



State of
New Mexico
Northern
Regional
Housing
Authority

Annual Financial Report
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Annual Financial Report
June 30, 2017
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STATE OF NEW MEXICO
Northern Regional Housing Authority
Official Roster
June 30, 2017

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

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, 2017, 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.

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 and Schedules I and II on pages 44 and 45, respectively, 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

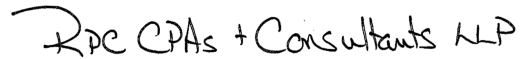
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Combining Financial Statements, Supporting Schedules III through IV required by 2.2.2 NMAC, and Schedule V Financial Data Schedule (primary government amounts only) 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 Combining Financial Statements within the Supplementary 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 Combining 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017, 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, New Mexico
September 30, 2017

**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Introduction

This Management's Discussion and Analysis (MD&A) of the Northern Regional Housing Authority (Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal year ended June 30, 2017. The Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2017, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its enterprise funds encompassing all programs administered by the Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has four individual programs. These programs are listed as follows:

- **Low Rent Public Housing Program:** The Low Rent Program consists of 205 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.
- **Capital Fund Program:** The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- **Housing Choice Voucher Program:** The Housing Choice Voucher Program provides rental assistance to aid low income families with affordable, decent, safe and sanitary rental housing. The Housing Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Housing Authority currently has 546 units available. Funds are provided by HUD to provide rental assistance payments. The Housing Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.
- **Management Program:** The Management program is used to manage various other housing authorities.
- **The Linkages Program:** The Linkages program is a housing voucher program, funded by the state's Human Services Department. The program pays rent, security deposits, utility deposits, application fees, and background checks. The Authority receives reimbursement for the housing assistance payment and an administrative fee. The Housing Authority leased 71 unit months under this program in the current fiscal year.

The Housing Authority of the Village of Cimarron has merged with the Northern Regional Housing Authority. The Cimarron Housing Authority consisted of 16 Low Rent Program units. The merger with the Cimarron Housing Authority took place on July 1, 2016.

The Housing Authority of the City of Grants has merged with the Northern Regional Housing Authority. The Grants Housing Authority consisted of 20 Low Rent Program units and 98 Housing Choice Voucher Program units. The merger with the Grants Housing Authority took place on January 1, 2017.

For financial statement presentation, the Authority has combined the Low Rent Public Housing, Section 8 Voucher, Capital Fund Program, Management Program, and Linkages Program into a single fund.

**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Overview of the Financial Statements

This overview of the financial statements is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2017 to determine the change in Net Position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2017.

Financial Highlights

- The Authority's total Net Position increased from the June 30, 2016 balance of \$5,065,100 to the June 30, 2017 balance of \$5,775,521, an increase of \$710,421 or 14%. The total assets increased during the same time frame by \$760,274 or 14%.
- Total revenues increased from \$3,771,739 earned for the year ended June 30, 2016 to \$3,779,555 earned for the year ended June 30, 2017, an increase of \$7,816.
- Total expenses increased by \$693,626 from \$3,395,561 during the year ended June 30, 2016 to \$4,089,187 for the year ended June 30, 2017.

With the merger of the Cimarron and Grants Housing Authorities into the Authority in fiscal year June 30, 2017, the financial numbers will be significantly increased over the fiscal year June 30, 2016 financials. Cimarron started the fiscal year as part of the Authority and therefore all activity for the year is under the Authority. The Authority's financial statements as reported include the complete fiscal year of Grants activity per requirements of GASB.

**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Housing Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The following table lists the asset and liability comparisons for the year ended June 30, 2017 and June 30, 2016.

***Summary Statement of Net Position
As of June 30, 2017 & 2016***

Category	FYE 2017	FYE 2016	Change \$	Change %
Current Assets	\$ 709,861	\$ 867,802	\$ (157,941)	-18%
Noncurrent Assets	\$ 5,495,291	\$ 4,577,076	\$ 918,215	20%
Total Assets	\$ 6,205,152	\$ 5,444,878	\$ 760,274	14%
Deferred Outflow of Resources	\$ 542,791	\$ 256,002	\$ 286,789	112%
Current Liabilities	\$ 235,827	\$ 244,367	\$ (8,540)	-3%
Noncurrent Liabilities	\$ 729,454	\$ 381,120	\$ 348,334	91%
Total Liabilities	\$ 965,281	\$ 625,487	\$ 339,794	54%
Deferred Inflow of Resources	\$ 7,141	\$ 10,293	\$ (3,152)	-31%
Unrestricted	\$ 343,637	\$ 374,803	\$ (31,166)	-8%
Restricted	\$ 23,636	\$ 113,221	\$ (89,585)	-79%
Net Investment in Capital Assets	\$ 5,408,248	\$ 4,577,076	\$ 831,172	18%
Total Net Position	\$ 5,775,521	\$ 5,065,100	\$ 710,421	14%

Current Assets

Current assets decreased by \$157,941, or 18% from the previous year. Unrestricted cash and investments were \$510,764 at June 30, 2017, a decrease of \$51,976 from the previous balance of \$562,740 at June 30, 2016.

Noncurrent Assets

Fixed assets increased by \$831,172 or 18%. Further discussion is located in the capital asset section.

Deferred Outflow of Resources

The Authority participates in Public Employees Retirement Association of New Mexico (PERA). Due to the requirements set forth in GASB statement 68, the pension plan activity is recorded. The deferred outflow of resources at June 30, 2017, is \$542,791.

Current Liabilities

Current liabilities decreased by \$8,540 or 3% from the prior year.

Net Position

The Authority's total net position increased by \$710,421 for the year ended June 30, 2017.

The Authority's unrestricted component of net position decreased from \$374,803 to \$343,637, a decrease of \$31,166, or 8% for the current year. The unrestricted component of net position is the amount available for future appropriations. These balances are subject to program specific guidelines.

**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

The individual program balances that comprise the total unrestricted net position balance are as follows:

▪ Low Rent Housing Program:	\$ 403,833
▪ Housing Choice Voucher Program- Post 2003 Admin. Fee Reserves:	\$ (102,042)
▪ Management Program:	\$ 34,361
▪ Linkages Program:	\$ <u>7,485</u>
Total Unrestricted	\$ <u>343,637</u>

Restricted component of net position decreased by \$89,585. This increase is due to current year HAP payments exceeding HAP revenue.

***Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016***

<u>Category</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 304,123	\$ 315,309	\$ (11,186)	-4%
HUD Operating Grants	\$ 3,329,534	\$ 3,205,844	\$ 123,690	4%
Capital Grants	\$ 41,202	\$ 168,153	\$ (126,951)	-75%
Interest Income	\$ 660	\$ 248	\$ 412	166%
Other Revenue	\$ 104,036	\$ 82,185	\$ 21,851	27%
Total Revenue	\$ 3,779,555	\$ 3,771,739	\$ 7,816	0%
Administration	\$ 737,934	\$ 465,712	\$ 272,222	58%
Tenant Service	\$ 10,080	\$ -	\$ 10,080	100%
Utilities	\$ 152,106	\$ 138,527	\$ 13,579	10%
Ordinary Maintenance	\$ 424,934	\$ 333,629	\$ 91,305	27%
General Expense	\$ 173,122	\$ 199,579	\$ (26,457)	-13%
Housing Assistance Payments	\$ 2,215,516	\$ 1,973,860	\$ 241,656	12%
Depreciation	\$ 375,495	\$ 284,254	\$ 91,241	32%
Total Expenses	\$ 4,089,187	\$ 3,395,561	\$ 693,626	20%
Special Items (Net Gain/Loss)	\$ 1,020,053	\$ -	\$ 1,020,053	100%
Increase (Decrease) in Net Position	\$ 710,421	\$ 376,178	\$ 334,243	89%
Net Position, Beginning of Year	\$ 5,065,100	\$ 4,688,922	\$ 376,178	8%
Net Position, End of Year	\$ 5,775,521	\$ 5,065,100	\$ 710,421	14%

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased by \$7,816 from the previous year mainly due to the following:

- HUD Operating Grants increased by \$123,690 or 4% from the previous fiscal year total of \$3,205,844 to the June 30, 2017 total of \$3,329,534.

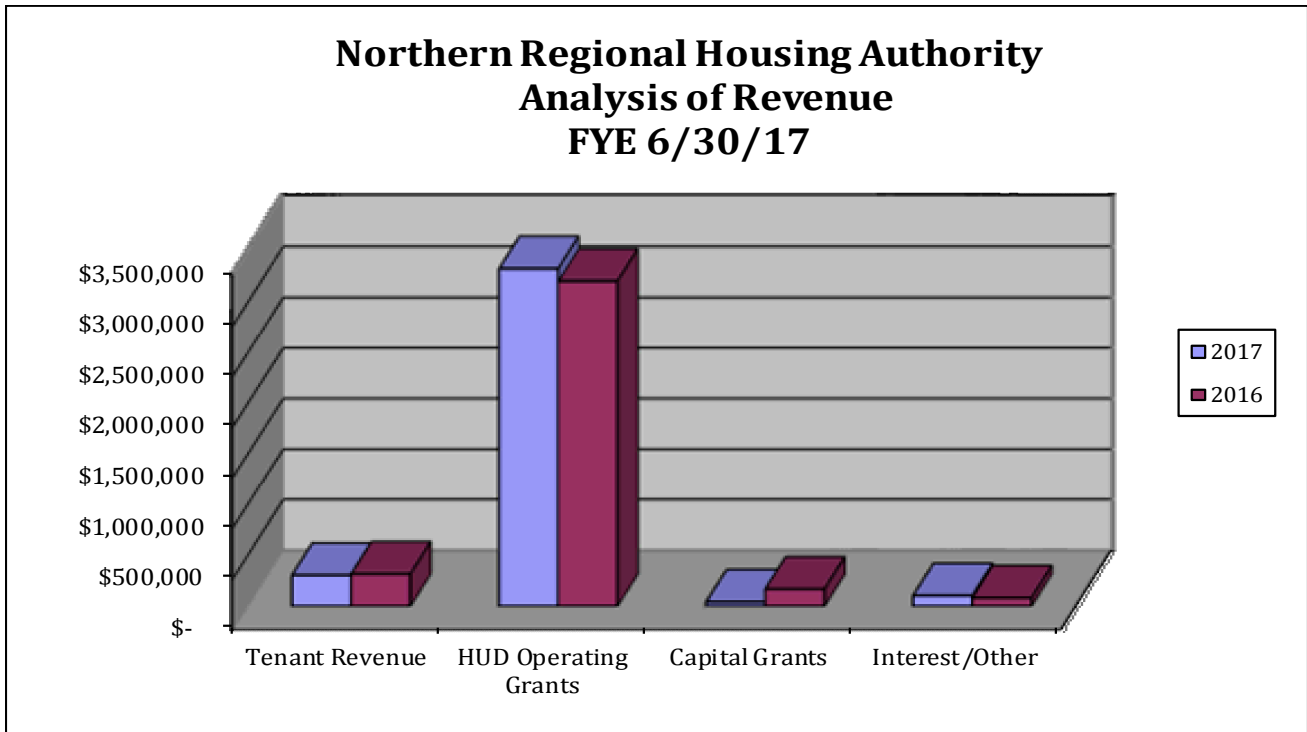
**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

- Capital Grants revenue relating to the Capital Fund decreased \$126,951, from \$168,153 to \$41,202. This is due to reduced capital improvement activity funded through the Capital Fund Program.
- Other revenue increased by \$21,851 from a prior year amount of \$82,185 to \$104,036.

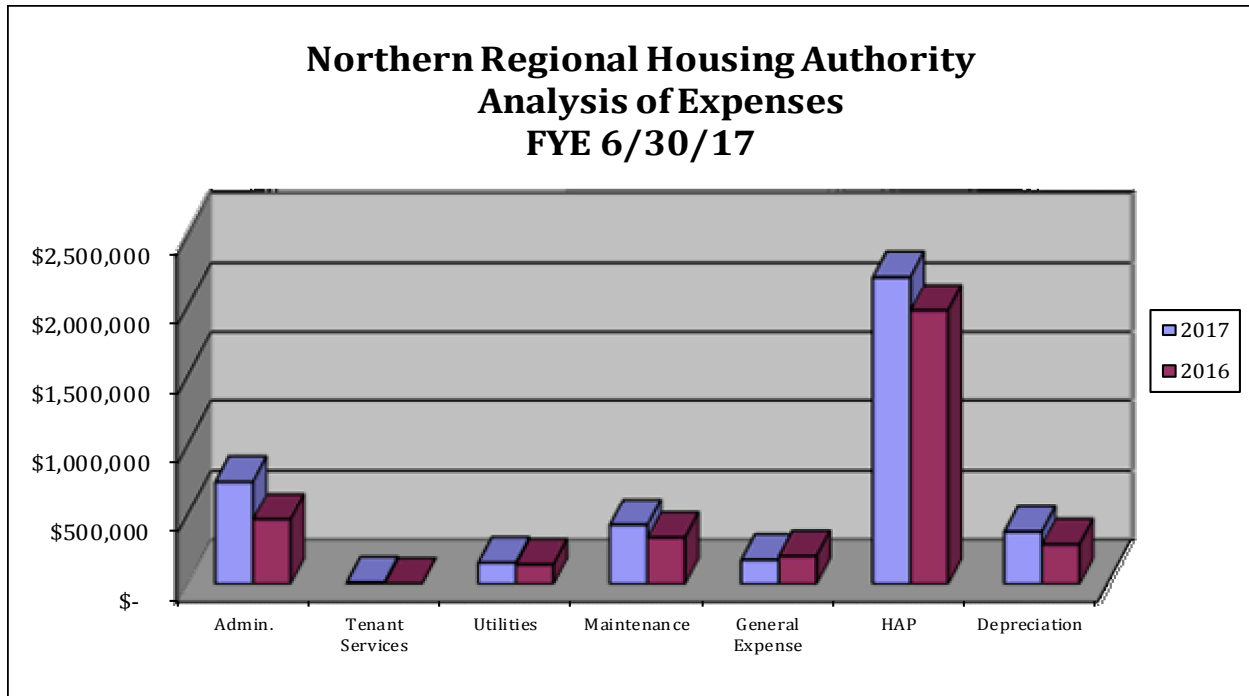
Total expenses increased by \$693,626 from the previous year. This increase is due primarily to the following:

- Administration expenses increased \$272,222 or 58% over the previous year. This is due to the merger of the Cimarron and Grants Housing Authorities with the Authority.
- Ordinary maintenance expense increased by \$91,305. This is due to the merger of the Cimarron and Grants Housing Authorities with the Authority.
- Housing assistance payments increased by \$241,656, from \$1,973,860 to \$2,215,516. This is due to the merger of the Cimarron and Grants Housing Authorities with the Authority.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**



Special Items (Net Gain/Loss)

The special items (net gain/loss) represents net position balances transferred into the Authority from the Cimarron and Grants Housing Authorities. The Cimarron Housing Authority net position transferred was \$394,935. The Grants Housing Authority transferred net position of \$606,468 for the Low Rent Program and \$18,650 for the Housing Choice Voucher Program. The following table lists a breakdown of the special item.

	<u>Cimarron Low Rent</u>	<u>Grants</u>		<u>Total</u>
		<u>Low Rent</u>	<u>HCV</u>	
Net Investment in Capital Assets	\$ 342,791	\$ 531,508	\$ 125	\$ 874,424
Restricted	\$ -	\$ -	\$ 14,842	\$ 14,842
Unrestricted	\$ 52,144	\$ 29,539	\$ 3,683	\$ 85,366
Adjustment - GASB# 68 Pension	\$ -	\$ 45,421	\$ -	\$ 45,421
				\$ -
Special Items (Net Gain/Loss)	\$ 394,935	\$ 606,468	\$ 18,650	\$ 1,020,053

Capital Assets

As of June 30, 2017, the Northern Regional Housing Authority's investment in capital assets was \$5,408,248. This investment includes land, building, construction in progress, and equipment less accumulated depreciation.

**Northern Regional Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

**Summary Statement of Capital Assets
Years Ended June 30, 2017 and 2016**

Category	FYE 2017	FYE 2016	Change \$	Change %
Land	\$ 232,913	\$ 167,589	\$ 65,324	39%
Buildings	\$ 14,264,345	\$ 11,491,977	\$ 2,772,368	24%
Equipment	\$ 727,334	\$ 521,996	\$ 205,338	39%
Construction in Progress	\$ -	\$ 110,233	\$ (110,233)	-100%
Accumulated Depreciation	\$ (9,816,344)	\$ (7,714,719)	\$ (2,101,625)	27%
Total Net Fixed Assets	\$ 5,408,248	\$ 4,577,076	\$ 831,172	18%

The increase in the fixed asset accounts is due primarily to the addition of Cimarron and Grants Housing Authority's fixed assets.

Long Term Debt

The Authority classifies a portion of the employee's leave as long term debt. This is due to the Authority not anticipating to pay out the total amount in the following year. The amount reported as long term is \$12,103.

Subsequent Event

Due to the 2017 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program was prorated to 92% for the calendar year 2017.

The amount of funding for the 2017 calendar year for the Housing Choice Voucher Program will include the proration of administrative fees at an estimated 77% and HAP funding at 100%.

CFP funding continues to be reduced yearly. NRHA will seek out additional sources of funding to offset the shortfalls. Examples of funding NRHA has already procured includes partnering with health care agencies who will provide insurance funding for replacement of bathtubs for handicapped units, and seeking donations from 503c(3) organizations for playground equipment at Gusdorf park. Future funding could include security grants and emergency grants from HUD.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Northern Regional Housing Authority
Rich Frey, Executive Director
525 Ranchitos Road, Unit 962
Taos, NM 87571

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position
June 30, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 510,764
Accounts receivable - grants, net	180,135
Accounts receivable - tenants, net	8,068
Inventory	4,470
Prepaid expenses	6,424
	6,424
<i>Total current assets</i>	709,861

Non-current assets

Restricted cash and cash equivalents	87,043
Capital assets	15,224,592
Less: accumulated depreciation	(9,816,344)
	5,495,291
<i>Total non-current assets</i>	5,495,291

<i>Total assets</i>	6,205,152
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DEFERRED OUTFLOWS OF RESOURCES

Employer contributions subsequent to measurement date	58,005
Change of assumptions	42,081
Net difference between projected and actual investment earnings on pension plan investments	131,991
Differences between expected and actual	35,841
Changes in proportion	274,873
	274,873

<i>Total deferred outflows of resources</i>	542,791
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<i>Total assets and deferred outflows of resources</i>	\$ 6,747,943
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The accompanying notes are an integral part of these financial statements.

LIABILITIES*Current liabilities*

Accounts payable	\$ 81,956
Accounts payable - other governments	37,770
Accrued payroll	31,984
Other current liabilities	6,156
Unearned tenant revenue	6,132
Compensated absences	10,950

<i>Total current liabilities</i>	174,948
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Current liabilities (payable from restricted assets)

Tenant deposits	48,769
FSS deposits	12,110

<i>Total current liabilities (payable from restricted assets)</i>	60,879
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Non-current liabilities

Compensated absences	12,103
Net pension liability	717,351

<i>Total non-current liabilities</i>	729,454
--------------------------------------	---------

<i>Total liabilities</i>	965,281
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DEFERRED INFLOWS OF RESOURCES

Differences between expected and actual	7,002
Change of assumptions	139

<i>Total deferred inflows of resources</i>	7,141
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NET POSITION

Net investment in capital assets	5,408,248
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Restricted for:

Section 8 housing	23,636
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Unrestricted	343,637
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<i>Total net position</i>	5,775,521
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<i>Total liabilities, deferred inflows of resources and net position</i>	\$ 6,747,943
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

Exhibit A-2

<i>Operating revenues</i>	
Rental revenue	\$ 304,123
Management fees revenue	18,038
Other tenant revenue	11,274
Subsidy grants	<u>3,329,534</u>
<i>Total operating revenues</i>	<u>3,662,969</u>
 <i>Operating expenses</i>	
Personnel services	834,862
Contractual services	197,617
Supplies	85,385
Utilities	152,106
Insurance	77,908
Bad debt	36,798
Housing assistance payments	2,215,516
Depreciation	375,495
Legal	24,820
Relocation cost	10,080
Other office related expenses	<u>76,100</u>
<i>Total operating expenses</i>	<u>4,086,687</u>
 <i>Operating income (loss)</i>	 <u>(423,718)</u>
 <i>Non-operating revenues (expenses)</i>	
Interest income	660
Casualty loss	(2,500)
Fraud recovery	9,896
Miscellaneous income	<u>64,828</u>
<i>Total non-operating revenues (expenses)</i>	<u>72,884</u>
 <i>Income (loss) before capital grants and special item</i>	 <u>(350,834)</u>
Capital grants	41,202
Special item - equity transfer	<u>1,020,053</u>
 <i>Change in net position</i>	 710,421
 <i>Total net position - beginning of year</i>	 <u>5,065,100</u>
 <i>Total net position - end of year</i>	 <u><u>\$ 5,775,521</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, 2017

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from tenants	\$ 287,735
Cash received from management fees	18,038
Cash payments to employees for services	(763,267)
Cash payments to suppliers for goods and services	(2,876,140)
Cash received from subsidy grants	3,218,242
	<u> </u>
<i>Net cash provided by operating activities</i>	<u> </u> (115,392)
<i>Cash flows from noncapital financing activities:</i>	
Cash received from miscellaneous sources	74,724
	<u> </u>
<i>Net cash provided by noncapital financing activities</i>	<u> </u> 74,724
<i>Cash flows from capital and related financing activities:</i>	
Cash received from capital grants	41,202
Acquisition of capital assets	(332,243)
	<u> </u>
<i>Net cash provided by capital and related financing activities</i>	<u> </u> (291,041)
<i>Cash flows from investing activities:</i>	
Interest received on cash deposits	660
	<u> </u>
<i>Net cash provided by investing activities</i>	<u> </u> 660
<i>Net increase in cash and cash equivalents</i>	(331,049)
<i>Cash and cash equivalents - beginning of year</i>	771,092
	<u> </u>
<i>Cash and cash equivalents - transfer from Cimarron and Grants Housing Authority</i>	157,764
	<u> </u>
<i>Cash and cash equivalents - end of year</i>	<u> </u> \$ 597,807
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating loss	\$ (423,718)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	375,495
Noncash pension expense	74,519
Bad debt expense	30,452
<i>Changes in assets, deferred outflows, liabilities, and deferred inflows</i>	
Accounts receivable	(145,925)
Inventory	(3,129)
Prepaid expenses	(1,299)
Accounts payable	36,037
Accrued payroll expenses	8,249
Other current liabilities	(32,550)
Deferred outflows of resources	(21,295)
Unearned tenant revenue	(2,381)
FSS deposits	(26,965)
Accrued compensated absences	10,122
Tenant deposits	6,996
	<u> </u>
<i>Net cash provided by operating activities</i>	<u> </u> \$ (115,392)

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

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

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, 2017, the Housing Authority operations were located 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 from July 22, 2014 to June 30, 2016. On August 1, 2014 the Housing Authority consolidated with the Taos County Housing Authority.

During fiscal year 2017 Northern Regional Housing Authority merged with the Cimarron Housing Authority and Grants Housing Authority as of July 1, 2016. Currently, the Housing Authority manages nine (9) low rent public housing developments containing 205 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, GASB Statement No. 61 and GASB Statement No. 80. 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service.

Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.

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

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

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 City of Grants Housing Authority under contract from November 17, 2015 to December 31, 2016, and Cuba Housing Authority under contract from April 16, 2016 to December 31, 2016.

State and Local Program – This program accounts for the revenues and expenditures generated by the Authority's Linkages Permanent Supportive Housing Program. The contract was awarded January 1, 2016 between the Authority and New Mexico Mortgage Finance Authority. The program is to provide affordable housing opportunities for low income individuals with serious mental illness within the Service Provider's jurisdiction.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position

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.

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.

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, 2017.

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, 2017, 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position (Continued)

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.

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

The capital assets of Cimarron and Grants Housing Authorities were brought over at their carrying value as of July 1, 2016 and their lives are the same as all other Northern Regional Housing Authority Assets.

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 five types of items that qualify for reporting in this category. Accordingly, the items, contributions subsequent to measurement date of \$58,005, change of assumptions of \$42,063, the net difference between projected and actual investment earnings of \$131,991, the difference between expected and actual experience of \$35,841, and change in proportion of \$274,873 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the appropriate future period when the outflow occurs.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position (Continued)

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 inflow of resources. The Housing Authority has two types of items that qualify for reporting in this category. Accordingly, the difference between expected and actual experience of \$7,002 and change of assumptions of \$121 are reported in the Statement of Net Position. These amounts are deferred and recognized as inflows 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 Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. New Accounting Standards Adopted

During the year ended June 30, 2017, the Housing Authority adopted GASB Statement No. 77 *Tax Abatement Disclosures* and GASB Statement No. 80 *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. These two Statements are required to be implemented as of June 30, 2017, if applicable. These implementation of these statements did not have a significant impact on the Housing Authority because they had no tax abatements for disclosure and no component units.

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, 2017.

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

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

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

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).

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 2. Deposits and Investments (Continued)

At June 30, 2017, \$421,337 of the Housing Authority's bank balance of \$671,337 was exposed to custodial credit risk. Although the \$421,337 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.

	Centinel Bank
Amount of deposits	\$ 671,337
FDIC coverage	(250,000)
Total uninsured public funds	421,337
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority Agency's name	610,000
Uninsured and uncollateralized	\$ -
Collateral requirement (100% of uninsured funds)	\$ 421,337
Pledged collateral	610,000
Over (Under) collateralized	\$ 188,663

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	\$ 534,400
Restricted cash and cash equivalents per Exhibit A-1	63,407
Total cash and cash equivalents	597,807
Add: outstanding checks	73,730
Less: petty cash	(200)
Bank balance of deposits	\$ 671,337

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 3. Accounts Receivable

As of June 30, 2017, the Housing Authority had the following receivables:

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Total
HUD	\$ 251,112	\$ -	\$ 251,112
Allowance for Bad Debt	(70,977)	-	(70,977)
Total HUD Receivables	180,135	-	180,135
Tenant Rents	76,220	2,228	78,448
Allowance for Bad Debt	(68,598)	(1,782)	(70,380)
Total Tenant Rents	7,622	446	8,068
Totals by category	\$ 187,757	\$ 446	\$ 188,203

The Housing Authority had an allowance for doubtful accounts in the amount of \$70,977 related to grant receivables from HUD and \$70,380 related to tenant receivables.

NOTE 4. Capital Assets

The following summarizes changes in capital assets activity for the Housing Authority during fiscal year 2017:

Total Housing Authority	Northern Regional Housing Authority Balance June 30, 2016	Assets Transferred into Northern Regional Housing Authority	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 167,589	\$ 65,324	\$ -	\$ -	\$ 232,913
Construction in Progress	110,232	-	93,514	203,746	-
Total capital assets not being depreciated	277,821	65,324	93,514	203,746	232,913
Capital assets being depreciated:					
Buildings	11,491,977	2,384,022	388,346	-	14,264,345
Equipment	521,997	151,208	54,129	-	727,334
Total capital assets being depreciated	12,013,974	2,535,230	442,475	-	14,991,679
Less accumulated depreciation:					
Buildings and Equipment	7,714,719	1,726,130	375,495	-	9,816,344
Total accumulated depreciation	7,714,719	1,726,130	375,495	-	9,816,344
Total capital assets, net of depreciation	\$ 4,577,076	\$ 874,424	\$ 160,494	\$ 203,746	\$ 5,408,248

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 4. Capital Assets (Continued)

Northern Regional Housing Authority merged with Cimarron Housing Authority and Grants Housing Authority on July 1, 2016 which included the receipt of capital assets. The new book value of those assets at July 1, 2016 was \$342,791 and \$531,633, respectively.

Depreciation expense for the year ended June 30, 2017 totaled \$375,495 for all the Housing Authority Programs.

The following summarizes changes in capital assets activity for the Low Rent Public Housing Program during fiscal year 2017:

Low Rent Public Housing Program	Northern Regional Housing Authority Balance June 30, 2016	Assets Transferred into Northern Regional Housing Authority	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 167,589	\$ 65,324	\$ -	\$ -	\$ 232,913
Construction in Progress	110,232	-	93,514	203,746	-
Total capital assets not being depreciated	<u>277,821</u>	<u>65,324</u>	<u>93,514</u>	<u>203,746</u>	<u>232,913</u>
Capital assets being depreciated:					
Buildings	11,491,977	2,384,022	388,346	-	14,264,345
Equipment	517,272	142,197	47,643	-	707,112
Total capital assets being depreciated	<u>12,009,249</u>	<u>2,526,219</u>	<u>435,989</u>	<u>-</u>	<u>14,971,457</u>
Less accumulated depreciation:					
Buildings and Equipment	7,713,013	1,717,244	373,340	-	9,803,597
Total accumulated depreciation	<u>7,713,013</u>	<u>1,717,244</u>	<u>373,340</u>	<u>-</u>	<u>9,803,597</u>
Total capital assets, net of depreciation	<u>\$ 4,574,057</u>	<u>\$ 874,299</u>	<u>\$ 156,163</u>	<u>\$ 203,746</u>	<u>\$ 5,400,773</u>

Depreciation expense for the year ended June 30, 2017 totaled \$373,340 for the Low Rent Public Housing Program.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 4. Capital Assets (Continued)

The following summarizes changes in capital assets activity for the Section 8 Housing Choice Voucher Program during fiscal year 2017:

Section 8 Housing Choice Voucher Program	Northern Regional Housing Authority Balance June 30, 2016	Assets Transferred into Northern Regional Housing Authority	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:					
Equipment	\$ 4,725	\$ 9,011	\$ 6,357	\$ -	\$ 20,093
Total capital assets being depreciated	4,725	9,011	6,357	-	20,093
Less accumulated depreciation:					
Equipment	1,706	8,886	2,144	-	12,736
Total accumulated depreciation	1,706	8,886	2,144	-	12,736
Total capital assets, net of depreciation	<u>\$ 3,019</u>	<u>\$ 125</u>	<u>\$ 4,213</u>	<u>\$ -</u>	<u>\$ 7,357</u>

Depreciation expense for the year ended June 30, 2017 totaled \$2,144 for the Section 8 Housing Choice Voucher Program.

The following summarizes changes in capital assets activity for the State and Local Program during fiscal year 2017:

State and Local Program	Northern Regional Housing Authority Balance June 30, 2016	Assets Transferred into Northern Regional Housing Authority	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:					
Equipment	\$ -	\$ -	\$ 129	\$ -	\$ 129
Total capital assets being depreciated	-	-	129	-	129
Less accumulated depreciation:					
Buildings and Equipment	-	-	11	-	11
Total accumulated depreciation	-	-	11	-	11
Total capital assets, net of depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 118</u>

Depreciation expense for the year ended June 30, 2017 totaled \$11 for the Linkages Housing Choice Voucher Program.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 5. Long-term Liabilities

The following summarizes changes in Compensated absences activity during fiscal year 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 12,931	\$ 32,344	\$ 22,222	\$ 23,053	\$ 10,950

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	\$ 214,449
Management Fund Program	Low Rent Public Housing Program	161
State and Local Program	Low Rent Public Housing Program	1,104
		<u>\$ 215,714</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 disallowances, 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

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

General Information about the Pension Plan (Continued)

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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Northern Regional Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf. The PERA coverage option that applies to Northern Regional Public Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from Northern Regional Housing Authority were \$58,005 for the year ended June 30, 2017 and there was no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

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 Mesilla Valley Public 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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2017, the Northern Regional Housing Authority reported a liability of \$717,351 for its proportionate share of the net pension liability. At June 30, 2017, the Housing Authority’s proportion was 0.0449 percent, which changed from its proportion measured as of June 30, 2016 of 0.0367 percent.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

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

For the year ended June 30, 2017, Northern Regional Housing Authority recognized PERA Fund Municipal General Division pension expense of \$111,220. At June 30, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,842	\$ 7,001
Change of assumptions	42,081	139
Changes in proportion and differences between Northern Regional Housing Authority contributions and proportionate share of contributions	274,873	-
Net difference between projected and actual earnings on pension plan investments	131,991	-
Northern Regional Housing Authority's contributions subsequent to the measurement date	<u>58,005</u>	<u>-</u>
Total	<u>\$ 542,792</u>	<u>\$ 7,140</u>

\$58,005 reported as deferred outflows of resources related to pensions resulting from Northern Regional Housing Authority's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (159,380)
2019	(159,390)
2020	(123,585)
2021	(35,290)
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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2015, actuarial valuation.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.48 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 7.48% 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

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

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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Northern Regional Housing Authority's proportionate share of the net pension liability	<u>\$ 1,069,507</u>	<u>\$ 717,351</u>	<u>\$ 425,256</u>

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 \$6,517 as of June 30, 2017.

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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 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, 2017, 2016, and 2015 were \$9,627, \$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, 2017, 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.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 12. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 30, 2017 which is the date on which the financial statements were available to be issued.

NOTE 13. Subsequent Pronouncements

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 does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

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.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Notes to Financial Statements
June 30, 2017

NOTE 14. Government Combination

In fiscal year 2017, Northern Regional Housing Authority merged with two separate legal entities, the Village of Cimarron Housing Authority and the City of Grants Housing Authority. Based on GASB 69, the date of the merge for financial statement presentation purposes is the beginning of the reporting period, or July 1, 2016.

The carrying value of the net position transferred is \$394,935 for the Cimarron Housing Authority and \$625,118 for the City of Grants Housing Authority, for a total equity transfer of \$1,020,053.

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>2017</u>	<u>2016</u>	<u>2015</u>
Northern Regional Housing Authority's proportion of the net pension liability	0.0449%	0.0367%	0.0400%
Northern Regional Housing Authority's proportionate share of the net pension liability	\$ 717,351	\$ 374,186	\$ 284,831
Northern Regional Housing Authority's covered-employee payroll	\$ 304,643	\$ 241,697	\$ 241,697
Northern Regional Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.47%	154.82%	117.85%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	76.99%	81.29%

* 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

	As of and for the Year Ended <u>June 30, 2017</u>	As of and for the Year Ended <u>June 30, 2016</u>	As of and for the Year Ended <u>June 30, 2015</u>
Contractually required contributions	\$ 58,005	\$ 36,710	\$ 31,084
Contributions in relation to the contractually required contribution	<u>(58,005)</u>	<u>(36,710)</u>	<u>(31,084)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Northern Regional Housing Authority's covered-employee payroll	\$ 481,372	\$ 304,643	\$ 241,697
Contributions as a percentage of covered-employee payroll	12.05%	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 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, 2017

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.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position - Detail
June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 300,541	\$ 164,172	\$ 38,836
Accounts receivable - grants, net	177,487	2,648	-
Accounts receivable - tenants, net	7,622	446	-
Due from other funds	215,714	-	-
Inventory, net	4,470	-	-
Prepaid expenses	5,921	441	53
<i>Total current assets</i>	<u>711,755</u>	<u>167,707</u>	<u>38,889</u>
<i>Non-current assets</i>			
Restricted cash and cash equivalents	63,407	23,636	-
Capital assets	15,204,370	20,093	-
Less: accumulated depreciation	(9,803,597)	(12,736)	-
<i>Total non-current assets</i>	<u>5,464,180</u>	<u>30,993</u>	<u>-</u>
<i>Total assets</i>	<u>6,175,935</u>	<u>198,700</u>	<u>38,889</u>
DEFERRED OUTFLOWS			
Employer contributions subsequent to the measurement date	43,248	13,769	693
Change in assumption	33,553	8,132	229
Net difference between expected and actual earnings	105,277	25,449	136
Difference between expected and actual experience	28,590	6,929	195
Change in proportion	201,263	68,356	3,744
<i>Total deferred outflows</i>	<u>411,931</u>	<u>122,635</u>	<u>4,997</u>
<i>Total assets and deferred outflows</i>	<u>\$ 6,587,866</u>	<u>\$ 321,335</u>	<u>\$ 43,886</u>

See Independent Auditors' Report.

State and Local Program	Total
\$ 7,215	\$ 510,764
-	180,135
-	8,068
-	215,714
-	4,470
9	6,424
<u>7,224</u>	<u>925,575</u>
-	87,043
129	15,224,592
(11)	(9,816,344)
<u>118</u>	<u>5,495,291</u>
<u>7,342</u>	<u>6,420,866</u>
295	58,005
167	42,081
1,129	131,991
127	35,841
<u>1,510</u>	<u>274,873</u>
<u>3,228</u>	<u>542,791</u>
<u>\$ 10,570</u>	<u>\$ 6,963,657</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Net Position - Detail
June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program
LIABILITIES			
<i>Current liabilities</i>			
Accounts payable	\$ 79,514	\$ 2,422	\$ -
Accounts payable - other governments	37,770	-	-
Accrued payroll	27,196	4,743	-
Other current liabilities	6,156	-	-
Unearned tenant revenue	6,132	-	-
Compensated absences	8,523	2,427	-
Due to other funds	-	214,449	161
<i>Total current liabilities</i>	<u>165,291</u>	<u>224,041</u>	<u>161</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	48,769	-	-
FSS deposits	12,110	-	-
<i>Total current liabilities (payable from restricted assets)</i>	<u>60,879</u>	<u>-</u>	<u>-</u>
<i>Non-current liabilities</i>			
Compensated absences	10,417	1,686	-
Net pension liability	541,684	164,694	9,220
<i>Total non-current liabilities</i>	<u>552,101</u>	<u>166,380</u>	<u>9,220</u>
<i>Total liabilities</i>	<u>778,271</u>	<u>390,421</u>	<u>9,381</u>
DEFERRED INFLOWS			
Difference between expected and actual experience	4,902	1,930	125
Change in assumptions	87	33	19
<i>Total deferred inflows of resources</i>	<u>4,989</u>	<u>1,963</u>	<u>144</u>
NET POSITION			
Net investment in capital assets	5,400,773	7,357	-
Restricted for:			
Section 8 housing	-	23,636	-
Unrestricted (deficit)	403,833	(102,042)	34,361
<i>Total net position</i>	<u>5,804,606</u>	<u>(71,049)</u>	<u>34,361</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 6,587,866</u>	<u>\$ 321,335</u>	<u>\$ 43,886</u>

See Independent Auditors' Report.

State and Local Program	Total
\$ 20	\$ 81,956
-	37,770
45	31,984
-	6,156
-	6,132
-	10,950
<u>1,104</u>	<u>215,714</u>
<u>1,169</u>	<u>390,662</u>
-	48,769
-	<u>12,110</u>
<u>-</u>	<u>60,879</u>
-	12,103
<u>1,753</u>	<u>717,351</u>
<u>1,753</u>	<u>729,454</u>
<u>2,922</u>	<u>1,180,995</u>
45	7,002
<u>-</u>	<u>139</u>
<u>45</u>	<u>7,141</u>
118	5,408,248
-	23,636
<u>7,485</u>	<u>343,637</u>
<u>7,603</u>	<u>5,775,521</u>
<u>\$ 10,570</u>	<u>\$ 6,963,657</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Revenues, Expenses, and Changes in Net Position - Detail
For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program
<i>Operating revenues</i>			
Rental revenue	\$ 304,123	\$ -	\$ -
Management fees revenue	-	-	18,038
Other tenant revenue	11,274	-	-
Subsidy grants	983,674	2,298,070	-
<i>Total operating revenues</i>	<u>1,299,071</u>	<u>2,298,070</u>	<u>18,038</u>
<i>Operating expenses</i>			
Personnel services	667,730	158,956	5,087
Contractual services	171,611	24,880	880
Supplies	85,385	-	-
Utilities	152,106	-	-
Insurance	71,179	5,976	649
Bad debt	30,452	6,346	-
Housing assistance payments	-	2,176,767	-
Depreciation	373,340	2,144	-
Legal	24,820	-	-
Relocation Cost	10,080	-	-
Other office related expenses	58,699	16,569	507
<i>Total operating expenses</i>	<u>1,645,402</u>	<u>2,391,638</u>	<u>7,123</u>
<i>Operating income (loss)</i>	<u>(346,331)</u>	<u>(93,568)</u>	<u>10,915</u>
<i>Non-operating revenues (expenses)</i>			
Interest income	507	139	14
Casualty loss	(2,500)	-	-
Fraud recovery	-	9,896	-
Miscellaneous income	50,303	13,066	1,000
<i>Total non-operating revenues (expenses)</i>	<u>48,310</u>	<u>23,101</u>	<u>1,014</u>
<i>Income (loss) before capital grants and special item</i>	(298,021)	(70,467)	11,929
Capital grants	41,202	-	-
Special item - equity transfer	1,001,403	18,650	-
<i>Change in net position</i>	744,584	(51,817)	11,929
<i>Total net position - beginning of year</i>	<u>5,060,022</u>	<u>(19,232)</u>	<u>22,432</u>
<i>Total net position - end of year</i>	<u>\$ 5,804,606</u>	<u>\$ (71,049)</u>	<u>\$ 34,361</u>

See Independent Auditors' Report.

State and Local Program	Total
\$ -	\$ 304,123
-	18,038
-	11,274
<u>47,790</u>	<u>3,329,534</u>
<u>47,790</u>	<u>3,662,969</u>
3,089	834,862
246	197,617
-	85,385
-	152,106
104	77,908
-	36,798
38,749	2,215,516
11	375,495
-	24,820
-	10,080
325	76,100
<u>42,524</u>	<u>4,086,687</u>
<u>5,266</u>	<u>(423,718)</u>
-	660
-	(2,500)
-	9,896
<u>459</u>	<u>64,828</u>
<u>459</u>	<u>72,884</u>
5,725	(350,834)
-	41,202
<u>-</u>	<u>1,020,053</u>
5,725	710,421
<u>1,878</u>	<u>5,065,100</u>
<u>\$ 7,603</u>	<u>\$ 5,775,521</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows - Detail
For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program
<i>Cash flows from operating activities:</i>			
Cash received from tenants	\$ 287,735	\$ -	\$ -
Cash received from management fees	-	-	18,038
Cash payments to employees for services	(608,176)	(147,112)	(5,125)
Cash payments to suppliers for goods and services	(591,653)	(2,242,941)	(2,116)
Cash received from subsidy grants	871,210	2,295,422	3,820
<i>Net cash provided (used) by operating activities</i>	<u>(40,884)</u>	<u>(94,631)</u>	<u>14,617</u>
<i>Cash flows from noncapital financing activities:</i>			
Cash received from miscellaneous sources	50,303	22,962	1,000
Temporary loans between funds	98,358	(107,438)	9,721
<i>Net cash provided (used) by noncapital financing activities</i>	<u>148,661</u>	<u>(84,476)</u>	<u>10,721</u>
<i>Cash flows from capital and related financing activities:</i>			
Cash received from capital grants	41,202	-	-
Acquisition of capital assets	(325,757)	(6,357)	-
<i>Net cash provided (used) by capital and related activities</i>	<u>(284,555)</u>	<u>(6,357)</u>	<u>-</u>
<i>Cash flows from investing activities:</i>			
Interest received on cash deposits	507	139	14
<i>Net cash provided by investing activities</i>	<u>507</u>	<u>139</u>	<u>14</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(176,271)	(185,325)	25,352
<i>Cash and cash equivalents - beginning of year</i>	<u>400,980</u>	<u>354,608</u>	<u>13,484</u>
<i>Cash and cash equivalents - cash transfer from Cimarron and Grants Housing Authorities</i>	<u>139,239</u>	<u>18,525</u>	<u>-</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 363,948</u></u>	<u><u>\$ 187,808</u></u>	<u><u>\$ 38,836</u></u>

See Independent Auditors' Report.

State and Local Program	Total
\$ -	\$ 287,735
-	18,038
(2,854)	(763,267)
(39,430)	(2,876,140)
47,790	3,218,242
<u>5,506</u>	<u>(115,392)</u>
459	74,724
(641)	-
<u>(182)</u>	<u>74,724</u>
-	41,202
<u>(129)</u>	<u>(332,243)</u>
<u>(129)</u>	<u>(291,041)</u>
-	660
-	660
5,195	(331,049)
<u>2,020</u>	<u>771,092</u>
-	157,764
<u>\$ 7,215</u>	<u>\$ 597,807</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Statement of Cash Flows - Detail
For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Management Fund Program
	<u> </u>	<u> </u>	<u> </u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (346,331)	\$ (93,568)	\$ 10,915
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	373,340	2,144	-
Noncash pension expense	59,439	14,407	408
Bad debt expense	30,452	-	-
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Accounts receivable	(151,673)	1,928	3,820
Inventory	(3,129)	-	-
Prepaid expenses	(1,455)	179	(14)
Accounts payable	36,708	(608)	(66)
Accrued payroll expenses	7,691	681	(168)
Other current liabilities	(32,550)	-	-
Deferred outflows of resources	(16,987)	(4,117)	(116)
Unearned tenant revenue	4,551	(6,932)	-
FSS deposits	(17,347)	(9,618)	-
Accrued compensated absences	9,411	873	(162)
Tenant deposits	6,996	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (40,884)</u>	<u>\$ (94,631)</u>	<u>\$ 14,617</u>

See Independent Auditors' Report.

<u>State and Local Program</u>	<u>Total</u>
\$ 5,266	\$ (423,718)
11	375,495
265	74,519
-	30,452
-	(145,925)
-	(3,129)
(9)	(1,299)
3	36,037
45	8,249
-	(32,550)
(75)	(21,295)
-	(2,381)
-	(26,965)
-	10,122
-	6,996
<u>\$ 5,506</u>	<u>\$ (115,392)</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, 2017

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>
Centinel Bank					
Low Rent Operating	Checking	\$ 360,068	\$ -	\$ 63,719	\$ 296,349
Section 8	Checking	197,711	-	9,903	187,808
Management Fund Account	Checking	38,836	-	-	38,836
Linkages	Checking	7,215	-	-	7,215
Debit Card Account	Checking	3,992	-	-	3,992
Public Housing Security Deposit	Checking	51,405	-	108	51,297
Restricted FSS Escrow	Checking	12,110	-	-	12,110
		<u>\$ 671,337</u>	<u>\$ -</u>	<u>\$ 73,730</u>	<u>\$ 597,607</u>
<i>Total Centinel Bank</i>					
Cash and cash equivalents per financial statements:					
Cash and cash equivalents per Exhibit A-1					\$ 534,400
Restricted cash and cash equivalents per Exhibit A-1					63,407
Petty cash					<u>(200)</u>
<i>Total deposits</i>					<u>\$ 597,607</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2017

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, 2017</u>	<u>Location of Safekeeper</u>
Centinel Bank					
	West Las Vegas Ruidoso NM Muni Sch	8/15/2021	953769KWS	\$ 175,000	The Independent Bankers Bank, TX
	Dist	8/15/2025	781338LA4	235,000	The Independent Bankers Bank, TX
	Estancia Sch Dist	8/15/2026	297326FV7	<u>200,000</u>	The Independent Bankers Bank, TX
	Total Centinel Bank			<u>610,000</u>	
	<i>Total Pledged Collateral</i>			<u><u>\$ 610,000</u></u>	

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2017

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	\$ 300,541	\$ 164,172	\$ 38,836
113	Cash - Other Restricted	12,110	23,636	-
114	Cash - Tenant Security Deposits	51,297	-	-
100	<i>Total Cash</i>	<u>363,948</u>	<u>187,808</u>	<u>38,836</u>
122	Accounts Receivable - HUD Other Projects	177,487	2,648	-
126	Accounts Receivable - Tenants - Dwelling Rents	31,158	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(28,042)	-	-
128	Fraud Recovery	45,062	2,228	-
128.1	Allowance for Doubtful Accounts - Fraud	(40,556)	(1,782)	-
120	<i>Total Receivables, Net of Allowance for Doubtful Accounts</i>	<u>185,109</u>	<u>3,094</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	5,921	441	53
143	Inventories	4,967	-	-
143.1	Allowance for Obsolete Inventories	(497)	-	-
144	Inter Program Due From	215,714	-	-
150	<i>Total Current Assets</i>	<u>775,162</u>	<u>191,343</u>	<u>38,889</u>
161	Land	232,913	-	-
162	Buildings	14,264,345	-	-
163	Furniture, Equipment & Machinery - Dwellings	292,834	-	-
164	Furniture, Equipment & Machinery - Administration	414,278	20,093	-
166	Accumulated Depreciation	(9,803,597)	(12,736)	-
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>5,400,773</u>	<u>7,357</u>	<u>-</u>
180	<i>Total Non-Current Assets</i>	<u>5,400,773</u>	<u>7,357</u>	<u>-</u>
190	<i>Total Assets</i>	<u>6,175,935</u>	<u>198,700</u>	<u>38,889</u>
200	Deferred Outflows of Resources	411,931	122,635	4,997
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 6,587,866</u>	<u>\$ 321,335</u>	<u>\$ 43,886</u>

See Independent Auditors' Report.

State and Local Fund Program 14-XXX	Total
\$ 7,215	\$ 510,764
-	35,746
-	51,297
<u>7,215</u>	<u>597,807</u>
-	180,135
-	31,158
-	(28,042)
-	47,290
<u>-</u>	<u>(42,338)</u>
<u>-</u>	<u>188,203</u>
9	6,424
-	4,967
-	(497)
<u>-</u>	<u>215,714</u>
<u>7,224</u>	<u>1,012,618</u>
-	232,913
-	14,264,345
-	292,834
129	434,500
<u>(11)</u>	<u>(9,816,344)</u>
<u>118</u>	<u>5,408,248</u>
<u>118</u>	<u>5,408,248</u>
<u>7,342</u>	<u>6,420,866</u>
<u>3,228</u>	<u>542,791</u>
<u>\$ 10,570</u>	<u>\$ 6,963,657</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2017

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	\$ 79,514	\$ 2,422	\$ -
321	Accrued Wage/Payroll Taxes Payable	27,196	4,743	-
322	Accrued Compensated Absences - Current Portion	8,523	2,427	-
333	Accounts Payable - Other Government	37,770	-	-
341	Tenant Security Deposits	48,769	-	-
342	Deferred Revenues	6,132	-	-
345	Other Current Liabilities	12,110	-	-
346	Accrued Liabilities - Other	6,156	-	-
347	Inter Program Due To	-	214,449	161
310	<i>Total Current Liabilities</i>	<u>226,170</u>	<u>224,041</u>	<u>161</u>
354	Accrued Compensated Absences - Non-Current	10,417	1,686	-
357	Accrued Pension and OPEB Liabilities	541,684	164,694	9,220
350	<i>Total Non-Current Liabilities</i>	<u>552,101</u>	<u>166,380</u>	<u>9,220</u>
300	<i>Total Liabilities</i>	<u>778,271</u>	<u>390,421</u>	<u>9,381</u>
400	<i>Deferred Inflows of Resources</i>	<u>4,989</u>	<u>1,963</u>	<u>144</u>
508.1	Net investment in capital assets	5,400,773	7,357	-
511	Restricted Net Position	-	23,636	-
512.1	Unrestricted Net Position	403,833	(102,042)	34,361
513	<i>Total Equity/Net Position</i>	<u>5,804,606</u>	<u>(71,049)</u>	<u>34,361</u>
600	<i>Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position</i>	<u>\$ 6,587,866</u>	<u>\$ 321,335</u>	<u>\$ 43,886</u>

See Independent Auditors' Report.

State and Local Fund Program 14-XXX	Total
\$ 20	\$ 81,936
45	31,984
-	10,950
-	37,770
-	48,769
-	6,132
-	12,110
-	6,156
1,104	215,714
<u>1,169</u>	<u>451,541</u>
-	12,103
<u>1,753</u>	<u>717,351</u>
<u>1,753</u>	<u>729,454</u>
<u>2,922</u>	<u>1,180,995</u>
<u>45</u>	<u>7,141</u>
118	5,408,248
-	23,636
<u>7,485</u>	<u>343,637</u>
<u>7,603</u>	<u>5,775,521</u>
<u>\$ 10,570</u>	<u>\$ 6,963,657</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2017

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	\$ 304,123	\$ -	\$ -
70400	Tenant Revenue - Other	11,274	-	-
70500	<i>Total Tenant Revenue</i>	<u>315,397</u>	<u>-</u>	<u>-</u>
70600	HUD PHA Operating Grants	616,350	2,298,070	350,824
70610	Capital Grants	-	-	57,702
70710	Management fee	-	-	-
70800	Other Governmental Grants	-	-	-
71100	Investment Income - Unrestricted	507	139	-
71400	Fraud Recovery	-	9,896	-
71500	Other Revenue	50,303	13,066	-
71600	Gain or Loss on Sale of Capital Assets	-	-	-
70000	<i>Total Revenue</i>	<u>982,557</u>	<u>2,321,171</u>	<u>408,526</u>
91100	Administrative Salaries	251,543	97,343	391
91200	Auditing Fees	19,478	5,216	-
91300	Outside Management Fees	10,804	3,996	-
91400	Advertising and Marketing	144	335	-
91500	Employee Benefit Contributions - Administrative	127,919	49,188	118
91600	Office Expenses	42,343	10,004	-
91700	Legal Expense	24,820	-	-
91800	Travel	44,003	5,572	-
91900	Other Operating - Administrative	39,036	15,333	-
91000	<i>Total Operating - Administrative</i>	<u>560,090</u>	<u>186,987</u>	<u>509</u>
92200	Relocation Costs	10,080	-	-
92500	Total Tenant Services	<u>10,080</u>	<u>-</u>	<u>-</u>
93100	Water	31,634	-	-
93200	Electricity	39,423	-	-
93300	Gas	51,448	-	-
93600	Sewer	29,463	-	-
93800	Other Utilities Expense	138	-	-
93000	<i>Total Utilities</i>	<u>152,106</u>	<u>-</u>	<u>-</u>
94100	Ordinary Maintenance & Operation - Labor	165,188	-	-
94200	Ordinary Maintenance & Operation - Materials & Other	85,385	-	-
94300	Ordinary Maintenance & Operation Contracts	101,500	-	-

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Fund Program 14-XXX	Total
\$ -	\$ -	\$ 304,123
-	-	11,274
-	-	315,397
-	-	3,265,244
-	-	57,702
18,038	-	18,038
-	47,790	47,790
14	-	660
-	-	9,896
1,000	459	64,828
-	-	-
19,052	48,249	3,779,555
2,647	1,727	353,651
633	106	25,433
-	-	14,800
-	-	479
1,175	851	179,251
507	325	53,179
-	-	24,820
1,265	511	51,351
247	140	54,756
6,474	3,660	754,060
-	-	10,080
-	-	10,080
-	-	31,634
-	-	39,423
-	-	51,448
-	-	29,463
-	-	138
-	-	152,106
-	-	165,188
-	-	85,385
-	-	101,500

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2017

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
94500	Employee Benefit Contributions - Ordinary Maintenance	\$ 53,076	\$ -	\$ -
94000	<i>Total Maintenance</i>	405,149	-	-
95200	Protective Services - Other Contract	649	-	-
95000	<i>Total Protective Services</i>	649	-	-
96110	Property Insurance	40,443	-	-
96120	Liability Insurance	8,289	418	-
96130	Workmen's Compensation	13,878	3,682	-
96140	All Other Insurance	8,569	1,876	-
96100	<i>Total Insurance Premiums</i>	71,179	5,976	-
96200	Other General Expenses	54	6,565	-
96210	Compensated Absences	25,492	6,853	-
96300	Payment In Lieu of Taxes	16,302	-	-
96400	Bad Debt - Tenant Rents	30,452	-	-
96600	Bad Debt - Other	-	6,346	-
96000	Total Other General	72,300	19,764	-
96900	<i>Total Operating Expenses</i>	1,271,553	212,727	509
97000	Excess Operating Revenue Over Operating Expenses	(288,996)	2,108,444	408,017
97200	Casualty Losses - Non-Capitalized	2,500	-	-
97300	Housing Assistance Payments	-	2,176,767	-
97400	Depreciation Expense	362,645	2,144	10,695
90000	<i>Total Expenses</i>	1,636,698	2,391,638	11,204
10010	Operating Transfers In	356,120	-	-
10020	Operating Transfers Out	-	-	(356,120)
10080	Special Items (Net Gain/Loss)	1,001,403	18,650	-
10100	<i>Total Other Financing Sources (Uses)</i>	1,357,523	18,650	(356,120)
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	703,382	(51,817)	41,202

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Fund Program 14-XXX	Total
\$ -	\$ -	\$ 53,076
-	-	405,149
-	-	649
-	-	649
-	-	40,443
15	-	8,722
430	69	18,059
204	35	10,684
649	104	77,908
-	-	6,619
-	-	32,345
-	-	16,302
-	-	30,452
-	-	6,346
-	-	92,064
7,123	3,764	1,492,016
11,929	44,485	2,283,879
-	-	2,500
-	38,749	2,215,516
-	11	375,495
7,123	42,524	4,085,527
-	-	356,120
-	-	(356,120)
-	-	1,020,053
-	-	1,020,053
11,929	5,725	710,421

See Independent Auditors' Report.

STATE OF NEW MEXICO
Northern Regional Housing Authority
Financial Data Schedule
June 30, 2017

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
11030	Beginning Equity	\$ 5,060,022	\$ (19,232)	\$ -
11040-20	Equity Transfers	41,202	-	(41,202)
	<i>Ending Equity (deficit)</i>	<u>\$ 5,804,606</u>	<u>\$ (71,049)</u>	<u>\$ -</u>
11190	Unit Months Available	<u>2,388</u>	<u>5,216</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>2,099</u>	<u>4,574</u>	<u>-</u>
11270	Excess Cash	<u>\$ 420,467</u>	<u>\$ -</u>	<u>\$ -</u>
11620	Building Purchases	<u>\$ 236,912</u>	<u>\$ -</u>	<u>\$ 41,202</u>
11640	Furniture & Equipment - Administrative Purchases	<u>\$ 47,644</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Fund Program 14-XXX	Total
\$ 22,432	\$ 1,878	\$ 5,065,100
-	-	-
<u>\$ 34,361</u>	<u>\$ 7,603</u>	<u>\$ 5,775,521</u>
<u>-</u>	<u>71</u>	<u>7,675</u>
<u>-</u>	<u>71</u>	<u>6,744</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,467</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,114</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,644</u>

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 Board of Commissioners of
Northern Regional Housing Authority
and
The Office of Management and Budget

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 Northern Regional Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated September 30, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as FS 2017-002.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as FS 2017-001 and FA 2017-001 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

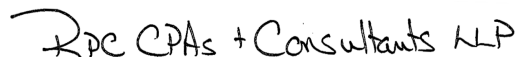
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2017-001, NM 2017-002 and NM 2017-003.

The Housing Authority's Responses to Findings

The Housing Authority's response to the findings identified in our audit are 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 30, 2017

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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 Keller
New Mexico State Auditor
The Board of Commissioners of
Northern Regional Housing Authority
and
The Office of Management and Budget

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 programs for the year ended June 30, 2017. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on the Major Federal Programs

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 each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

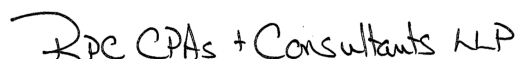
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as FA 2017-001 and FA 2017-002 which we consider to be significant deficiencies.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned cost as items FA 2017-002, 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The Housing Authority's response to the internal control over compliance and noncompliance findings 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 30, 2017

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Schedule VI

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant or State Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
<u>U.S. Department of Housing and Urban Development</u>					
<i>Direct Programs:</i>					
Public and Indian Housing	*	NM088	\$ 616,350	\$ -	\$ -
Section 8 Housing Choice Voucher Program (1)		N/A	2,298,070	-	-
Public Housing Capital Fund	*	CFP 2013	41,202	-	-
Public Housing Capital Fund	*	CFP 2014	24,807	-	-
Public Housing Capital Fund	*	CFP 2015	286,533	-	-
Public Housing Capital Fund	*	CFP 2016	55,984	-	-
<i>Total Capital Fund Program</i>			408,526	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			3,322,946	-	-
<i>Total Expenditures of Federal Awards</i>			\$ 3,322,946	\$ -	\$ -

* Major program

(1) Housing Voucher Cluster

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, 2017.

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	\$ 3,322,946
Total expenses funded by other sources	<u>763,741</u>
<i>Total expenses</i>	<u>\$ 4,086,687</u>

See Independent Auditors' Report.

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STATE OF NEW MEXICO
Northern Regional Housing Authority
Schedule of Findings and Questioned Costs
June 30, 2017

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? | Yes |
| 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:

CFDA Number	Federal Program
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund

- | | |
|---|-----------|
| 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 – FINANCIAL STATEMENT FINDINGS

FS 2017-001 – Governing Body Oversight - Significant Deficiency

Condition: Certain Board Members did not participate in oversight of the Authority.

- Six out of the nine Board averaged an attendance rate of below 75% for the entire fiscal year.
- One Board Members has not attended any meetings held during the fiscal year.
- Three meetings during the year were cancelled due to the board being unable to achieve a quorum.
- The Board is missing one representative from the ten counties the Authority serves.
- Board meetings are held by phone, which raises security concerns.

Criteria: The Board is intended to provide oversight of the Authority's operation on a regular basis, including providing monitoring of the internal control system and strengthening the control environment. The COSO Integrated Framework includes consideration of the active involvement of the governing body in the oversight of the entity.

Effect: Active Board of Director oversight is an important facet of the Control Environment in order to establish an effective tone at the top. Without adequate board participation in the regular and special meetings held throughout the year, it undermines the Board's authority to exercise its oversight duties.

Cause: The difficulty of physically attending Board meetings, due to the geographically diverse membership and the large region served by the Authority, makes it impractical for members to regularly attend in person.

Auditors' Recommendation: We recommend that Board Members hold each other accountable for involvement and attendance, as they are elected on a voluntary basis. We also suggest that due to board members living in different counties in the Northern Region of New Mexico, that meetings be held in different locations occasionally, to allow for physical attendance by all board members and physical observation of the units at that location.

Authority's Response:

- Executive Director will recommend at the next board meeting on October 12, 2017 that quarterly board meetings be held at centralized locations.
- Executive Director will increase the use of summaries and graphs to illustrate the key performance indicators for board members that will facilitate quick understanding of the health of the organization, starting two new finance graphs during the October 12th board meeting.
- Executive Director will continue recruiting efforts in Mora and San Juan counties. A new possible board member for Mora County will be submitted to the Board Chair on October 5, 2017.
- As board participation will now be given a score on SEMAP, the Executive Director will recommend at the next board meeting on October 12, 2017 a committee be set up for that purpose.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

FS 2017-002 – Design Deficiencies in Internal Controls over Capital Assets - Material Weakness

Condition: The Authority did not perform procedures to ensure the completeness of capital assets and the accuracy of related depreciation for assets added to the Authority through the merger of housing authorities, or to identify potential impairment of those assets.

Criteria: Accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities in GASB Statement No. 34.18-22 require entities to record capital assets accurately at cost, calculate depreciation on capital assets, and assess assets for impairment.

Effect: Because there are no procedures in place and no documentation the Authority could place assets on their records at incorrect values and/or that do not exist at time of the merger. Without correct policies and procedures in place management cannot adequately detect or prevent misstatements of the listing provided.

Cause: For fiscal year 2017, management did not have a documented policy in place to ensure internal controls over the merged assets were in place and working properly.

Auditors' Recommendation: Management should ensure that a policy for recording of capital assets is designed, documented and implemented that includes comprehensive internal controls structure over the merged assets to ensure merged assets are accurate, exist, and are recorded at the correct value, and provides for procedures to be performed to assess the accuracy and completeness of all transferred assets and to assess assets for impairment at the time of transfer and on a regular basis.

Authority's Response: NRHA has drafted the following policy for recording capital assets:

Prior to entering into an MOU with a proposed agency to be managed and/or assimilated by NRHA, an audit will be performed by the Comptroller, Deputy Director and Executive Director that will include the identification of capital assets to be acquired, including any impairments of the asset(s) and begin acquiring the supporting documentation. This will be recorded on an excel spreadsheet and copies of all documentation sent to NRHA's Fee Accountant for proper valuation, depreciation and documentation. Within 30 days of asset acquisition (the effective transfer date) the information will be presented to NRHA's board for certification.

The responsibility to schedule and execute the Policy referenced above will be the Executive Director. The process and procedures will be executed by the Deputy Director and the Comptroller as per their designated field of profession.

SECTION III – FEDERAL AWARD FINDINGS

FA 2017-001 – Deficiency in Internal Controls over Compliance and over Financial Statements - Significant Deficiency

Federal Program Information

Funding Agency: Department of Housing and Urban Development
Title: Public and Indian Housing
CFDA number: 14.850
Award Year: 2016/2017
FAIN: NM088

Condition: Public and Indian Housing, the following documentation was found to be missing from expenditures:

- In 2 of the 40 transactions tested, disbursement reports which detail the expenditures that are reviewed and signed approved before checks can be written were not available for review.

A statistically valid sample was used for this testwork.

Criteria: The Authority's policies and procedures for processing of disbursements require the review and signature of the Executive Director prior to the issuance of checks to vendors.

Questioned Costs: None

Effect: The Authority was unable to produce evidence that its system of internal controls over financial reporting and compliance is operating effectively.

Cause: The Authority could not locate the disbursement report printed out and sent to the Executive Director for his review and approval. They were not filed with the rest of the documentation after review.

Auditors' Recommendation: Management should keep track of all disbursement reports in a single file after they have been sent to and approved by the Executive Director, and should ensure that all documentation is promptly filed and retained.

Authority's Response: NRHA currently maintains a single file which houses all disbursement records approved by the Director. NRHA's Director will adjust his travel schedule so that Disbursement reports and check issuance can occur on the same day to ensure that the approval is duly recorded. In addition, when NRHA's Executive Director is unavailable for an extended period of time, the Executive Director will designate the Deputy Director as signature of the reports until he returns. The file will continue to be retained by the Comptroller.

Time line for this change is by October 10th, 2017 and the responsible party to initiate the designation to the Deputy Director when the ED is out of the Office, is the Executive Director.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2017-002 – Operating Deficiencies in Internal Controls over Compliance - Significant Deficiency and Noncompliance

Federal Program Information

Funding Agency: Department of Housing and Urban Development
Title: Public and Indian Housing
CFDA number: 14.850
Award Year: 2016/2017
FAIN: NM-088

Condition: For Public and Indian Housing, the following documentation was found to be missing from tenant files:

- In 7 out of 37 files tested, the tenant file did not have signed consent forms for all tenants over the age of 18.
- In 4 out of 37 files tested, the tenant file did not contain documentation of the tenant being added to the waiting list.
- In 12 out of 37 files tested, the annual reexamination had not been performed or scheduled as necessary. As a result, rent payments were not recalculated. It is undeterminable how rent payments would have changed as a result of reexamination.
- In 7 out of 37 files tested, the tenant file did not contain third-party verification of reported family annual income, value of assets, and expenses deducted from annual income
- In 3 out of 37 files tested, the tenant file did not have the signed application on file.
- In 4 out of 37 files tested, the tenant file did not contain documentation of the tenant being selected from the waiting list on a first-in-first-out basis.
- In 2 out of 37 files tested, the tenant file did not contain a copy of the HUD-50058.
- In 17 out of 37 files tested, the tenant did not receive the annual reexamination letter 120 days in advance.
- In 2 out of 37 files tested, the rent payment did not match the rent for the tenant per the rent roll.

A statistically valid sample was used for this testwork.

Criteria: Per 24 CFR 960.259(b)(1), the Authority shall require the family head to execute a consent form as a condition of admission to or continued assistance under the Public and Indian Housing program.

Per 24 CFR 960.206 and .208, the Authority shall use a waiting list to manage admissions to the program.

Per 24 CFR 960.257(a), the Authority must conduct a reexamination of family income and composition (or only family composition, for families paying flat rents) at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information.

Per 24 CFR 960.259(c), the Authority must obtain and document in the family file third-party verification of income, assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income or income-based rent.

The Authority's policies and procedures require that the Authority retain the signed application; select from the waiting list on the first-in-first-out basis; retain the HUD-50058 in the file; send the annual reexamination letter 120 days in advance of the reexamination date; and ensure that the rent payment matches the entry in the rent roll for the tenant.

Questioned Costs: None noted

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2017-002 – Operating Deficiencies in Internal Controls over Compliance - Significant Deficiency and Noncompliance (Continued)

Effect: The Authority is not in compliance with federal regulations within the Public and Indian Housing Program or its own policies and procedures for tenant selection and reexamination.

Cause: Authority staff have been prioritizing reducing vacancy rates in the program over compliance items as listed above.

Auditors' Recommendation: Authority staff should focus on rehabilitation of tenant files for proper documentation and the timeliness of annual reexamination of tenant eligibility. A checklist for items to be retained in each file should be included in each file and completed at each reexamination.

Authority's Response: A number of findings mentioned above are the result of poor record-keeping at underperforming Housing Authorities who sought to be acquired by NRHA and whose lack of record-keeping of past tenants cannot be retroactively corrected. Based on a previous audit finding, NRHA had instituted new policies and procedures at its core development AMP 1 to ensure that HUD rules are being adhered to, and we will incorporate those into newly acquired agencies in a timelier manner before a transfer occurs.

- NRHA Management has formulated an auditing procedure to use in the early stages of transferring new agencies so that deficiencies are identified and corrected before a transfer is completed. This procedure is currently being drafted.
- NRHA has a well-documented waiting list and waiting list procedures, however two Housing Authorities we acquired did not. NRHA has incorporated our procedures into those agencies we acquired and will continue to do so into any new agencies we acquire.
- NRHA will conduct Interim or Annual reexams upon entering into a management agreement with a housing authority wishing to transfer to NRHA and will utilize the checklist system we are already using at AMP 1.
- Management will review deficiencies that auditors identified within the files of AMP1 and provide corrective measures and procedures to remedy affected files. Time line for this is November 8th, 2017 to be reviewed by the Executive Director and Deputy Director. Starting November 15, 2017, Management will be introducing quality control reviews of the files for both Section 8 and Public Housing programs with a monthly percentage of initial and annual certifications being reviewed by the Deputy Director.

The Deputy Director will be responsible for the QC file Reviews with changes to any process or procedure being the responsibility of both the Executive Director and Deputy Director as required.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2017-003 – Noncompliance with Internal Control over Tenant Eligibility – Noncompliance

Federal Program Information

Funding Agency: Department of Housing and Urban Development
Title: Public and Indian Housing
CFDA number: 14.850
Award Year: 2016/2017
FAIN: NM-088

Condition: An employee of the Housing Authority, who is also a tenant of the Housing Authority, did not actively follow the Authority’s internal controls in order to delay official notification of an increase in rent on the unit resided in. The reexamination resulting in an increase in rent of \$385/month occurred at the end of April, 2017; the prior rent was \$0. The employee acknowledged the reexamination in the system at that time. The Authority’s policy is that when rent is adjusted, a letter is sent to the tenant with the adjustment; and the change goes into effect 30 days after the letter. The Authority believes that the employee/tenant’s inaction in addressing a breakdown of the policies and procedures in place at the Authority contributed to a delay in sending the letter until June 28, 2017, which would result in the rent adjustment going into effect on August 1, 2017; however, since the employee was aware of the increase at the end of April, the rent increase would be in effect on June 1, 2017. As of September 16, 2017, no rent or late fees have been paid by the employee/tenant. The total amount due as of June 30, 2017 is \$410.

Criteria: Per 24 CFR 960.257 (a) (1), tenants that pay income-based rent must be subjected to a reexamination of family income and composition at least annually and the PHA must make appropriate adjustments in the rent after consultation with the family and upon verification of the information. It is the Authority’s stance that the employee/tenant’s approval of the reexamination in the system satisfied “consultation with the family” required; and therefore, that the 30 days before the rent became effective per the Authority’s policy expired on Jun 1, 2017.

Questioned Costs: \$410, computed based on the amount of rent not paid and associated late fee

Effect: The Authority has not received payment for rent due and late fee for the month of June, 2017, from the employee/tenant.

Cause: The employee was involved in the process of the reexamination and through her inaction in addressing a breakdown in procedures contributed to the delay in the sending of the notification letter.

Auditors’ Recommendation: The Authority should prohibit employees from working on their own files; and should demand payment from the affected employee/tenant, including legal counsel as necessary.

Authority’s Response: NRHA Management is reviewing the actions (and inactions) that have contributed to the employee’s reexamination and letters contained within the files and we have drafted a Plan of Action to address and correct the issues noted surrounding the employee/tenant file as indicated above. As part of the Action Plan, NRHA Executive Director has fully examined the statements and facts of the matter and obtained legal counsel to determine if legal action is required, has informed the Board Chairman, and reviewed NRHA internal policies to ensure this situation doesn’t happen again.

- Legal counsel has been obtained; based on legal advice, NRHA shall handle the issues as separate matters pertaining to the employee as ‘Tenant’ and as ‘Employee’.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2017-003 – Noncompliance with Internal Control over Tenant Eligibility – Noncompliance (Continued)

NRHA will proceed with the following remedies:

- NRHA Employee as ‘Tenant’: the current situation will be handled as with any other tenant. NRHA will follow HUD regulations regarding tenant notification for appropriate determination of amounts due and timeline. ‘Tenant’ will be allowed the opportunity to enter into a repayment agreement for past due amounts.
- NRHA ‘Employee’: the situation will be handled pursuant to current NRHA Personnel Policies for any violations of the Personnel policy.
- NRHA policies regarding Annual Re-examinations will be reviewed to ensure the policies are congruent with HUD CFR, and make changes as necessary. Procedures will be changed to ensure that the employee’s supervisor performs and/or oversees all steps of paperwork to proper completion. The timeline for these actions is November 1, 2017, to be completed by the Executive Director and the Deputy Director.

The completion of this action will be the responsibility of the Executive Director.

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

NM 2017-001– Personnel Evaluations - Finding that does not rise to Significant Deficiency

Condition: The Authority did not perform all annual personnel evaluations during the fiscal year.

Criteria: The Authority’s policies and procedures require that the all regular full-time and regular part-time employees will receive an Employee Evaluation on an annual basis. Evaluations will be reviewed with the employee by the employee’s Supervisor and the Executive Director. The evaluations will be signed and dated by the employee’s Supervisor, Executive Director and the employee.

Effect: Because not all personnel are receiving their annual evaluations, they do not know where they stand on job performance and management cannot address areas of concerns timely and effectively.

Cause: For fiscal year 2017, management was overwhelmed with the merger of Cimarron and Grants Housing Authorities. Management did not prioritize administrative functions such as annual personnel evaluations.

Auditors’ Recommendation: Management should ensure that all personnel evaluations are performed according to NRHA policies and procedures for fiscal year ended June 30, 2018.

Authority’s Response: NRHA’s Director will design an appropriate evaluation form and process with which to institute formal evaluations to be performed within 30 days of the employee’s anniversary date, and document per NRHA Policy.

NM 2017-002 – Public Housing Authority 5 year and 1 year late submittals - Finding that does not rise to Significant Deficiency

Condition: The Authority has not submitted the required 5 year and 1 year plans to the United States Department of Housing and Urban Development by the required due dates.

Criteria: Per 24 CFR 903.5 (a) (2), the first 5-Year Plan is due 75 days before the commencement of their fiscal year, and every 5 years subsequent to that date.

Per 24 CFR 903.5 (b)(2), Annual Plans are due 75 days before commencement of the Authority’s fiscal year.

Effect: The Authority is not in compliance with federal regulations within the Public and Indian Housing Program.

Cause: For fiscal year 2017, management was overwhelmed with the merger of Cimarron and Grants Housing Authorities. Submittal of the plans was not prioritized.

Auditors’ Recommendation: Management should complete and submit the 5-Year and Annual Plan to the Department of Housing and Urban Development as soon as possible, and prioritize submittal of the plans a required.

Authority’s Response: Cause: Previous management did not submit a correct 5 year plan. Because of this, HUD rejected their submittal and required a complete needs assessment of all 169 units of AMP 1, which current NRHA staff was not physically able to do and was not able to procure outside assistance in time to meet the deadline.

- NRHA submitted alternate information that met HUD’s approval for the needs assessment and now allows for the Rolling 5-year Plan to be submitted, starting with year 2016. Director is engaged in the writing of this plan.
- Future Annual plans will be developed in January to meet the regulatory deadline.

SECTION IV – SECTION 12-6-5 NMSA FINDINGS (Continued)

NM 2017-003 – Miscommunication of Resolution No. 2016-110 - Plan to convert 525 Ranchitos Rd Unit 936 to a Community Resource Building - Finding that does not rise to Significant Deficiency

Condition: There is no evidence of approval from HUD for the NRHA Director is utilize the unit mentioned in their Community Resource Plan for housing while on site. The language in the Community Resource Plan reads “[the] NRHA director also wishes to utilize one room for use while on-site and for current and future anti-crime initiatives at the site.”

Criteria: 24 CFR 990.145, Dwelling Units with Approved Vacancies, allows a PHA to receive operating subsidy for a Special Use Unit, defined as a unit approved and used for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives.

Effect: It is unclear if HUD has approved the use of the unit as housing for the NRHA director.

Cause: Northern Regional Housing Authority believed that board approval to utilize the unit as defined in the Community Resource Plan was sufficient approval for the NRHA director to live in the unit while on site.

Auditors’ Recommendation: NRHA should obtain express written consent from HUD that the utilizing the dwelling as housing by the NRHA director is allowed under 24 CFR 990.145.

Authority’s Response: HUD issues a ‘Performance Funding System waiver’ for a unit taken offline for Community services, resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives. This waiver has a three year limit; the current waiver was written in July of 2015 and expires July of 2018. An updated plan was required when the EDSS unit was switched to a new location to 525 Ranchitos Road, unit 936. The current plan was written to allow for community access during evening hours, such as for adult learning classes, and computer and internet access, which would need to be monitored in some fashion. Also, the unit is strategically located in a cluster of units which can best be monitored for anti-crime efforts by someone on-site, for both active watch and as a passive, visible deterrent.

- The current plan, which was suggested by HUD, was approved by the board and subsequently submitted to HUD, and has not been rejected by HUD.
- Director is using the room for occasional overnight stays only. Currently, the unit does not have a functioning kitchen, no functioning shower, and only one functioning toilet and is being utilized for storage of 1,100 doors due to the lack of space at the maintenance facility.
- Plans are in place to empty the rooms, correct all the unit deficiencies, install computer equipment and desks, and coordinate with local agencies who may want to use the facilities. A security camera system is being tested to determine if the unit will be the hub for surveillance of multiple sites.

SECTION V – PRIOR YEAR AUDIT FINDINGS

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

FA 2016-001 – Indirect Cost Allocation – Section 8 – Significant Deficiency – Resolved

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

STATE OF NEW MEXICO
Northern Regional Housing Authority
Other Disclosures
June 30, 2017

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 October 2, 2017. The following individuals were in attendance:

Northern Regional Housing Authority

Richard Frey, Executive Director
Lauren Reichelt, Commissioner

RPC CPAs + Consultants, LLP

Danny Martinez, CPA, CGFM, Partner
Ray Roberts, CPA, CM&AA, Managing Partner