

Northern Regional Housing Authority

Financial Statements
For the Year Ended June 30, 2019



Page Left Intentionally Blank

INTRODUCTORY SECTION

Page Left Intentionally Blank

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
TABLE OF CONTENTS
JUNE 30, 2019**

		<u>Page</u>
Table of Contents		5
Official Roster		7
Independent Auditors' Report		10-12
BASIC FINANCIAL STATEMENTS		
Statement of Net Position		14-15
Statement of Revenues, Expenses, and Change in Net Position		16
Statement of Cashflows		17
NOTES TO FINANCIAL STATEMENTS		18-39
	<u>Schedule</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Employer's Proportionate Share of the Net Pension Liability of PERA Municipal General Division	A-1	42-43
Schedule of Contributions - PERA	A-2	44-45
Notes to Required Supplementary Information		46
Schedule of Proportionate Share of the Net OPEB Liability	A-3	48
Schedule of Contributions - OPEB	A-4	49
SUPPORTING SCHEDULES		
Schedule of Deposits	I	52
Schedule of Collateral Pledged by Depository	II	53
Financial Data Schedule	III	54-63
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 <i>Government Auditing Standards</i>		66-67
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		70-72
Schedule of Expenditures of Federal Awards	IV	74
Notes to the Schedule of Expenditures of Federal Awards		75
Schedule of Findings and Questioned Costs	V	76-86
Corrective Action Plan		87-89
OTHER DISCLOSURES	VI	90

Page Left Intentionally Blank

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2019**

<u>Name</u>		<u>Title</u>
	<u>Board of Commissioners</u>	
Rayetta Trujillo		Board Chair
Lauren Reichelt		Boardmember
Della Baronne		Boardmember
Alfred Abeita		Boardmember
Garland Moore		Boardmember
	<u>Administrative Officials</u>	
Terry Baca		Acting Executive Director

Page Left Intentionally Blank

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Brian S. Colón Esq.
New Mexico State Auditor
Board of Commissioners and Management
Northern Regional Housing Authority
U.S. Department of Housing and Urban Development
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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Housing Authority'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 Housing Authority'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, 2019, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedules A-1 through A-4 and the notes to the Required Supplementary Information on pages 40 through 47 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.

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

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 Supporting Schedules I through II required by 2.2.2 NMAC, and Schedule III Financial Data Schedule as required by the U.S Department of Housing and Urban Development are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules I, II, and III 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, and Supporting Schedules I, II and III are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
February 28, 2020

**BASIC
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

Assets

Current assets			
Cash	\$	365,914	
Receivables:			
Due from other governments		267,771	
Tenants, net		7,589	
Inventory		2,545	
Prepaid expenses		8,395	
Total current assets		652,214	
Noncurrent assets			
Restricted cash		89,806	
Capital assets		15,785,920	
Less: accumulated depreciation		(10,608,864)	
Total noncurrent assets		5,266,862	
<i>Total assets</i>		5,919,076	
Deferred outflows of resources			
Deferred outflows - PERA		515,144	
Deferred outflows - OPEB		53,709	
<i>Total deferred outflows of resources</i>		568,853	
<i>Total assets and deferred outflows of resources</i>	\$	6,487,929	

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

Liabilities

Current liabilities	
Accounts payable	\$ 3,932
Accrued payroll	28,256
Tenant deposits	49,360
Other current liabilities	9,513
Due to other governments	39,258
Unearned revenue	3,500
Compensated absences	11,384
	<hr/>
Total current liabilities	145,203
	<hr/>
Noncurrent liabilities	
Compensated absences	11,507
Net pension liability - PERA	1,202,155
Net pension liability - OPEB	545,719
	<hr/>
Total noncurrent liabilities	1,759,381
	<hr/>
<i>Total liabilities</i>	1,904,584
	<hr/>
Deferred inflows of resources	
Deferred inflows - PERA	38,474
Deferred inflows - OPEB	141,003
	<hr/>
<i>Total deferred inflows of resources</i>	179,477
	<hr/>
Net position	
Investment in capital assets	5,177,056
Restricted for:	
Section 8 housing	40,446
Unrestricted	(813,634)
	<hr/>
<i>Total net position</i>	4,403,868
	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 6,487,929
	<hr/> <hr/>

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

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

<i>Operating revenues</i>	
Rental revenue	\$ 357,120
Other tenant revenue	24,923
Subsidy grants	3,483,600
<i>Total operating revenues</i>	<u>3,865,643</u>
 <i>Operating expenses</i>	
Personnel services	919,546
Contractual services	179,798
Supplies	93,050
Utilities	205,684
Insurance	94,807
Computer and software expenses	25,842
Postage	6,738
Bad debt	47,404
Housing assistance payments	2,365,337
Depreciation	408,492
Legal	8,745
Relocation cost	6,148
Other office related expenses	43,787
<i>Total operating expenses</i>	<u>4,405,378</u>
<i>Operating loss</i>	(539,735)
 <i>Nonoperating revenue (expenses)</i>	
Interest income	237
Loss on disposition of assets	(1,636)
Insurance proceeds	5,783
Miscellaneous income	11,304
<i>Total nonoperating expenses</i>	<u>15,688</u>
Capital grants	<u>253,200</u>
<i>Change in net position</i>	(270,847)
<i>Net position - beginning of year</i>	<u>4,674,715</u>
<i>Net position - end of year</i>	<u>\$ 4,403,868</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, 2019**

<i>Cash flows from operating activities:</i>	
Cash received from tenants	\$ 318,527
Cash received from subsidy grants	3,483,600
Cash payments to employees for services	(617,345)
Cash payments to suppliers for goods and services	(3,066,519)
<i>Net cash provided by operating activities</i>	<u>118,263</u>
 <i>Cash flows from noncapital financing activities:</i>	
Cash received from miscellaneous sources	11,304
Insurance proceeds	5,783
<i>Net cash provided by noncapital financing activities</i>	<u>17,087</u>
 <i>Cash flows from investing activities:</i>	
Investment earnings, net of fees	237
<i>Net cash provided by investing activities</i>	<u>237</u>
 <i>Cash flows from capital and related financing activities:</i>	
Cash received from capital grants	253,200
Acquisition of capital assets	(312,283)
<i>Net cash used by capital and related financing activities</i>	<u>(59,083)</u>
 <i>Net increase in cash</i>	
<i>Cash - beginning of year</i>	76,504
	<u>379,216</u>
 <i>Cash - end of year</i>	
	<u>\$ 455,720</u>
 <i>Reconciliation of operating loss to</i>	
<i>net cash provided (used) by operating activities:</i>	
Operating loss	\$ (539,735)
<i>Adjustments to reconcile operating loss to</i>	
<i>net cash provided (used) by operating activities:</i>	
Depreciation	408,492
Net pension and OPEB expense	305,494
<i>Changes in assets and liabilities:</i>	
Receivables	(65,546)
Inventories	1,138
Prepaid expenses	(1,127)
Accounts payable and due to others	8,211
Accrued liabilities	1,032
Other current liabilities	5,152
FSS deposits	(2,553)
Unearned revenue	2,030
Compensated absences	(4,325)
<i>Net cash provided by operating activities</i>	<u>\$ 118,263</u>

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

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. Summary of Significant Accounting Policies

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, 2019, 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. Currently, the Housing Authority manages nine (9) low rent public housing developments containing 205 total units and administers Housing and Urban Development’s (HUD) Section 8 Housing Choice Vouchers housing assistance program.

A. Financial Reporting Entity

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 and Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation and Accounting

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, 2019**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position or Equity

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 accrued compensated absences, the net pension liability, the net OPEB 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, however the Housing Authority does not have any cash equivalents or investments.

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, 2019.

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, 2019, there are no items required to be valued using the fair value framework.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position or Equity (continued)

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, which for the Public Housing Low Rent program is 90% of the balance allowed for, and for Section 8 Housing Choice Vouchers program is 80% of the balance allowed for based upon prior experience with tenant collectability and the length of time receivables are outstanding.

Inventory: The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditures at the time of consumption. Inventory for the Housing Authority is valued at cost using the first in, first out method.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position.

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.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	15-45
Furniture, fixtures, and equipment	5-20

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on deferred revenues in the Statement of Net Position to include deferred outflow of resources, which is the consumption of net position by the Housing Authority that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net position by the Housing Authority that is applicable to a future reporting period. The Housing Authority also has items that qualify for reporting in this category related to the pension and OPEB plans which are discussed at Notes 6 and 7.

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.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position or Equity (continued)

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.

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

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 position 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.

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. Budgetary data for the Authority's programs are prepared on a calendar year basis. HUD does not require the presentation of the budgets in the audit report. The inclusion of the budget in the audit report would be misleading as the audit report is as of June 30, 2019 and the HUD budget period is not complete as of that date.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Accounting Standards Adopted

During the year ended June 30, 2019, the Authority adopted GASB Statements No. 83, Certain Asset Retirement Obligations, No. 84, Fiduciary Activities, No. 88, Certain Disclosures Relate to Debt, including Direct Borrowings and Direct Placements as required by GAAP. None of these new pronouncements have a significant impact on the fiscal year 2019 financial statements. At year end June 30, 2019, the Housing Authority was not required to make a GASB 77 disclosure.

NOTE 2. Deposits

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, 2019.

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 non-interest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts.

Custodial Credit Risk – Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978).

At June 30, 2019, \$271,364 of the Housing Authority's bank balance of \$521,364 was exposed to custodial credit risk. Although the \$271,364 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.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. Deposits (continued)

	<u>Centinel Bank</u>
Amount of deposits	\$ 521,364
FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	<u>271,364</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority's name	<u>271,364</u>
Uninsured and uncollateralized	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 135,682
Pledged Collateral	<u>610,000</u>
Over (Under) collateralized	<u>\$ 474,318</u>
Reconciliation to the Statement of Net Position:	
Cash - Statement of Net Position	\$ 365,914
Restricted cash per Statement of Net Position	<u>89,806</u>
Total cash	455,720
Plus: reconciling items	65,844
Less: petty cash	<u>(200)</u>
Bank balance of deposits	<u>\$ 521,364</u>

NOTE 3. Receivables

Receivables as of June 30, 2019 are as follows:

	<u>Low Rent Public Housing Program</u>	<u>Section 8 Housing Vouchers Program</u>	<u>Total</u>
Due from Other Governments: U.S. Department Housing and Urban Development	\$ 265,131	\$ 2,640	\$ 267,771
Tenant rents	73,109	1,388	74,497
Allowance for doubtful accounts	<u>(65,798)</u>	<u>(1,110)</u>	<u>(66,908)</u>
Total tenant rents	<u>7,311</u>	<u>278</u>	<u>7,589</u>
Total accounts receivable	<u>\$ 272,442</u>	<u>\$ 2,918</u>	<u>\$ 275,360</u>

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. Capital Assets

The following summarizes changes in capital assets activity for the Housing Authority during the year ended June 30, 2019:

Total for Housing Authority	Balance June 30, 2018	Additions	Dispositions and Adjustments	Balance June 30, 2019
Capital assets not depreciated				
Land	\$ 232,913	\$ -	\$ -	\$ 232,913
Construction in process	168,104	98,763	(244,219)	22,648
Total assets not depreciated	<u>401,017</u>	<u>98,763</u>	<u>(244,219)</u>	<u>255,561</u>
Capital assets depreciated				
Buildings and structures	14,355,643	200,646	244,219	14,800,508
Furniture, fixtures, and equipment	733,584	12,874	(16,607)	729,851
Total assets depreciated	<u>15,089,227</u>	<u>213,520</u>	<u>227,612</u>	<u>15,530,359</u>
Total assets	15,490,244	312,283	(16,607)	15,785,920
Less accumulated depreciation for:				
Buildings and structures	9,599,201	377,594	-	9,976,795
Furniture, fixtures, and equipment	616,142	30,898	(14,971)	632,069
Total accumulated depreciation	<u>10,215,343</u>	<u>408,492</u>	<u>(14,971)</u>	<u>10,608,864</u>
Capital assets, net	<u>\$ 5,274,901</u>	<u>\$ (96,209)</u>	<u>\$ (1,636)</u>	<u>\$ 5,177,056</u>

Depreciation expense for the year ended June 30, 2019 totaled \$408,492 for all the Housing Authority Programs.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. Capital Assets (continued)

The following summarizes changes in capital assets activity for the Low Rent Public Housing Program during fiscal year 2019:

Low Rent Public Housing Program	Balance June 30, 2018	Additions	Dispositions and Adjustments	Balance June 30, 2019
Capital assets not depreciated				
Land	\$ 232,913	\$ -	\$ -	\$ 232,913
Construction in process	168,104	76,115	(244,219)	-
Total assets not depreciated	<u>401,017</u>	<u>76,115</u>	<u>(244,219)</u>	<u>232,913</u>
Capital assets depreciated				
Buildings and structures	14,355,643	200,646	244,219	14,800,508
Furniture, fixtures, and equipment	712,111	12,874	(16,607)	708,378
Total assets depreciated	<u>15,067,754</u>	<u>213,520</u>	<u>227,612</u>	<u>15,508,886</u>
Total assets	15,468,771	289,635	(16,607)	15,741,799
Less accumulated depreciation for:				
Buildings and structures	9,599,201	377,594	-	9,976,795
Furniture, fixtures, and equipment	600,385	29,312	(14,971)	614,726
Total accumulated depreciation	<u>10,199,586</u>	<u>406,906</u>	<u>(14,971)</u>	<u>10,591,521</u>
Capital assets, net	<u>\$ 5,269,185</u>	<u>\$ (117,271)</u>	<u>\$ (1,636)</u>	<u>\$ 5,150,278</u>

Depreciation expense for the year ended June 30, 2019 totaled \$406,906 for the Low Rent Public Housing Program.

The following summarizes changes in capital assets activity for the Section 8 Housing Choice Voucher Program during fiscal year 2019:

Section 8 Housing Choice Voucher Program	Balance June 30, 2018	Additions	Dispositions and Adjustments	Balance June 30, 2019
Capital assets depreciated				
Furniture, fixtures, and equipment	\$ 21,336	\$ -	\$ -	\$ 21,336
Total assets depreciated	<u>21,336</u>	<u>-</u>	<u>-</u>	<u>21,336</u>
Total assets	21,336	-	-	21,336
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	15,719	1,559	-	17,278
Total accumulated depreciation	<u>15,719</u>	<u>1,559</u>	<u>-</u>	<u>17,278</u>
Capital assets, net	<u>\$ 5,617</u>	<u>\$ (1,559)</u>	<u>\$ -</u>	<u>\$ 4,058</u>

Depreciation expense for the year ended June 30, 2019 totaled \$1,559 for the Section 8 Housing Choice Voucher Program.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. Capital Assets (continued)

The following summarizes changes in capital assets activity for the State and Local Program during fiscal year 2019:

Total for State and Local Programs	Balance June 30, 2018	Additions	Dispositions and Adjustments	Balance June 30, 2019
Capital assets depreciated				
Furniture, fixtures, and equipment	\$ 137	\$ -	\$ -	\$ 137
Total assets depreciated	<u>137</u>	<u>-</u>	<u>-</u>	<u>137</u>
Total assets	137	-	-	137
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	38	27	-	65
Total accumulated depreciation	<u>38</u>	<u>27</u>	<u>-</u>	<u>65</u>
Capital assets, net	<u>\$ 99</u>	<u>\$ (27)</u>	<u>\$ -</u>	<u>\$ 72</u>

Depreciation expense for the year ended June 30, 2019 totaled \$27 for State and Local Programs.

The following summarizes changes in capital assets activity for the Linkages Program during fiscal year 2019:

Total for Management Fund Program	Balance June 30, 2018	Additions	Dispositions and Adjustments	Balance June 30, 2019
Capital assets not depreciated				
Construction in process	\$ -	\$ 22,648	\$ -	\$ 22,648
Total assets not depreciated	<u>-</u>	<u>22,648</u>	<u>-</u>	<u>22,648</u>
Total assets	-	22,648	-	22,648
Less accumulated depreciation	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 22,648</u>	<u>\$ -</u>	<u>\$ 22,648</u>

There was no depreciation expense for the year ended June 30, 2019 for the Linkages Program.

NOTE 5. Long-Term Liabilities

The following summarizes changes in compensated absences activity during fiscal year 2019:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Compensated Absences	<u>\$ 27,216</u>	<u>\$ 18,181</u>	<u>\$ 22,506</u>	<u>\$ 22,891</u>	<u>\$ 11,384</u>

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. Pension Plan – Public Employee Retirement Association of NM

Public Employees Retirement 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 Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

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

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

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. Pension Plan – Public Employee Retirement Association of NM (continued)

Contributions – See PERA’s compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors in effect during FY18						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. Pension Plan – Public Employee Retirement Association of NM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2019, the Housing Authority reported a liability of \$1,202,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

The Housing Authority's proportion of the net pension liability was based on a projection of the Housing Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Housing Authority's proportion was 0.07540%, which was an increase of 0.003% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Housing Authority recognized pension expense of \$302,943. At June 30, 2019, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 34,745	\$ 31,562
Net difference between expected and actual investments on pension plan investments	97,381	-
Change of assumptions	108,992	6,912
Change in proportion	224,477	-
Authority's contributions subsequent to the measurement date	<u>49,549</u>	<u>-</u>
Total	<u>\$ 515,144</u>	<u>\$ 38,474</u>

\$49,549 reported as deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. Pension Plan – Public Employee Retirement Association of NM (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

2019	\$	269,229
2020		132,408
2021		20,921
2022		4,563
2023		-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA Fund

PERA	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial Assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. Pension Plan – Public Employee Retirement Association of NM (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	<u>20.00%</u>	6.48%
Total	100.00%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Housing Authority’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Housing Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Housing Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Housing Authority's proportionate share of the net pension liability	<u>\$ 1,852,440</u>	<u>\$ 1,202,155</u>	<u>\$ 664,590</u>

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

Payables to the pension plan. At June 30, 2019, there were no contributions due and payable to PERA for the Housing Authority

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan

General Information about the OPEB

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

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

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

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Housing Authority were \$8,224 for the year ended June 30, 2019.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

At June 30, 2019, the Housing Authority reported a liability of \$545,719 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Housing Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Housing Authority's proportion was 0.01255 percent.

For the year ended June 30, 2019, the Housing Authority recognized OPEB expense of \$10,654. At June 30, 2019 the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 32,310
Net difference between expected and actual investments on OPEB plan investments	-	6,810
Change of assumptions	-	101,883
Change in proportion	45,485	-
Authority's contributions subsequent to the measurement date	<u>8,224</u>	<u>-</u>
Total	<u>\$ 53,709</u>	<u>\$ 141,003</u>

Deferred outflows of resources totaling \$8,224 represent Housing Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$ (24,447)
2020	(24,447)
2021	(24,447)
2022	(16,288)
2023	(5,889)
Thereafter	-

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class.

These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

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

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.87%) was applied. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Housing Authority as well as what the Housing Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Housing Authority's proportionate share of the net OPEB liability	\$ 660,448	\$ 545,719	\$ 455,286

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

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
Housing Authority's proportionate share of the net OPEB liability	\$ 461,323	\$ 545,719	\$ 611,886

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Housing Authority had no outstanding amount of contributions to the OPEB plan and therefore, had no payables reported at June 30, 2019.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. 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, 2019, 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 9. Contingent Liabilities

The Housing Authority receives federal grants for various specific purposes and are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. In fiscal year 2016, there were unallowable costs of approximately \$142,000 charged to a federal grant that the Housing Authority has been in discussions with the U.S. Department of Housing and Urban Development as to the disposition of these costs. As of February 28, 2020, there are no amounts due to the U.S. Department of Housing and Urban Development, however, the outcome of this scenario is under negotiations and there is a possibility that the Housing Authority will be liable for this amount in the future.

NOTE 10. 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 are contingent upon the Housing Authority's continued compliance with grant provisions and the continuance of the grant programs by this U.S. Governmental agency.

NOTE 11. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is February 28, 2020 which is the date on which the financial statements were available to be issued.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12. Subsequent Pronouncements

In June 2017, GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The Housing Authority is still evaluating the significance of the impact from this pronouncement on its financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The standard will be implemented during the fiscal year ended June 30, 2021. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In August 2019, GASB Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. The Housing Authority does not expect this pronouncement to have a material effect on the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Housing Authority does not expect this pronouncement to have a material effect on the financial statements.

Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	2018 Measurement Date (As of and for the Year Ended June 30, 2017)	2017 Measurement Date (As of and for the Year Ended June 30, 2016)
Northern Regional Housing Authority proportion of the net pension liability (asset)	0.07540%	0.07240%	0.04490%
Northern Regional Housing Authority proportionate share of the net pension liability (asset)	\$ 1,202,155	\$ 994,838	\$ 717,351
Northern Regional Housing Authority covered payroll	536,008	481,372	304,643
Northern Regional Housing Authority proportionate share of the net pension liability (asset) as a percentage of its covered payroll	224.28%	206.67%	235.47%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Northern Regional Housing Authority will present information for those years for which information is available. Complete information for Northern Regional Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
0.0367%	0.0400%
\$ 374,186	\$ 284,831
241,697	241,697
154.82%	117.85%
76.99%	81.29%

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>As of and for the Year Ended June 30, 2019</u>	<u>As of and for the Year Ended June 30, 2018</u>	<u>As of and for the Year Ended June 30, 2017</u>
Contractually required contribution	\$ 49,549	\$ 64,589	\$ 58,005
Contributions in relation to the contractually required	<u>(49,549)</u>	<u>(64,589)</u>	<u>(58,005)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Northern Regional Housing Authority covered payroll	411,195	536,008	481,372
Contribution as a percentage of covered payroll	12.05%	12.05%	12.05%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Northern Regional Housing Authority will present information for those years for which information is available. Complete information for Northern Regional Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 36,710	\$ 31,084
<u>(36,710)</u>	<u>(31,084)</u>
<u>\$ -</u>	<u>\$ -</u>
304,643	241,697
12.05%	12.86%

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, 2019**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>

See independent auditors' report.
See notes to required supplementary information.

Page Left Intentionally Blank

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH CARE OPEB PLAN
LAST 10 FISCAL YEARS*

Schedule A-3

	2019	2018
	Measurement	Measurement
	Date (As of and	Date (As of and
	for the Year	for the Year
	Ended June 30,	Ended June 30,
	2018)	2017)
Northern Regional Housing Authority's proportion of the net OPEB liability (asset)	0.01255%	0.01138%
Northern Regional Housing Authority's proportionate share of the net OPEB liability (asset)	\$ 545,719	\$ 515,704
Northern Regional Housing Authority's covered payroll	536,008	481,372
Northern Regional Housing Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	101.81%	107.13%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Northern Regional Housing Authority's name is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
RETIREE HEALTH CARE OPEB PLAN
LAST 10 FISCAL YEARS***

Schedule A-4

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 8,224	\$ 10,838
Contributions in relation to the contractually required contribution	8,224	10,838
Contribution deficiency (excess)	\$ -	\$ -
Northern Regional Housing Authority's covered payroll	411,195	536,008
Contribution as a percentage of covered payroll	2.00%	2.02%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Northern Regional Housing Authority's name is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

RHC Plan

Changes of Benefit Terms

Recent changes in benefits are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

Changes of Assumptions

Changes in actuarial assumptions are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

See independent auditors' report.
See notes to required supplementary information.

Page Left Intentionally Blank

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF DEPOSITS
JUNE 30, 2019**

<u>Bank Account Type/ Name</u>	<u>Centinel Bank</u>	<u>Total</u>
Cash Deposits:		
Checking-Low Rent Operating	\$ 249,955	\$ 249,955
Checking-Section 8	173,718	173,718
Checking-Linkages account	6,073	6,073
Checking-Management Fund	36,061	36,061
Debit Card Account	3,921	3,921
Checking-Low-Rent Security Deposit	51,636	51,636
Total Cash Deposits	<u>521,364</u>	<u>521,364</u>
 Total Deposits	 521,364	 521,364
 Reconciling items	 <u>(65,844)</u>	 <u>(65,844)</u>
Plus: Cash on hand		<u>200</u>
 <i>Reconciled balance June 30, 2019</i>	 <u><u>\$ 455,520</u></u>	 <u><u>\$ 455,720</u></u>
 Reconciliation to financial statements:		
Cash:		
Statement of net position		\$ 365,914
Restricted cash:		
Statement of net position		<u>89,806</u>
 <i>Cash per Financial Statements</i>		 <u><u>\$ 455,720</u></u>

See independent auditors' report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2019**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2019</u>
Centinel Bank	West Las Vegas	8/15/2021	953769KW5	\$ 175,000
	Ruidoso NM Muni Sch Dist	8/1/2026	781338LA4	200,000
	Estancia Sch Dist	8/15/2025	297326FV7	<u>235,000</u>
			Total Centinel Bank	<u><u>\$ 610,000</u></u>

Name and location of safekeeper for above pledged collateral:

The Independent Bankers Bank, 1700 Rio Grande St, Austin, Texas

See independent auditors' report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Management Fund Program 14.XXX
111	Cash - Unrestricted	\$ 198,778	\$ 125,002	\$ 36,060
113	Cash - Other Restricted	-	40,446	-
114	Cash - Tenant Security Deposits	49,360	-	-
100	<i>Total Cash</i>	<u>248,138</u>	<u>165,448</u>	<u>36,060</u>
122	Accounts Receivable-HUD Other Projects	265,131	2,640	-
126	Accounts Receivable-Tenants-Dwelling Rents	49,362	-	-
126.1	Allowance for Doubtful Accounts-Dwelling Rents	(44,426)	-	-
128	Fraud Recovery	23,747	1,388	-
128.1	Fraud Recovery - Allowance for Doubtful Accounts	(21,372)	(1,110)	-
120	<i>Total Receivables, Net of Allowance for Doubtful Accounts</i>	<u>272,442</u>	<u>2,918</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	7,629	762	-
143	Inventories	2,828	-	-
143.1	Allowance for Obsolete Inventories	(283)	-	-
144	Inter Program Due From	8	1,195	-
150	<i>Total Current Assets</i>	<u>530,762</u>	<u>170,323</u>	<u>36,060</u>
161	Land	232,913	-	-
162	Buildings	14,800,508	-	-
163	Furniture, Equipment & Machinery-Dwellings	292,834	-	-
164	Furniture, Equipment & Machinery-Administration	415,545	21,336	-
166	Accumulated Depreciation	(10,591,521)	(17,278)	-
167	Construction in Progress	-	-	22,648
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>5,150,279</u>	<u>4,058</u>	<u>22,648</u>
180	<i>Total Non-Current Assets</i>	<u>5,150,279</u>	<u>4,058</u>	<u>22,648</u>
190	<i>Total Assets</i>	<u><u>5,681,041</u></u>	<u><u>174,381</u></u>	<u><u>58,708</u></u>
200	Deferred Outflows of Resources	436,883	128,829	-
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u><u>\$ 6,117,924</u></u>	<u><u>\$ 303,210</u></u>	<u><u>\$ 58,708</u></u>

See Independent Auditors' Report.

State and Local Program 14.XXX	Subtotal	Eliminations	Total
\$ 6,074	\$ 365,914	\$ -	\$ 365,914
-	40,446	-	40,446
-	49,360	-	49,360
<u>6,074</u>	<u>455,720</u>	<u>-</u>	<u>455,720</u>
-	267,771	-	267,771
-	49,362	-	49,362
-	(44,426)	-	(44,426)
-	25,135	-	25,135
-	(22,482)	-	(22,482)
-	<u>275,360</u>	<u>-</u>	<u>275,360</u>
4	8,395	-	8,395
-	2,828	-	2,828
-	(283)	-	(283)
-	1,203	(1,203)	-
<u>6,078</u>	<u>743,223</u>	<u>(1,203)</u>	<u>742,020</u>
-	232,913	-	232,913
-	14,800,508	-	14,800,508
-	292,834	-	292,834
136	437,017	-	437,017
(65)	(10,608,864)	-	(10,608,864)
-	22,648	-	22,648
<u>71</u>	<u>5,177,056</u>	<u>-</u>	<u>5,177,056</u>
<u>71</u>	<u>5,177,056</u>	<u>-</u>	<u>5,177,056</u>
<u>6,149</u>	<u>5,920,279</u>	<u>(1,203)</u>	<u>5,919,076</u>
<u>3,141</u>	<u>568,853</u>	<u>-</u>	<u>568,853</u>
<u>\$ 9,290</u>	<u>\$ 6,489,132</u>	<u>\$ (1,203)</u>	<u>\$ 6,487,929</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Management Fund Program 14.XXX
312	Accounts Payable <=90 Days	\$ 3,423	\$ 506	\$ -
321	Accrued Wage/Payroll Taxes Payable	23,943	4,281	-
	Accrued Compensated Absences-Current			
322	Portion	9,161	2,223	-
333	Accounts Payable - Other Government	39,258	-	-
341	Tenant Security Deposits	49,360	-	-
342	Unearned Revenues	3,500	-	-
346	Accrued Liabilities-Other	9,513	-	-
347	Inter Program Due to	1,195	-	-
310	<i>Total Current Liabilities</i>	<u>139,353</u>	<u>7,010</u>	<u>-</u>
	Accrued Compensated Absences -Non-			
	Current	9,535	1,972	-
357	Accrued Pension and OPEB Liabilities	1,374,520	370,300	-
350	<i>Total Non-Current Liabilities</i>	<u>1,384,055</u>	<u>372,272</u>	<u>-</u>
300	<i>Total Liabilities</i>	<u>1,523,408</u>	<u>379,282</u>	<u>-</u>
400	Deferred Inflows of Resources	142,178	37,018	-
508.4	Net Investment in Capital Assets	5,150,279	4,058	22,648
511.4	Restricted Net Position	-	40,446	-
512.4	Unrestricted Net Position	(697,942)	(157,594)	36,061
513	<i>Total Equity/Net Position</i>	<u>4,452,337</u>	<u>(113,090)</u>	<u>58,709</u>
600	<i>Total Liabilities, Deferred Inflows of Resources and Equity/Net Position</i>	<u>\$ 6,117,923</u>	<u>\$ 303,210</u>	<u>\$ 58,709</u>

See Independent Auditors' Report.

State and Local Program 14.XXX	Subtotal	Eliminations	Total
\$ 3	\$ 3,932	\$ -	\$ 3,932
32	28,256	-	28,256
-	11,384	-	11,384
-	39,258	-	39,258
-	49,360	-	49,360
-	3,500	-	3,500
-	9,513	-	9,513
8	1,203	(1,203)	-
43	146,406	(1,203)	145,203
-	11,507	-	11,507
3,054	1,747,874	-	1,747,874
3,054	1,759,381	-	1,759,381
3,097	1,905,787	(1,203)	1,904,584
281	179,477	-	179,477
71	5,177,056	-	5,177,056
-	40,446	-	40,446
5,841	(813,634)	-	(813,634)
5,912	4,403,868	-	4,403,868
<u>\$ 9,290</u>	<u>\$ 6,489,132</u>	<u>\$ (1,203)</u>	<u>\$ 6,487,929</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872
70300	Net Tenant Rental Revenue	\$ 357,120	\$ -	\$ -
70400	Tenant Revenue- Other	24,923	-	-
70500	<i>Total Tenant Revenue</i>	<u>382,043</u>	<u>-</u>	<u>-</u>
70600	HUD PHA Operating Grants	656,637	2,616,097	154,202
70610	Capital Grants	-	-	253,200
70800	Other Governmental Grants	-	-	-
71100	Investment Income - Unrestricted	110	106	-
71400	Fraud Recovery	-	3,790	-
71500	Other Revenue	8,297	-	-
71600	Gain or Loss on Sale of Capital Assets	(1,636)	-	-
70000	<i>Total Revenue</i>	<u>1,045,451</u>	<u>2,619,993</u>	<u>407,402</u>
91100	Administrative Salaries	156,197	74,658	2,000
91200	Auditing Fees	19,881	4,900	-
91400	Advertising and Marketing	1,087	329	-
91500	Employee Benefit Contributions -	177,607	89,547	-
91600	Office Expense	35,209	11,127	-
91700	Legal Expense	7,008	1,727	-
91800	Travel	14,114	3,493	-
91900	Other Operating - Administrative	34,750	14,035	-
91000	<i>Total Operating - Administrative</i>	<u>445,853</u>	<u>199,816</u>	<u>2,000</u>
92200	Relocation Costs	6,148	-	-
92500	<i>Total Tenant Services</i>	<u>6,148</u>	<u>-</u>	<u>-</u>
93100	Water	40,834	-	-
93200	Electricity	50,573	-	-
93300	Gas	53,255	-	-
93600	Sewer	41,753	-	-
93000	<i>Total Utilities</i>	<u>\$ 186,415</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Program 14.XXX	Subtotal	Eliminations	Total
\$ -	\$ -	\$ 357,120	\$ -	\$ 357,120
-	-	24,923	-	24,923
-	-	382,043	-	382,043
-	-	3,426,936	-	3,426,936
-	-	253,200	-	253,200
-	56,664	56,664	-	56,664
21	-	237	-	237
-	-	3,790	-	3,790
5,000	-	13,297	-	13,297
-	-	-	-	(1,636)
5,021	56,664	4,136,167	-	4,134,531
-	553	233,408	-	233,408
-	30	24,811	-	24,811
-	2	1,418	-	1,418
-	671	267,825	-	267,825
-	235	46,571	-	46,571
-	10	8,745	-	8,745
-	10	17,617	-	17,617
-	47	48,832	-	48,832
-	1,558	649,227	-	649,227
-	-	6,148	-	6,148
-	-	6,148	-	6,148
-	-	40,834	-	40,834
-	-	50,573	-	50,573
-	-	53,255	-	53,255
-	-	41,753	-	41,753
\$ -	\$ -	\$ 186,415	\$ -	\$ 186,415

See Independent Auditors' Report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872
94100	Ordinary Maintenance & Operation - Labor	\$ 171,626	\$ -	\$ -
94200	Ordinary Maintenance & Operation - Materials & Other	76,513	-	9,797
94300	Ordinary Maintenance & Operation - Contracts	53,614	-	80,407
94500	Employee Benefit - Contributions Ordinary Maintenance	205,403	-	-
94000	<i>Total Maintenance</i>	<u>507,156</u>	<u>-</u>	<u>90,204</u>
95200	Protective Services - Other Contract	651	-	-
95000	<i>Total Protective Services</i>	<u>651</u>	<u>-</u>	<u>-</u>
96110	Property Insurance	49,966	-	-
96120	Liability Insurance	13,024	3,203	-
96130	Workman's Compensation	16,181	3,990	-
96140	All Other Insurance	6,755	1,634	-
96100	<i>Total Insurance Premiums</i>	<u>85,926</u>	<u>8,827</u>	<u>-</u>
96200	Other General Expenses	-	6,826	-
96210	Compensated Absences	14,540	3,641	-
96300	Payment in Lieu of Taxes	17,790	-	-
96400	Bad Debt - Tenant Rents	47,404	-	-
96000	<i>Total Other General</i>	<u>79,734</u>	<u>10,467</u>	<u>-</u>
96900	<i>Total Operating Expenses</i>	<u>1,311,883</u>	<u>219,110</u>	<u>92,204</u>
97000	<i>Excess Operating Revenue Over Operating Expenses</i>	<u>\$ (266,432)</u>	<u>\$ 2,400,883</u>	<u>\$ 315,198</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Program 14.XXX	Subtotal	Eliminations	Total
\$ -	\$ -	\$ 171,626	\$ -	\$ 171,626
-	-	86,310	-	86,310
-	-	134,021	-	134,021
-	-	205,403	-	205,403
-	-	597,360	-	597,360
-	-	651	-	651
-	-	651	-	651
-	-	49,966	-	49,966
-	20	16,247	-	16,247
-	24	20,195	-	20,195
-	10	8,399	-	8,399
-	54	94,807	-	94,807
-	-	6,826	-	6,826
-	-	18,181	-	18,181
-	-	17,790	-	17,790
-	-	47,404	-	47,404
-	-	90,201	-	90,201
-	1,612	1,624,809	-	1,624,809
\$ 5,021	\$ 55,052	\$ 2,511,358	\$ -	\$ 2,509,722

See Independent Auditors' Report.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2019**

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Vouchers Program 14.871	Capital Fund Program 14.872
97300	Housing Assistance Payments	\$ -	\$ 2,322,045	\$ -
97400	Depreciation Expense	395,618	1,559	11,288
90000	<i>Total Expenses</i>	<u>1,707,501</u>	<u>2,542,714</u>	<u>103,492</u>
10010	Operating Transfers In	152,202	-	-
10020	Operating Transfers Out	(152,202)	-	-
10080	Special Items (Net Gain/Loss)	(5,391)	(1,348)	-
10100	<i>Total Other Financing Sources (Uses)</i>	<u>(5,391)</u>	<u>(1,348)</u>	<u>-</u>
10000	<i>Excess (Deficiency) of Operating Revenue Over (Under) Expenses</i>	<u>(667,441)</u>	<u>75,931</u>	<u>303,910</u>
11030	Beginning Equity	4,815,868	(189,021)	-
	Ending Equity (deficit)	<u>4,148,427</u>	<u>(113,090)</u>	<u>303,910</u>
11190	Unit Months Available	<u>2,448</u>	<u>5,309</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>2,120</u>	<u>4,791</u>	<u>-</u>
11270	Excess Cash	<u>264,394</u>	<u>-</u>	<u>-</u>
11620	Building Purchases	<u>200,646</u>	<u>-</u>	<u>-</u>
11640	Furniture & Equipment- Administrative Purchases	<u>\$ 12,874</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

Management Fund Program 14.XXX	State and Local Program 14.XXX	Subtotal	Eliminations	Total
\$ -	\$ 43,292	\$ 2,365,337	\$ -	\$ 2,365,337
-	28	408,493	-	408,493
-	44,932	4,398,639	-	4,398,639
15,000	-	167,202	(167,202)	-
-	(15,000)	(167,202)	167,202	-
-	-	(6,739)	-	(6,739)
15,000	(15,000)	(6,739)	-	(6,739)
20,021	(3,268)	(269,211)	-	(270,847)
38,688	9,180	4,674,715	-	4,674,715
58,709	5,912	4,405,504	-	4,403,868
-	72	7,829	-	7,829
-	72	6,983	-	6,983
-	-	264,394	-	264,394
-	-	200,646	-	200,646
\$ -	\$ -	\$ 12,874	\$ -	\$ 12,874

See Independent Auditors' Report.

Page Left Intentionally Blank

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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*

Brian S. Colón Esq.
New Mexico State Auditor
Board of Commissioners and Management
Northern Regional Housing Authority
U.S. Department of Housing and Urban Development
Taos, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern Regional Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2019, 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 February 28, 2020.

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 on the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 2019-003, and 2019-004.

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 accompanying schedule of findings and questioned costs to be significant deficiencies as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose 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 2019-001, 2019-009, 2019-010, and 2019-011.

Housing Authority's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, NM
February 28, 2020

Page Left Intentionally Blank

FEDERAL FINANCIAL ASSISTANCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Brian S. Colón Esq.
New Mexico State Auditor
Board of Commissioners and Management
Northern Regional Housing Authority
U.S. Department of Housing and Urban Development
Taos, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the 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 each of the Housing Authority's major federal programs for the year ended June 30, 2019. The Housing Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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.

Basis for Qualified Opinion on the Public and Indian Housing Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority did not comply with requirements regarding CFDA 14.850 Public and Indian Housing Program as described in finding 2019-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Public and Indian Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Public and Indian Housing Program for the year ended June 30, 2019.

Basis for Qualified Opinion on the Section 8 Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Voucher Program as described in finding 2019-004 and 2019-005 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Section 8 Housing Choice Voucher Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Section 8 Housing Choice Voucher Program for the year ended June 30, 2019.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, 2019-005, and 2019-007 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-006 and 2019-008 to be significant deficiencies.

The Housing Authority's response to the internal control over compliance 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, NM
February 28, 2020

Page Left Intentionally Blank

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Grant or State Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
U.S. Department of Housing and Urban Development					
<i>Direct Programs:</i>					
Public and Indian Housing	*	NM088	14.850	\$ 1,362,178	\$ -
Public Housing Capital Fund		CFP 2016	14.872	92,204	-
<i>Total Capital Fund Program</i>				<u>92,204</u>	<u>-</u>
Section 8 Housing Choice Voucher Program	*	N/A	14.871	2,542,503	-
<i>Total U.S. Department of Housing and Urban Development</i>				<u>3,996,885</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>				<u>\$ 3,996,885</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards**1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Northern Regional 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Loans

The Housing Authority did not expend federal awards related to loans or loan guarantees during the year.

3 10% de minimus Indirect Cost Rate

The Housing Authority did not elect to use the allowed 10% indirect

4 Federally Funded Insurance

The Housing Authority has no federally funded insurance.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2019**

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? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 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
14.871	Section 8 Housing Choice Voucher Program
14.850	Public and Indian Housing

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 Missing Board Minutes (Significant Deficiency and Other Noncompliance)

Condition: During our audit, we noted that there was three out of four quarters of minutes of the Commission meeting's minutes that were not available to be reviewed.

Criteria: The Open Meetings Act (OMA), specifically Section 10-15-1 NMSA 1978 requires that "the Board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member vote. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policy making body."

Additionally, 41-1-13(C) states in part that the secretary of the Board shall reduce to writing, in a book kept for that purpose, minutes of the business transacted at each meeting of the Board.

Cause: It appeared that there was a change in board members and the documentation of the meeting's minutes during the year and the transition resulted in missing minutes.

Effect: The Housing Authority is in noncompliance with the OMA provisions relating to the preparation of Board of Commission minutes. The official actions of the Housing Authority are not fully transparent to the public. The Housing Authority's minutes are not readily available for public inspection as the Housing Authority did not prepare and approve them in a timely fashion.

Auditors' Recommendations: The Housing Authority should prepare minutes that comply with the requirements of the OMA, maintain minutes (draft and Board approved) on-file, and have them available when requested.

Agency's Response: As of November 22, 2019, the Northern Regional Housing Authority has come under management of the Raton Housing Authority, Signed Meeting Minutes, Resolution and Copies of the Agenda are organized in a binder for easy review. All prior meeting related documents will be located and stored in the same manner. Executive Director will complete this by June 30, 2020.

2019-002 Insufficient Internal Controls over Cash Disbursements (Significant Deficiency)

Condition: During our audit, we noted three of ten transactions where the invoice was not signed by the Executive Director as being reviewed and approved.

Criteria: According to the policies of the Housing Authority, the Executive Director must review and sign all invoices after authorizing the expenditure.

Cause: There were some small invoices for copy machine expenses that either were reviewed and not signed or were never reviewed by management.

Effect: The Housing Authority did not adhere to the policies in place during the year.

Auditors' Recommendation: We recommend that the Housing Authority continue emphasizing the importance of adhering to the established policies and procedures without exception.

Agency's Response: Adhere to the Policy of the Executive Director reviewing and approving all invoices, the Executive Director will approve all invoices prior to payment. Executive Director, Board of Commissioners will complete this by March 30, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION III – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS

2019-003 Noncompliance with Low Rent Tenant Files - (Material Weakness and Material Noncompliance)
(Repeated and Modified finding 2018-002 & FA 2017-002)

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Award Year: July 1, 2018 to June 30, 2019

Title: Public and Indian Housing

CFDA Number: 14.850

Compliance Requirement: Eligibility

Condition: This finding was repeated from prior year, management's corrective action plan has been implemented and there were improvements but there is still corrective action needed. During our audit of Public and Indian Housing, the following documentation was found to be missing from tenant files:

- In 4 out of 40 files tested, the tenant file did not have the correct supporting documentation to determine income eligibility for the calculation of rent.
- In 7 out of 40 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 14 out of 40 files tested, the tenant did not receive the annual reexamination letter 120 days in advance.

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 960.257(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; 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: Undeterminable

Cause: Authority staff have been prioritizing reducing vacancy rates in the program over compliance items as listed above. In addition, the Housing Authority has taken over other troubled agencies that did not have adequate documentation in the tenant files, and it is taking the Authority time to catch all the tenants up.

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.

Auditors' Recommendation: Authority staff should focus on gathering and completing required documentation of tenant files for proper documentation and begin the process 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.

Agency's Response: A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition, new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting. With the staff of all four Housing Authority's, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this by December 31, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION III – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS (Continued)

2019-004 Noncompliance with Eligibility Requirements (Material Weakness and Material Noncompliance)
(Repeated and Modified finding 2018-004)

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Award Year: July 1, 2018 to June 30, 2019

Title: Section 8 Housing Choice Voucher Program

CFDA Number: 14.871

Compliance Requirement: Eligibility

Condition: This finding was repeated from prior year, management’s corrective action plan has been implemented and there were improvements but there is still corrective action needed. During our audit, we noted that there were 4 out of 40 tenant files tested that were not re-examined for income and composition annually to ensure that they were still eligible to be receiving Section 8 assistance.

Criteria: The Housing Authority must do the following:

- As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).
- For both family income examinations and reexaminations, obtain and document in the family file third-party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).
- Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification (24 CFR section 982.516).

Cause: There has been some backlog with the reexaminations at the different housing locations and some of the tenants were not given an annual reexamination in the current year. In addition, the Housing Authority has taken over other troubled agencies that did not have adequate documentation in the tenant files.

Effect: The Housing Authority could lose future funding from HUD if they continue to not reexamine the tenants every year to ensure that they are eligible to receive Section 8 benefits.

Questioned Costs: Undeterminable

Auditors’ Recommendation: We recommend that the Housing Authority develop a proper internal control structure to create a formal process that ensures all tenants are reexamined annually as well as implementing a process where another employee performs spot checks (monitoring of internal controls) of files to ensure that all tenant files are being reexamined.

Agency’s Response: A major effort by three New Mexico Housing Authority’s, the Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition, new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting, with the staff of all four Housing Authority’s, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this by December 31, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION IV - FEDERAL AWARD FINDINGS

2019-005 Noncompliance with Special Tests and Provisions (Material Weakness and Material Noncompliance)

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Award Year: July 1, 2018 to June 30, 2019

Title: Section 8 Housing Choice Voucher Program

CFDA Number: 14.871

Compliance Requirement: Special Tests of Provisions

Condition: During our audit, we noted the following:

- There were 24 out of 40 tenant files tested that did not have Housing Quality Standards Inspections (HQS) done during the period under audit.
- There were 4 out of 40 tenant files did not contain documentation of the tenant being added to the waiting list.

Criteria: According to 24 CFR sections 982.158(d) and 982.405(b), the Housing Authority must “inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards and the PHA must conduct quality control re-inspections.” Also according to 24 CFR sections 5.410, 982.54 (d) and 982.201 through 982.207, “all families admitted to the program must be selected from the waiting list.”

Cause: The Housing Authority has had a backlog of inspections needing to be completed and they are working on relieving that backlog but it will take some time to do so. In addition, the Housing Authority has taken over other troubled agencies that did not have adequate documentation in the tenant files which has created issues for the Housing Authority.

Effect: The Housing Authority was not in compliance with the HQS inspections nor with the waiting list requirements for the current year.

Questioned Costs: None

Auditors' Recommendation: We recommend that the Housing Authority implement a process to ensure that all HQS inspections have been completed and that every potential tenant is first placed on a waiting list before being chosen for a Section 8 voucher.

Agency's Response: A major effort by three New Mexico Housing Authority's, the Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. As of today, 95% of the Inspections have been completed, Eastern Regional Housing Authority and El Camino Real Housing Authority have sent staff out to complete these Inspection, the balance will be completed in the next 60 days. A system of inspects will be established with Inspections, divided equality for each month, so that they are more manageable by the Northern Regional Housing Authority staff. Executive Director will complete this by June 30, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION IV - FEDERAL AWARD FINDINGS (continued)

2019-006 Noncompliance with Special Tests and Provisions (Significant deficiency)

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Award Year: July 1, 2018 to June 30, 2019

Title: Public and Indian Housing

CFDA Number: 14.850

Compliance Requirement: Special Tests and Provisions

Condition: During our audit of Public and Indian Housing, the following documentation was found to be missing from tenant files:

- In 10 out of 40 files tested, the tenant file did not contain documentation of the tenant being added to the waiting list.
- In 10 out of 40 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.

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

Questioned Costs: Undeterminable

Cause: The Housing Authority has taken over other troubled agencies that did not have adequate documentation in the tenant files.

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.

Auditors' Recommendation: Authority staff should focus on gathering and completing required documentation of tenant files for proper documentation and ensure that in the future all tenants are properly chosen from the Housing Authority's waiting list.

Agency's Response: A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition, new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting, with the staff of all four Housing Authority's, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this by December 31, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION IV - FEDERAL AWARD FINDINGS (Continued)

2019-007 Procurement (Material Weakness)

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development

Award Year: July 1, 2018 to June 30, 2019

Title: Public and Indian Housing and Section 8 Housing Choice Voucher Program

CFDA Number: 14.850 & 14.871

Compliance Requirement: Procurement

Condition: The Housing Authority did not obtain quotes from three vendors (Management Control Solutions, Rio Grande Ace Hardware, and Rob Weiss) that were paid in excess of \$10,000 during the year under audit.

Criteria: According to 2 CFR part 200.320 of the OMB Uniform Guidance, non-federal entities must obtain price or rate quotations from an adequate number of qualified sources for all small purchases (those over \$10,000).

Questioned Costs: None

Cause: The Housing Authority did not believe that these vendors needed quotations because individually the invoices were under the Authority's threshold to obtain quotes.

Effect: The Housing Authority was not in compliance with the small purchase's federal procurement requirement.

Auditors' Recommendation: Management should ensure that all vendors that are paid in excess of \$10,000 with federal dollars throughout the year must be chosen by obtaining quotes from an adequate number of qualified sources before doing business with those vendors.

Agency's Response: A new Procurement Policy was adopted at the February 21, 2020 Board of Commissioners Meeting. Also, a new Chief Procurement Office was also named, all purchase will be better documented. A system of purchasing will be established by the Raton Housing Authority, this will include the Northern Regional Housing Authority with a list of vendors that Procurement has already been completed. An inventory of Maintenance Material's will be established, with approved vendors. Executive Director will complete this by April 30, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION IV - FEDERAL AWARD FINDINGS (Continued)

2019-008 Missing Declarations of Trust (Significant Deficiency)

Federal Program Information:
Funding Agency: U.S. Department of Housing and Urban Development
Award Year: July 1, 2018 to June 30, 2019
Title: Public and Indian Housing
CFDA Number: 14.850
Compliance Requirement: Special Tests and Provisions

Condition: The Housing Authority does not have a Declaration of Trust for four locations (Cimarron, Questa, Grants, & Peñasco) under the Housing Authority.

Criteria: According to 24 CFR part 905, subpart F, A current Declaration of Trust (DOT), in a form acceptable to HUD, must be recorded against all public housing property owned by PHAs that has been acquired, developed, maintained, or assisted with funds from the US Housing Act of 1937.

Questioned Costs: None

Cause: The Housing Authority does not have DOTs for the other locations that they have taken over as those locations never obtained one.

Effect: Without DOTs, the Housing Authority is not in compliance with the Declaration of Trusts requirement.

Auditors' Recommendation: The Housing Authority needs to obtain a DOT for each of the location and in the future when a location is acquired, the Housing Authority should ensure that there is a DOT on file or have the location obtain it.

Agency's Response: All open Capital Fund Grants will be reviewed for Declaration of Trust, all that are missing will be recorded with the County Clerk of the appropriate county. Executive Director will complete this by June 30, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION V – SECTION 12-6-5- NMSA 1978 FINDINGS

2019-009 Insufficient Internal Controls over Cash Receipts (Other Noncompliance)

Condition: During our audit we noted two of ten cash receipts that were not deposited within 24 hours.

Criteria: According to NMSA 1978, Section 6-10-3 all entities in the State who receive public funds be deposited before the close of the next succeeding business day after the receipt of the money.

Cause: The Housing Authority did not adhere to the policies in place during the year.

Effect: Monies that are collected at decentralized locations which are not deposited timely and did not adhere to the Housing Authority's policies and procedures in place, creates an increased risk of errors, fraud or abuse.

Auditors' Recommendation: We recommend that the Housing Authority continue emphasizing the importance of following proper procedures to the other Housing Authority locations. In addition, management should continue conducting internal trainings on the importance and ramifications of not following state statutes and laws.

Agency's Response: A system of depositing cash within the 24 hours as required will be established, in addition software will be purchased so that remote tenants can make online payments. Executive Director will complete this by June 30, 2020.

2019-010 Late Audit Report (Other Noncompliance)

Condition: The audit report for the Housing Authority's fiscal year end June 30, 2019 was not submitted by the due date of September 30, 2019 as required OSA Rule 2.2.2.9 (A). The audit report was submitted March 16, 2020.

Criteria: OSA Rule 2.2.2.9 (A) establishes a due date for submission of this audit report to the Office of the State Auditor by September 30.

Cause: The U.S. Department of Housing and Urban Development and the Board of Commissioners requested that the audit be started after the due date due to concerns. In addition, there is a potential investigation going to be performed which all resulted in the financial statement audit timeline being pushed back to after the deadline.

Effect: Without the audit report being delivered on time, regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

Auditors' Recommendation: As we do not anticipate this investigation to happen every year, we do not believe the next year's audit will be pushed back and the audit will be on time.

Agency's Response: The Process of the Audit was placed on hold by the Board of Commissioners, As of November 22, 2019, the Northern Regional Housing Authority has come under management of the Raton Housing Authority. At that time the Audit Process was restated, and the audit will be completed. In the next year the Management of the Raton Housing Authority will begin the process in a timely manner, in order to have the Audit submitted by the required deadline. Executive Director will complete this by June 30, 2020.

STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule V

SECTION V – SECTION 12-6-5- NMSA 1978 FINDINGS (Continued)

2019-011 Lack of Notification to the State Auditor for Capital Asset Dispositions (Other Noncompliance)

Condition: The Housing Authority did not notify the State Auditor 30 days prior to the disposition of property as required.

Criteria: According to Sections 13-6-1 and 13-6-2 NMSA 1978, at least 30 days prior to any disposition of property included on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor.

Cause: The Housing Authority was not aware of this requirement.

Effect: The Housing Authority did not adhere to 13-6-1 and 13-6-2 NMSA 1978.

Auditors' Recommendation: We recommend that the Housing Authority ensure that before any disposition of property is done that they first send written notification to the State Auditor before disposing of the assets.

Agency's Response: Policy and Procedures will be established to adhere to state laws and statues, all property disposed of will be written off under resolution by the Board of Commissioners, with a detail list submitted to The New Mexico State Auditor's office, for approval, prior to disposition. Executive Director will complete this by June 30, 2020.

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule V

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2018-001 – Capital Fund Projects Initiated and Started without Approval from Federal Oversight and Before any Environmental Reviews were completed and Approved-Resolved

2018-002 – Noncompliance with Low Rent Tenant Files-Repeated and modified (2019-003)

2018-003 – Noncompliance with Internal Controls over Tenant Eligibility-Resolved

2018-004 – Noncompliance with Eligibility Requirements-Repeated and modified (2019-004)

2018-005 – Noncompliance with Special Tests and Provisions HQS Enforcement -Resolved

2018-006– Lack of Evidence of Payroll Review-Resolved

2018-007 – Personnel Evaluations-Resolved

2018-008 – Miscommunication of Resolution No. 2016-110 - Plan to convert 525 Ranchitos Rd Unit 936 to a Community Resource Building - Resolved

Corrective Action Plan for Northern Regional Housing Authority
Related to 6/30/2019 Audit Findings

March 12, 2020

2019-001 Missing Board Minutes (Significant Deficiency and Other-Noncompliance)

As of November 22, 2019, the Northern Regional Housing Authority has come under management of the Raton Housing Authority, Signed Meeting Minutes, Resolution and Copies of the Agenda are organized in a binder for easy review. All prior meeting related documents will be located and stored in the same manner. Executive Director will complete this by June 30, 2020.

2019-003 Noncompliance with Low Rent Tenant Files-(Material Weakness and Material Noncompliance) (Repeated and Modified finding 2018-002 &FA 2017-002)

A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition, new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting. With the staff of all four Housing Authority's, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this December 31, 2020.

2019-004 Noncompliance with Eligibility Requirements-(Material Weakness and Material Noncompliance) (Repeated and Modified finding 2018-004)

A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting, with the staff of all four Housing Authority's, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this December 31, 2020.

2019-005 Noncompliance with Special Test and Provisions (Material Weakness)

A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. As of today, 95% of the Inspections have been completed, Eastern Regional Housing Authority and El Camino Real Housing Authority have sent staff out to complete these Inspection, the balance will be completed in the next 60 days. A system of inspects will be established with Inspections, divided equality for each month, so that they are more manageable by the Northern Regional Housing Authority staff. Executive Director will complete this June 30, 2020.

2019-006 Noncompliance with Special Test and Provisions (Significant Deficiency)

A major effort by three New Mexico Housing Authority's, The Raton Housing Authority, Eastern Regional Housing Authority and El Camino Real Housing Authority. To get all tenant files and information current and up to date as required by The Housing and Urban Development Department. In addition new utility allowance and flat rent were adopted at the February 21, 2020 Board of Commissioners Meeting, with the staff of all four Housing Authority's, reexams will be brought up to date and a system of procedures will be establish, to include a check list. Executive Director will complete this December 31, 2020.

2019-007 Procurement (Material Weakness)

A new Procurement Policy was adopted at the February 21, 2020 Board of Commissioners Meeting, Also a New Chief Procurement Office was also named, All purchase will be better documented. A system of purchasing will be established by the Raton Housing Authority, this will include the Northern Regional Housing Authority with a list of vendors that Procurement has already been completed. An inventory of Maintenance Material's will be established, with approved vendors. Chief Procurement Officer will complete this April 30, 2020.

2019-008 Missing Declaration of Trust (Significant Deficiency)

All open Capital Fund Grants will be reviewed for Declaration of Trust, all that are missing will be recorded with the County Clerk of the appropriate county. Executive Director will complete this June 30, 2020.

2019-0010 Insufficient Internal Controls over Cash Disbursements (Significant Deficiency)

Adhere to the Policy of the Executive Director reviewing and approving all invoices, the Executive Director will approve all invoices prior to payment. Executive Director will complete this March 30, 2020

2019-002 Late Audit Report (Other-Noncompliance)

The Process of the Audit was placed on hold by the Board of Commissioners, As of November 22, 2019, the Northern Regional Housing Authority has come under management of the Raton Housing Authority. At that time the Audit Process was restated, and the audit will be completed. In the next year the Management of the Raton Housing Authority will begin the process in a timely manner, in order to have the Audit submitted by the required deadline. Executive Director, Board of Commissioners will complete this June 30, 2020.

2019-009 Insufficient Internal Controls over Cash Receipts (Other-Noncompliance)

A system of depositing cash within the 48 hours as requirement will be established, in addition software will be purchased so that remote tenants can make online payments. Executive Director will complete this June 30, 2020.

2019-011 Lack of Notification to the State Auditor for the Capital Asset Dispositions (Other-Noncompliance)

Policy and Procedures will be established to adhere to state laws and statutes, all property disposed of will be written off under resolution by the Board of Commissioners, with a detail list submitted to The New Mexico State Auditor's office, for approval, prior to disposition. Executive Director will complete this June 30, 2020

**STATE OF NEW MEXICO
NORTHERN REGIONAL HOUSING AUTHORITY
OTHER DISCLOSURES
JUNE 30, 2019**

OTHER DISCLOSURES

Exit Conference

An exit conference was held on March 12, 2020. In attendance were the following:

Representing Northern Regional Housing Authority:

Rayetta Trujillo- Board Chair
Terry Baca - Acting Executive Director

Representing Cordova CPAs LLC:

Robert Cordova, CPA - Principal
Rufino Rodriguez, CPA - Senior Manager

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Northern Regional Housing Authority from the original books and records asserted by management of Northern Regional Housing Authority. The responsibility for the financial statements remains with Northern Regional Housing Authority.