,996)	(805)	17	32,477
Accrued payroll expenses	3,987	1,199	(21)	-	5,165
Other current liabilities	22,076	-	-	-	22,076
Deferred outflows of resources	(160,384)	(58,963)	(5,088)	(2,205)	(226,640)
Unearned tenant revenue	(2,935)	6,932	-	-	3,997
FSS deposits	17,359	4,791	-	-	22,150
Accrued compensated absences	4,005	1,099	(20)	-	5,084
Tenant deposits	(6,564)	-	-	-	(6,564)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 382,395</u>	<u>\$ 135,235</u>	<u>\$ 6,657</u>	<u>\$ (1,867)</u>	<u>\$ 522,420</u>

See Independent Auditors' Report.

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Schedule of Deposit Accounts  
June 30, 2016

Schedule III

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<b>Centinel Bank</b>					
Low Rent Operating	Checking	\$ 387,075	\$ -	\$ 42,351	\$ 344,724
Section 8	Checking	348,502	-	3,512	344,990
Management Fund Account	Checking	13,484	-	-	13,484
Linkages	Checking	2,020	-	-	2,020
Public Housing Security Deposit	Checking	43,963	-	-	43,963
Restricted FSS Escrow	Checking	12,093	-	-	12,093
Section 8 Restricted FSS Escrow	Checking	9,618	-	-	9,618
		<u>816,755</u>	<u>-</u>	<u>45,863</u>	<u>770,892</u>
Petty cash		<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
<i>Total</i>		<u>\$ 816,955</u>	<u>\$ -</u>	<u>\$ 45,863</u>	<u>\$ 771,092</u>
Cash and cash equivalents per financial statements					
					\$ 562,740
					<u>208,352</u>
<i>Total deposits</i>					<u>\$ 771,092</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Schedule of Collateral Pledged By Depository  
For Public Funds  
June 30, 2016

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Value at June 30, 2016</u>	<u>Location of Safekeeper</u>
<b>Centinel Bank</b>					
	Lovington SCH	10/1/2016	547473DES	\$ 125,000	The Independent Bankers Bank, TX
	West Las Vegas	8/15/2021	953769KWS	175,000	The Independent Bankers Bank, TX
	Estancia SCH Dist	8/15/2025	297326FV7	235,000	The Independent Bankers Bank, TX
	FHLB	7/7/2017	313378PWS	<u>75,075</u>	The Independent Bankers Bank, TX
	Total Centinel Bank			<u>610,075</u>	
	<i>Total Pledged Collateral</i>			<u><u>\$ 610,075</u></u>	

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Financial Data Schedule  
June 30, 2016

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
111	Cash - Unrestricted	\$ 315,467	\$ 231,769	\$ 13,484
113	Cash - Other Restricted	41,550	122,839	-
114	Cash - Tenant Security Deposits	43,963	-	-
100	<i>Total Cash</i>	<u>400,980</u>	<u>354,608</u>	<u>13,484</u>
122	Accounts Receivable - HUD Other Projects	57,938	-	-
125	Accounts Receivable - Miscellaneous	7,085	-	3,820
126	Accounts Receivable - Tenants - Dwelling Rents	6,123	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(4,102)	-	-
128	Fraud Recovery	43,509	15,218	-
128.1	Allowance for Doubtful Accounts - Fraud	(29,151)	(10,196)	-
120	<i>Total Receivables, Net of Allowance for DoubtfulAccounts</i>	<u>81,402</u>	<u>5,022</u>	<u>3,820</u>
142	Prepaid Expenses and Other Assets	4,466	620	39
143	Inventories	1,490	-	-
143.1	Allowance for Obsolete Inventories	(149)	-	-
144	Inter Program Due From	323,632	1,613	9,560
150	<i>Total Current Assets</i>	<u>811,821</u>	<u>361,863</u>	<u>26,903</u>
161	Land	167,589	-	-
162	Buildings	11,491,977	-	-
163	Furniture, Equipment & Machinery - Dwellings	227,051	-	-
164	Furniture, Equipment & Machinery - Administration	290,220	4,725	-
166	Accumulated Depreciation	(7,713,013)	(1,706)	-
167	Construction in progress	110,233	-	-
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>4,574,057</u>	<u>3,019</u>	<u>-</u>
180	<i>Total Non-Current Assets</i>	<u>4,574,057</u>	<u>3,019</u>	<u>-</u>
190	<i>Total Assets</i>	<u>5,385,878</u>	<u>364,882</u>	<u>26,903</u>
200	Deferred Outflows of Resources	182,650	67,132	4,015
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 5,568,528</u>	<u>\$ 432,014</u>	<u>\$ 30,918</u>

See Independent Auditors' Report.

State and Local Fund Program 14-XXX	Total
\$ 2,020	\$ 562,740
-	164,389
-	43,963
<u>2,020</u>	<u>771,092</u>
-	57,938
-	10,905
-	6,123
-	(4,102)
-	58,727
-	<u>(39,347)</u>
-	<u>90,244</u>
-	5,125
-	1,490
-	(149)
-	<u>334,805</u>
<u>2,020</u>	<u>1,202,607</u>
-	167,589
-	11,491,977
-	227,051
-	294,945
-	(7,714,719)
-	<u>110,233</u>
-	<u>4,577,076</u>
-	<u>4,577,076</u>
<u>2,020</u>	<u>5,779,683</u>
<u>2,205</u>	<u>256,002</u>
<u>\$ 4,225</u>	<u>\$ 6,035,685</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Financial Data Schedule  
June 30, 2016

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
312	Accounts Payable <= 90 Days	\$ 80,576	\$ 3,030	\$ 66
321	Accrued Wage/Payroll Taxes Payable	19,505	4,062	168
322	Accrued Compensated Absences - Current Portion	4,288	1,620	89
333				
	Accounts Payable - Other Government	30,622	-	-
341	Tenant Security Deposits	41,773	-	-
342	Deferred Revenues	1,581	6,932	-
345	Other Current Liabilities	29,457	9,618	-
346	Accrued Liabilities - Other	10,963	-	-
347	Inter Program Due To	9,560	323,500	-
310	<i>Total Current Liabilities</i>	<u>228,325</u>	<u>348,762</u>	<u>323</u>
354	Accrued Compensated Absences - Non-Current	5,241	1,620	73
357	Accrued Pension and OPEB Liabilities	267,950	98,349	7,352
350	<i>Total Non-Current Liabilities</i>	<u>273,191</u>	<u>99,969</u>	<u>7,425</u>
300	<i>Total Liabilities</i>	<u>501,516</u>	<u>448,731</u>	<u>7,748</u>
400	<i>Deferred Inflows of Resources</i>	<u>6,990</u>	<u>2,515</u>	<u>738</u>
508.1	Net investment in capital assets	4,574,057	3,019	-
511	Restricted Net Position	-	113,221	-
512.1	Unrestricted Net Position	485,965	(135,472)	22,432
513	<i>Total Equity/Net Position</i>	<u>5,060,022</u>	<u>(19,232)</u>	<u>22,432</u>
600	<i>Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position</i>	<u>\$ 5,568,528</u>	<u>\$ 432,014</u>	<u>\$ 30,918</u>

See Independent Auditors' Report.



<b>State and Local Fund Program 14-XXX</b>		<b>Total</b>	
\$	17	\$	83,672
	-		23,735
	-		5,997
	-		30,622
	-		41,773
	-		8,513
	-		39,075
	-		10,963
	1,745		334,805
	1,762		579,172
	-		6,934
	535		374,186
	535		381,120
	2,297		960,292
	50		10,293
	-		4,577,076
	-		113,221
	1,878		374,803
	1,878		5,065,100
\$	4,225	\$	6,035,685

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Financial Data Schedule  
June 30, 2016

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
70300	Net Tenant Rental Revenue	\$ 300,050	\$ -	\$ -
70400	Tenant Revenue - Other	15,259	-	-
70500	<i>Total Tenant Revenue</i>	<u>315,309</u>	<u>-</u>	<u>-</u>
70600	HUD PHA Operating Grants	542,245	2,271,680	391,919
70610	Capital Grants	-	-	168,153
70800	Other Governmental Grants	-	-	-
71100	Investment Income - Unrestricted	99	144	-
71400	Fraud Recovery	-	748	-
71500	Other Revenue	38,068	11,693	-
70000	<i>Total Revenue</i>	<u>895,721</u>	<u>2,284,265</u>	<u>560,072</u>
91100	Administrative Salaries	120,047	80,893	3,560
91200	Auditing Fees	19,573	7,009	-
91300	Outside Management Fees	112,599	41,409	73,050
91400	Advertising and Marketing	1,069	403	-
91500	Employee Benefit Contributions - Administrative	(53,612)	(31,149)	(1,252)
91600	Office Expenses	18,875	6,596	-
91700	Legal Expense	8,187	827	-
91800	Travel	16,867	8,371	-
91900	Other Operating - Administrative	14,074	11,837	-
91000	<i>Total Operating - Administrative</i>	<u>257,679</u>	<u>126,196</u>	<u>75,358</u>
93100	Water	34,502	-	-
93200	Electricity	22,331	-	-
93300	Gas	45,710	-	-
93600	Sewer	32,082	-	-
93800	Other Utilities Expense	3,902	-	-
93000	<i>Total Utilities</i>	<u>138,527</u>	<u>-</u>	<u>-</u>
94100	Ordinary Maintenance & Operation -	106,398	-	-
94200	Ordinary Maintenance & Operation - Materials & Other	109,042	-	-
94300	Ordinary Maintenance & Operation Contracts	145,584	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	(27,395)	-	-
94000	<i>Total Maintenance</i>	<u>333,629</u>	<u>-</u>	<u>-</u>
95200	<i>Protective Services - Other Contract</i>	<u>649</u>	<u>-</u>	<u>-</u>
95000	<i>Total Protective Services</i>	<u>649</u>	<u>-</u>	<u>-</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Fund Program 14-XXX	Total
\$ -	\$ -	\$ 300,050
-	-	15,259
-	-	315,309
-	-	3,205,844
-	-	168,153
-	9,885	9,885
5	-	248
-	-	748
21,549	242	71,552
21,554	10,127	3,771,739
3,360	627	208,487
542	-	27,124
3,185	-	230,243
28	4	1,504
(2,346)	(990)	(89,349)
501	154	26,126
64	8	9,086
399	85	25,722
557	301	26,769
6,290	189	465,523
-	-	34,502
-	-	22,331
-	-	45,710
-	-	32,082
-	-	3,902
-	-	138,527
-	-	106,398
-	-	109,042
-	-	145,584
-	-	(27,395)
-	-	333,629
-	-	649
-	-	649

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Financial Data Schedule  
June 30, 2016

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
96110	Property Insurance	\$ 28,598	\$ -	\$ -
96120	Liability Insurance	6,411	2,352	-
96130	Workmen's Compensation	9,309	3,341	-
96140	All Other Insurance	4,209	1,711	-
96100	<i>Total Insurance Premiums</i>	<u>48,527</u>	<u>7,404</u>	<u>-</u>
96200	Other General Expenses	-	6,185	-
96210	Compensated Absences	11,795	4,352	-
96300	Payment In Lieu of Taxes	16,302	-	-
96400	Bad Debt - Tenant Rents	32,674	-	-
96600	Bad Debt - Other	70,977	-	-
96000	Total Other General	<u>131,748</u>	<u>10,537</u>	<u>-</u>
96900	<i>Total Operating Expenses</i>	<u>910,759</u>	<u>144,137</u>	<u>75,358</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>(15,038)</u>	<u>2,140,128</u>	<u>484,714</u>
97300	Housing Assistance Payments	-	1,965,875	-
97400	Depreciation Expense	282,679	1,575	-
90000	<i>Total Expenses</i>	<u>1,193,438</u>	<u>2,111,587</u>	<u>75,358</u>
10010	Operating Transfers In	651,902	-	-
10020	Operating Transfers Out	(167,188)	-	(484,714)
10100	<i>Total Other Financing Sources (Uses)</i>	<u>484,714</u>	<u>-</u>	<u>(484,714)</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	186,997	172,678	-
11030	Beginning Equity	4,873,025	(191,910)	-
11040-20	Equity Transfers	-	-	-
	Ending Equity (deficit)	<u>\$ 5,060,022</u>	<u>\$ (19,232)</u>	<u>\$ -</u>
11190	Unit Months Available	<u>1,950</u>	<u>4,684</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>1,866</u>	<u>4,022</u>	<u>-</u>
11270	Excess Cash	<u>\$ 555,573</u>	<u>\$ -</u>	<u>\$ -</u>
11620	Building Purchases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,152</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Fund Program 14-XXX	Total
\$ -	\$ -	\$ 28,598
179	24	8,966
250	34	12,934
32	17	5,969
<u>461</u>	<u>75</u>	<u>56,467</u>
-	-	6,185
178	-	16,325
-	-	16,302
-	-	32,674
-	-	70,977
<u>178</u>	<u>-</u>	<u>142,463</u>
<u>6,929</u>	<u>264</u>	<u>1,137,258</u>
<u>14,625</u>	<u>9,863</u>	<u>2,634,292</u>
-	7,985	1,973,860
-	-	284,254
<u>6,929</u>	<u>8,249</u>	<u>3,395,561</u>
-	-	651,902
-	-	(651,902)
-	-	-
14,625	1,878	376,178
<u>7,807</u>	<u>-</u>	<u>4,688,922</u>
-	-	-
<u>\$ 22,432</u>	<u>\$ 1,878</u>	<u>\$ 5,065,100</u>
<u>-</u>	<u>19</u>	<u>6,653</u>
<u>-</u>	<u>19</u>	<u>5,907</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,573</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,152</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2016

Prepared by: Amy Quintana

Title: Comptroller

<b>RFB/ RFP #</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract*</b>	<b>\$ Amount of Amended Contract**</b>
No Vendors				

See Independent Auditors' Report.

<b>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</b>	<b>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
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See Independent Auditors' Report.

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## **COMPLIANCE SECTION**

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

**INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
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, 2016, 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 schedule of the Housing Authority presented as supplementary information, and have issued our report thereon dated September 26, 2016.

**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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs as FS 2016-001 that we consider to be a significant deficiency.

## **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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* identified as FS 2016-001.

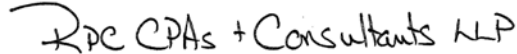
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item FS 2015-003.

## **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.



RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
September 26, 2016

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**FEDERAL FINANCIAL ASSISTANCE**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**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 Compliance Supplement* that could have a direct and material effect on the Housing Authority's major federal program for the year ended June 30, 2016. The Housing Authority's major federal program is 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

**Opinion on the 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 program for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

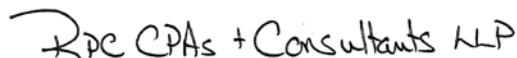
Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as FA 2016-001 that we consider to be a significant deficiency.

The Housing Authority's response to the internal control over compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



RPC CPAs + Consultants, LLP  
Albuquerque, New Mexico  
September 26, 2016

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Schedule VII

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Grant or State Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<u>U.S. Department of Housing and Urban Development</u>					
<i>Direct Programs:</i>					
Public and Indian Housing	NM088	14.850	\$ 518,840	\$ -	\$ -
Section 8 Housing Choice Vouchers	* N/A	14.871	2,110,012	-	-
Public Housing Capital Fund	CFP 2011	14.872	79,351	-	-
Public Housing Capital Fund	CFP 2012	14.872	95,036	-	-
Public Housing Capital Fund	CFP 2013	14.872	172,604	-	-
Public Housing Capital Fund	CFP 2014	14.872	213,081	-	-
<i>Total Capital Fund Program</i>			560,072	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			3,188,924	-	-
<i>Total Expenditures of Federal Awards</i>			\$ 3,188,924	\$ -	\$ -

\* 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 Housing 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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Loans**

The Authority did not have any balance of loan or loan guarantee programs outstanding as of June 30, 2016.

**10% de minimis Indirect Cost Rate**

The Authority did not elect to use the allowed 10% indirect cost rate.

**Federally Funded Insurance**

The Authority has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,188,924
Total expenses funded by other sources	206,637
<i>Total expenses</i>	<u>\$ 3,395,561</u>

See Independent Auditors' Report.



**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
June 30, 2016

**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 2 CFR section 200.516(a)?   | Yes                               |                        |        |                                   |  |
| 4. Identification of major programs:  |                                   |                        |        |                                   |  |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 40%;"><u>CFDA<br/>Number</u></td> <td style="text-align: center; width: 60%;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">14.871</td> <td style="text-align: center;">Section 8 Housing Choice Vouchers</td> </tr> </table> | <u>CFDA<br/>Number</u>            | <u>Federal Program</u> | 14.871 | Section 8 Housing Choice Vouchers |  |
| <u>CFDA<br/>Number</u>  | <u>Federal Program</u>            |                        |        |                                   |  |
| 14.871  | Section 8 Housing Choice Vouchers |                        |        |                                   |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:   | \$750,000                         |                        |        |                                   |  |
| 6. Auditee qualified as low-risk auditee?   | Yes                               |                        |        |                                   |  |

**SECTION II – PRIOR YEAR AUDIT FINDINGS**

- FS 2014-002 – Late Submission of Audit Contract to Office of the State Auditor – Other Matter - Resolved  
FS 2015-001 – Design of Internal Controls Over Cash Disbursements – Significant Deficiency – Resolved  
FS 2015-002 – Travel and Per Diem – Finding that does not rise to Significant Deficiency – Resolved  
FS 2015-003 – Retiree Health Care Fund Contributions – Finding that does not rise to Significant Deficiency – Repeated and Modified  
FS 2015-004 – Deficiency in Internal Control Over Fuel Purchases – Finding that does not rise to Significant Deficiency – Resolved  
FS 2015-005 – Lack of Proper Documentation in Tennant Files – Low Rent – Other Noncompliance – Resolved  
FA 2015-001 – Lack of Proper Documentation in Tenant Files – Section 8 – Significant Deficiency – Resolved

**SECTION III – FINANCIAL STATEMENT FINDINGS**

**FS 2016-001 – Noncompliance with Contract Provisions and Deficiency in Internal Controls over Contract Review – Noncompliance and Significant Deficiency**

*Condition:* During our testing over contract compliance, we noted that the U.S Department of Housing and Urban Development (HUD) sent letters to the Housing Authority noting that the Housing Authority paid in excess of an agreed upon contract by \$141,624.72 related to travel costs incurred.

*Criteria:* Agreement for Professional Services between The New Mexico Northern Regional Housing Authority and a vendor effective April 1, 2014 Article III- Compensation Section 1. Rate of Compensation. NRHA shall compensate Contractor in the amount not to exceed \$316,374.00 for year one of this agreement. This contract was extended for 3 months at the same monthly rate with resolution No. 2015-106. This amendment allowed for total compensation to the vendor to be no more than \$395,467.50.

*Effect:* The Housing Authority appears to be violation of the professional service contract and the increased expenditures may cause a strain on the budget for the Housing Authority as it may not be able to recover the costs incurred from its funding source.

*Cause:* The Housing Authority paid for travel expenses in addition to the professional service contract price due to a misunderstanding of the agreement described in the contract. The total contract price included travel expenses to be paid by the Housing Authority.

*Auditors' Recommendation:* We recommend the Housing Authority work with HUD and the vendor to work on a resolution of the overpayment on the contract. We also recommend the Housing Authority review contracts in more detail to ensure the details of the contract are understood by all parties and the amount of compensation for services rendered is clearly expressed in the contract.

*Agency's Response:* The issue has been presented to the board and NRHA is in the process of getting more information and legal advice to resolve the issue. In the future, NRHA will insure that all large contracts will have legal oversight and advice.

**SECTION IV – FEDERAL AWARD FINDINGS**

**FA 2016-001 – Indirect Cost Allocation – 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 2016  
CFDA number: 14.871

*Condition:* During testwork it was noted that the Authority is allocating indirect cost salaries and related costs without maintaining supporting documentation for the propriety of that allocation.

*Criteria:* Per 2 CFR 200.56, “to facilitate equitable distribution of indirect costs to the cost objectives served...indirect costs must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

*Questioned Costs:* Unknown

*Effect:* The Housing Authority’s system for allocating indirect cost salaries and related costs to the Section 8 Housing Choice Voucher Program does not meet the requirements of the Uniform Guidance.

*Cause:* The Authority was unaware of the need to formally document their approach to allocating indirect cost expense to their grants. The Housing Authority did not have support for the actual amounts of salaries and related cost to be charged to Section 8 Housing Choice Vouchers.

*Auditors’ Recommendation:* Management should update their policies and procedures related to indirect cost expenses to address Uniform Guidance and ensure proper implementation. Management should document their allocation process in order to display that indirect costs are allocated in a way that is producing an equitable result in relation to benefits derived. Management should refer to Appendix V of 2 CFR 200 to ensure that documentation is maintained in compliance with federal guidelines and ensure that their records and supporting documentation are maintained for audit purposes.

*Agency’s Response:* Northern Regional Housing Authority will work with the Fee Accountants and look to other Housing Authorities to see how they have updated their policies and procedures related to indirect cost expenses and how they are handling the new changes. Northern Regional Housing Authority will then implement any changes necessary to be in compliance.

**SECTION V – SECTION 12-6-5 NMSA FINDINGS**

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

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

- October and November 2015 and April 2016 payments to Retiree Health Care totaling \$1,491.47 of employer portion and \$745.74 of employee portion were not remitted by the Housing Authority by the statutory due date.

We did note that after April 2016 there were no late submittals and as of July 2016 Management has updated policy and procedures to prevent this from occurring again.

*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.

*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:* Management oversight of the statutory due date.

*Auditors' Recommendation:* We recommend the Housing Authority continue to review and be familiar with the requirements for inclusion in, withholding of, and remitting of New Mexico Retiree Health Care Act contributions. In addition, we recommend the Housing Authority implement a mechanism to notify management that contributions are due and all payments are timely processed.

*Agency's Response:* Northern Regional Housing Authority's Executive Director and Comptroller will continue to review and be familiar with any changes to the New Mexico Retiree Health Care Act. Northern Regional Housing Authority now pays New Mexico Retiree Health with each payroll to ensure that there will be no late submittal in the future.

**STATE OF NEW MEXICO**  
Northern Regional Housing Authority  
Other Disclosures  
June 30, 2016

**AUDITOR PREPARED FINANCIAL STATEMENTS**

RPC CPAs + Consultants, 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

**EXIT CONFERENCE**

The contents of the report for Northern Regional Housing Authority were discussed on September 26, 2016. The following individuals were in attendance:

**Northern Regional Housing Authority**

Santiago Chavez, Commission Chairman  
Amy Quintana, Comptroller  
Richard Frey, Executive Director

**RPC CPAs + Consultants, LLP**

Robert Cordova, CPA, Partner  
Danny Martinez, CPA, Audit Manager