

Truth or Consequences Housing Authority
A Component Unit of the
City of Truth or Consequences, New Mexico

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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RIGGS &
INGRAM

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Introductory Section

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
June 30, 2019
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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Official Roster
June 30, 2019

<u>Name</u>	<u>Title</u>
<u>Board of Commissioners</u>	
Greg D'Amour	Chairman
Leanne Tooley	Vice-Chairman
Danny Mena	Commissioner
Earl Greer	Commissioner
Chris O'Rourke	Commissioner
<u>Administrative Officials</u>	
Steven Rice	Executive Director
Teresa Castaneda	Senior Finance Specialist

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Financial Section

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
To the Executive Director and the Board of Commissioners
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Truth or Consequences, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Truth or Consequences Housing Authority, a Component Unit of the City of Truth or Consequences (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority as of June 30, 2019, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Housing Authority are intended to present the financial position, and the changes in financial position of only that portion of the business-type activities that are attributable to the transactions of the Housing Authority. They do not purport to and do not present fairly the financial position of the City of Truth or Consequences as of June 30, 2019, and the changes in its financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 19, the GASB Supplementary Pension Schedules on pages 56 through 60, and the GASB Supplementary OPEB Schedules on pages 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The introductory section; the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); the Combining Financial Schedules within the Supplementary Information section; and the Schedule of Collateral Pledged by Depository for Public Funds and Schedule of Deposit Accounts within the Supporting Schedules section required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Financial Data Schedule in the Supporting Schedules section is presented for purposes of additional analysis as required by the U.S Department of Housing and Urban Development and is not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2019, 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 solely 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 effectiveness of the Authority's 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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 2, 2019

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

As management of the Truth or Consequences Housing Authority (the "Housing Authority"), we offer the readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements of the Housing Authority and additional information provided.

Financial Highlights

- The assets and deferred outflows of the Housing Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,133,722 (*net position*).
- During the fiscal year the Housing Authority's total net position increased by \$20,907 as a result of the Authority's operations. Most of this increase was due to additional capital grants during the fiscal year.
- As the end of the current year fiscal year, unrestricted net position of the Housing Authority was a deficit of (\$434,465).

Housing Authority Financial Statements

The Housing Authority's mission focuses on the planning, design, construction, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households, assisting in the revitalization of neighborhoods, and redevelopment of commercial and industrial areas in the City of Truth or Consequences.

The Housing Authority, as of June 30, 2019, owned 100 Public Housing, 52 Rural Development homes, and 515 residential apartment units that are leased to low-income families and individuals. In addition, housing assistance was being paid for an average of 190 units every month under the Federal Housing Choice Voucher programs for privately-owned existing rental housing. Within the City of Truth or Consequences, the Housing Authority manages an additional two apartment complexes consisting of 116 apartment units combined. The Housing Authority also manages five additional project based section 8 multi-family properties located throughout the State of New Mexico. These apartment complexes combined unit total is 246, with locations in Deming, Lordsburg, Carlsbad, Socorro, and Espanola.

In view of this mission, the Housing Authority's financial reporting objective under GASB 34 in FY 2018 focuses on the financial activities of the Housing Authority as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Financial Statements Used in Fiscal Year 2019

The Housing Authority is presenting its fiscal year 2019 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position reports all financial and capital assets of the Housing Authority and is presented in a format where assets plus deferred outflows equal liabilities plus deferred inflows plus net position.

The statement of revenues, expenses and changes in net position (similar to an income statement) includes operating revenues, such as charges for services, operating and capital grants and miscellaneous revenues. Operating expenses include administration, tenant services, utilities, ordinary maintenance & operations, general, housing assistance payments and depreciation. Non-operating revenues include interest income and gain on disposal of assets. The statement's focus is the change in net position, which is similar to net income or loss.

The statement of cash flows is included, which discloses net cash used in operating activities, net cash used in capital and related financing activities, net cash used in noncapital and related financing activities, and net cash used in investing activities, if applicable.

The statement of revenues, expenses and changes in net position – budget and actual compares actual amounts spent to the Housing Authority's budgeted amounts for the fiscal year.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Housing Authority's net position and changes in net position in full compliance with GASB 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

Housing Authority Programs

The Housing Authority maintains four programs accounted for in its Low-Rent Public Housing and Housing Choice Vouchers Section 8 rental assistance programs. The Housing Authority operates two properties under a Rental Assistance (RA) contract through the USDA Rural Development 515 program. The detailed program financial statements provide separate information for the Low-Rent Public Housing, Section 8 Housing Choice Voucher and Rural Development programs of the Housing Authority. Capital Fund Projects grant resources and capital assets are accounted for in the Low Rent Public Housing program.

Through U.S. Department of Housing & Urban Development (HUD) Federal grants, the Housing Authority operates and manages three service coordinator grant programs, the Resident Opportunity and Supportive Service program and the Family Self Sufficiency program which is maintained in both the Section 8 and Low-Rent Public Housing programs.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Additionally, the Housing Authority manages a Service Coordinator for Multi-Family (SCMF) program at the Casa del Rio apartment complex. Individual program financial statements can be found on pages 66 through 75 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 28 through 54 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,133,722 at the close of the most recent fiscal year.

By far the largest portion of the Housing Authority's net position is the \$2,568,187 that reflects its investment in capital assets (e.g., land, buildings, and dwelling and administrative equipment), less any related debt used to acquire those assets that is still outstanding.

The Housing Authority uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Housing Authority's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net position* is a deficit of (\$434,465). The majority of this deficit is caused by the Authority's net pension and net OPEB liabilities causing a reduction in this category of net position.

At the end of the current fiscal year, the Housing Authority is able to report positive balances in overall net position. The same situation held true for the prior fiscal year.

Based on operating and non-operating revenues and expenses, there was an increase of \$20,907 (0.99 percent) in net position reported by the Housing Authority as compared to the prior year.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Government-wide Financial Analysis (Continued)

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018
Assets		
Current assets	\$ 1,437,630	\$ 1,504,666
Restricted assets	214,132	206,100
Capital assets, net of accumulated depreciation	3,336,408	3,218,728
Total assets	4,988,170	4,929,494
Deferred outflows	485,916	379,948
Total assets and deferred outflows	\$ 5,474,086	\$ 5,309,442
Liabilities		
Current liabilities (payable from current assets)	\$ 140,208	\$ 160,560
Current liabilities (payable from restricted assets)	124,729	100,807
Noncurrent liabilities	2,852,434	2,648,567
Total liabilities	3,117,371	2,909,934
Deferred inflows	222,993	286,693
Net position		
Net investment in capital assets	2,568,187	2,406,591
Restricted	-	37,342
Unrestricted	(434,465)	(331,118)
Total net position	2,133,722	2,112,815
Total liabilities, deferred inflows, and net position	\$ 5,474,086	\$ 5,309,442

There was an increase of \$161,596 in net investment in capital assets reported in connection with the Housing Authority's activities. The majority of this increase is attributable to ongoing utilization of capital assets (depreciation expense) being a smaller amount than the Housing Authority's additions to capital assets during the fiscal year.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Government-wide Financial Analysis (Continued)

Housing Authority Activities: Key elements of Housing Authority activities are as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2019	June 30, 2018
Operating revenues:		
Tenant rent and other tenant revenue	\$ 403,249	\$ 403,304
Administrative fee revenue	153,096	137,129
Subsidy grants	1,512,766	1,422,955
Total operating revenues	2,069,111	1,963,388
Operating expenses:		
Personnel services	524,818	539,749
Contractual services	171,855	147,878
Supplies	41,129	31,146
Maintenance and materials	84,819	38,667
Utilities	119,673	131,277
Insurance	33,915	43,579
Bad debt	3,642	11,841
Housing assistance payments	948,175	807,474
Depreciation	157,907	128,510
Miscellaneous	85,663	82,981
Total operating expenses	2,171,596	1,963,102
Operating income	(102,485)	286
Non-operating revenues (expenses):		
Capital grants	181,472	51,452
Interest income	8,799	4,940
Interest expense	(75,472)	(90,021)
Gain/loss on sale of assets	530	(9,569)
Miscellaneous income	8,063	20,194
Total non-operating revenues	123,392	(23,004)
Change in net position	20,907	(22,718)
Net position, beginning of year	2,112,815	2,908,515
Restatement - GASB 75	-	(772,982)
Net position, end of year	\$ 2,133,722	\$ 2,112,815

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Government-wide Financial Analysis (Continued)

Total operating revenues increased \$105,723 (5.38 percent) during the year. Most of this increase is the increase in Subsidy grants provided to the Authority from HUD for Section 8 Vouchers.

Capital Fund grant awards increased \$130,020 (252.7 percent) from the prior year. The Authority had access to multiple grant years of Capital fund Grants in FY 2019 that attributed to this increase.

Increases in several categories of operating expenses reflect the increases in ongoing residential tenant operations and maintenance. Operating expenses overall increased by \$208,494 (10.62 percent) from the prior year. The majority of this increase occurred in housing assistance payments.

Capital Assets and Debt Administration

Truth or Consequences Housing Authority's Capital Assets

	June 30, 2019	June 30, 2018
Land	\$ 637,536	\$ 637,536
Land improvements	768,214	631,742
Buildings and improvements	6,786,456	6,763,906
Dwelling equipment	283,328	257,226
Nondwelling equipment	560,535	493,425
Construction in progress	156,084	156,084
Accumulated depreciation	(5,855,745)	(5,721,191)
Capital assets, net	\$ 3,336,408	\$ 3,218,728

The Housing Authority's net investment in capital assets for its business type activities as of June 30, 2019, amounts to \$2,568,187 (net of accumulated depreciation and debt). This investment in capital assets included land, land improvements, buildings, equipment and furnishings. The total increase in the Housing Authority's net investment in capital assets for the current fiscal year was 6.71 percent.

Major capital asset events during the current fiscal year included the following:

In an effort to increase availability of handicap accessible units, Truth or Consequences Housing Authority (TCHA) completed the redesign and renovation of a 2-bedroom apartment to make it compliant to Section 504 – handicap accessible.

Additional information on Housing Authority's capital assets can be found on pages 40 of this report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Management's Discussion and Analysis
June 30, 2019

Government-wide Financial Analysis (Continued)

Long-term Debt

At the end of the current fiscal year, Housing Authority had notes payable of \$768,221, an OPEB liability of \$622,249, and a net pension liability of \$1,503,496.

Economic Factors

The unemployment rate for Sierra County as of March 2018, reported by the New Mexico Department of Workforce Solutions, is 8.8%, which is slightly lower than 9.1% as reported last year.

Rental occupancy rates of the Housing Authority's Low-Rent Public Housing Program had remained relatively stable at an average of 95% with slight variations over the previous years. This past year occupancy rate dipped to an average of 92.5%. The approved designation of two units as Police units, factors in the reduction of those units from HUD scoring and is reflected in average occupancy rate. The Housing Authority continues working to attain High Performer status in the Public Housing Assessment System.

In October of 2014, the TCHA signed a partnership agreement with the U.S. Department of Energy (DOE) under a Presidential leadership initiative, the Better Buildings Challenge which calls on owners, managers and operators of multifamily housing to commit to a reduction in energy consumption of at least 20 percent in 10 years. As an element of pursuing our goal, TCHA submitted and received approval in July of 2018 from the U.S. Department of Housing & Urban Development (HUD) of an Energy Performance Contract. Through this contract, working with the International Center for Appropriate & Sustainable Technology (ICAST), TCHA was able to see the completion of the installation of two (2) solar arrays on our public housing properties, Villa del Sol and Vista del Cerro. With this installation and other implemented energy conservation measures, TCHA expects to realize significant savings in utility consumption and expense.

Requests for Information

This financial report is designed to provide a general overview of the City of Truth or Consequences Housing Authority's finances for all those with an interest in the Housing Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 108 S. Cedar St., Truth or Consequences, NM 87901.

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Basic Financial Statements

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Statement of Net Position
June 30, 2019

Assets

Current assets		
Cash and cash equivalents	\$	779,882
Investments		356,017
Accounts receivable - grants		15,790
Accounts receivable - tenants, net		15,442
Notes receivable		219,801
Inventory		24,350
Prepaid expenses		26,348
<hr/>		
Total current assets		1,437,630
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Non-current assets		
Restricted cash and cash equivalents		214,132
Capital assets		9,192,153
Less: accumulated depreciation		(5,855,745)
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Total non-current assets		3,550,540
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Total assets		4,988,170
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Deferred outflows		
Deferred outflows - pension		472,659
Deferred outflows - OPEB		13,257
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Total deferred outflows		485,916
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Total assets and deferred outflows	\$	5,474,086
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The accompanying notes are an integral part of these financial statements.

Liabilities

Current liabilities		
Accounts payable	\$	19,794
Accrued payroll		54,228
Current portion of compensated absences		24,654
Current portion of loans payable		41,532
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Total current liabilities		140,208
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Current liabilities (payable from restricted assets)		
Tenant deposits		34,242
FSS deposits		90,487
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Total current liabilities (payable from restricted assets)		124,729
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Non-current liabilities		
Loans payable		726,689
Net OPEB liability		622,249
Net pension liability		1,503,496
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Total non-current liabilities		2,852,434
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Total liabilities		3,117,371
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Deferred inflows		
Deferred inflows - pension		59,922
Deferred inflows - OPEB		163,071
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Total deferred inflows		222,993
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Net position		
Net investment in capital assets		2,568,187
Unrestricted		(434,465)
<hr/>		
Total net position		2,133,722
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Total liabilities, deferred inflows, and net position	\$	5,474,086
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The accompanying notes are an integral part of these financial statements.

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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating revenues	
Rental revenue	\$ 386,905
Other tenant revenue	16,344
Management fees	153,096
Subsidy grants	1,512,766
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Total operating revenues	2,069,111
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Operating expenses	
Personnel services	524,818
Contractual services	171,855
Supplies	41,129
Maintenance and materials	84,819
Utilities	119,673
Insurance	33,915
Bad debt	3,642
Housing assistance payments	948,175
Depreciation	157,907
Miscellaneous	85,663
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Total operating expenses	2,171,596
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Operating (loss)	(102,485)
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Non-operating revenues and expenses	
Interest income	8,799
Interest expense	(75,472)
Miscellaneous income	8,063
Gain on disposal of assets	530
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Total non-operating revenues and expenses	(58,080)
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Total loss before capital grants	(160,565)
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Capital grants	181,472
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Change in net position	20,907
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Total net position - beginning of year	2,112,815
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Total net position - end of year	\$ 2,133,722
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The accompanying notes are an integral part of these financial statements.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from tenant rents and management charges	\$ 568,680
Cash payments to employees for services	(465,053)
Cash payments to suppliers for goods and services	(1,531,656)
Cash received from subsidy grants	1,501,176
<hr/>	
Net cash provided by operating activities	73,147
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Cash flows from noncapital financing activities:	
Miscellaneous income	8,063
Payments received on notes receivable	103,159
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Net cash provided by noncapital financing activities	111,222
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Cash flows from capital and related financing activities:	
Capital grants	181,472
Acquisition of capital assets	(275,057)
Payments on notes payable	(43,916)
Interest payments	(75,472)
<hr/>	
Net cash used by capital and related financing activities	(212,973)
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Cash flows from investing activities:	
Interest on cash and investments	2,101
<hr/>	
Net cash provided by investing activities	2,101
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Net increase in cash and cash equivalents	(26,503)
<hr/>	
Cash and cash equivalents - beginning of year	1,020,517
<hr/>	
Cash and cash equivalents - end of year	\$ 994,014
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The accompanying notes are an integral part of these financial statements.

Reconciliation of operating (loss) to		
net cash provided by operating activities:		
Operating (loss)	\$	(102,485)
Adjustments to reconcile operating loss		
to net cash provided by operating activities:		
Depreciation		157,907
Bad debt expense		3,642
Noncash OPEB benefit		(13,534)
Noncash pension expense		97,686
Changes in assets, deferred outflows, and liabilities		
Accounts receivable - grants		(11,590)
Accounts receivable - tenants, net		(11,587)
Inventory		(19,873)
Prepaid expenses		(24,552)
Accounts payable		(2,002)
Accrued payroll expenses		(21,374)
FSS deposits		21,868
Accrued compensated absences		1,496
Tenant deposits		2,054
Deferred outflows - subsequent contributions - OPEB		(612)
Deferred outflows - subsequent contributions - pension		(3,897)
<hr/>		
Net cash provided by operating activities	\$	73,147
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The accompanying notes are an integral part of these financial statements.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Truth or Consequences Housing Authority (the "Housing Authority") is a public housing authority that provides affordable housing to low-income and disadvantaged families of the City of Truth or Consequences, New Mexico. The programs are primarily funded with federal grants and tenant rents. The Authority is a political subdivision of the State of New Mexico and a component unit of the City of Truth or Consequences, New Mexico. The City provides sponsorship only, the entities operations are distinct and legally separate.

The Housing Authority has an elected Chairman, a three member council. The Housing Authority manages two (2) low rent public housing developments containing 100 total units, two rural development housing projects containing 52 total units, and administers Housing and Urban Development's ("HUD") Housing Choice Vouchers Section 8 housing assistance program (515 units currently being leased).

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.

These financial statements represent the financial operations of the Housing Authority for the year ended June 30, 2019.

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

The following programs are maintained by the Housing Authority:

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

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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.

Resident Opportunity and Supportive Services – Funded by HUD, the program funds are used to address the needs of public housing residents by providing supportive services, resident empowerment activities, and/or assisting residents in becoming economically self-sufficient. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program and Section 8 Housing Choice Voucher Program on the Financial Statements.

Rural Rental Housing Loans and Rural Rental Housing Assistance – The housing complexes of Hacienda Orgullo and Puesta del Sol are rental units purchased through loan funds from the Rural Development Office of the United States Department of Agriculture to provide decent, safe, and sanitary housing to disadvantaged New Mexicans. Units are leased to eligible applicants who meet certain income guidelines.

Return to Owner – Funded by administrative fees earned on the Rural Development and HOME Programs. These funds are used to supplement other programs of the Authority.

Enchanted Child Care and Development Center (ECDC) – Child Care Center established through assistance from both Federal and State agencies to provide decent, safe, and sanitary care for children of eligible parents.

Home Program – A HUD funded program passed through the New Mexico Finance Authority. The program is designed to provide eligible low-income families with the opportunity to purchase their own homes.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. 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.

B. Basis of Accounting and Measurement Focus

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

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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 and 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services and subsidy grants.

Operating expenses for enterprise funds include the personnel services, utilities, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Housing Authority's cash flow statement includes changes in both operating cash and restricted cash and cash equivalents. Cash on the cash flow statement consists of the Housing Authority's cash and cash equivalents and short term investments with a maturity date of less than 90 days.

Revenue Recognition

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 grant revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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 and useful lives on capital assets, the net pension liability and associated deferred outflows and deferred inflows, and the net OPEB liability and associated deferred outflows and deferred inflows.

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

Deposits and Investments

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

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts.

To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short term investments.

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. HUD depository agreements with the Authority require 100% of the Authority's balances on deposit with any one institution to be collateralized. If the securities pledged are United States government securities, they are pledged at market value. The types of collateral are listed on page 38 of the notes to the financial statements.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

Accounts Receivable

All tenant receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible. Grants and other receivables are estimated to be fully collectible by the Authority.

Interprogram Receivables and Payables

During the course of operations, transactions occur between individual programs that may result in amounts owed between programs. These interprogram loans are reported as "interprogram receivables/payables". Interprogram receivables/payables between individual programs are eliminated on the Statement of Net Position.

Inventory

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

Prepaid Expenses

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

Capital Assets

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

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

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>
Land improvements	40 years
Building and improvements	40 years
Dwelling equipment	5 years – 10 years
Non-dwelling equipment	5 years – 10 years

In the Financial Data Schedule, the Construction in Progress contains \$89,532 in capital assets in service which are recorded in depreciating categories on the financial statements and in Note 4.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Authority has five types of items that qualify for reporting in this category. The items, are contributions subsequent to measurement date, the net difference between expected and actual earnings on pension plan investments, the difference between expected and actual experience, changes in proportion and difference between employer contributions and proportional share of contributions, and change of assumptions, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in the appropriate future period.

Related to their net pension liability, the Authority has recorded \$80,042 related to contributions subsequent to the measurement date, \$111,505 related to the net difference between expected and actual earnings on pension plan investments, \$43,455 related to the difference between expected and actual experience, \$101,344 related to changes in proportion and difference between employer contributions and proportional share of contributions, and \$136,313 related to the change of assumptions.

Related to their net OPEB liability, the Authority has recorded \$13,527 related to contributions subsequent to the measurement date.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Authority has three types of items that qualify for reporting in this category. The items, change of assumptions, the difference between expected and actual experience, and changes in proportion and difference between employer contributions and proportional share of contributions, are reported on the Statement of Net Position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Related to their net pension liability, the Authority has recorded \$8,643 related to change of assumptions, \$39,470 related to the difference between expected and actual experience, and \$11,809 related to the changes in proportion and differences between employer contributions and proportionate share of contributions.

Related to their net OPEB liability, the Authority has recorded \$116,170 related to change of assumptions, \$7,763 related to the net difference between expected and actual earnings on OPEB plan investments, \$2,296 related to changes in proportion and difference between employer contributions and proportional share of contributions, and \$36,842 related to the difference between expected and actual experience.

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.

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.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

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 Resources

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

Budgets

The Housing Authority adopts budgets for its Low Rent Public Housing, Housing Choice Vouchers and, Rural Rental Housing Loan programs in accordance with the Housing and Urban Development Program agreements, and Department of Agriculture regulations. Other funds are not budgeted.

Budgets are prepared on the “Economic Resources” basis, excluding depreciation, and are utilized as a guide only. The budgets are not legally enforceable documents, and beginning fund positions are not budgeted.

Pensions & Postemployment Benefits Other than Pensions (OPEB)

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 New Mexico Public Employees 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.

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.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

New Accounting Standards Adopted

During the year ended June 30, 2019, the Housing Authority adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. These two statements are required to be implemented as of June 30, 2019, if applicable.

The implementation of these statements did not have a significant impact on the Housing Authority because the activities of the Housing Authority were not affected by the statements in a material manner.

NOTE 2: DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Housing Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Housing Authority properly followed State investment requirements as of June 30, 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 only funds held in a non-interest bearing account are the funds in the rent account, from which excess funds are then transferred to an interest-bearing account on a monthly basis.

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.

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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, \$545,231 of the Housing Authority’s bank balance of \$1,331,114 was exposed to custodial credit risk. Although the \$545,231 was uninsured, all of that amount was collateralized by collateral held by the pledging bank’s trust department, not in the Housing Authority’s name. None of the Housing Authority’s deposits were uninsured and uncollateralized at June 30, 2019.

	Bank of the Southwest	BBVA Compass	Citizens Bank of Las Cruces	First Savings Bank	Total
Amount of deposits	\$ 155,685	\$ 720,989	\$ 324,242	\$ 130,198	\$ 1,331,114
FDIC coverage	(155,685)	(250,000)	(250,000)	(130,198)	(785,883)
Total uninsured public funds	-	470,989	74,242	-	545,231
Collateralized by securities held by pledging institutions or by its trust department or agents other than the Authority's name	-	470,989	74,242	-	545,231
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral requirement (100% of uninsured public funds)	\$ -	\$ 470,989	\$ 74,242	\$ -	\$ 545,231
Pledged collateral	-	3,230,249	767,932	-	3,998,181
Over (under) collateralization	\$ -	\$ 2,759,260	\$ 693,690	\$ -	\$ 3,452,950

The collateral pledged is listed on Schedule of Collateral Pledged by Depository for Public Funds of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Reconciliation to Statement of Net Position

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

Cash and cash equivalents per statement of net position	\$ 779,882
Restricted cash and cash equivalents per statement of net position	214,132
Investments per statement of net position	356,017
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Total cash, cash equivalents, and investments	1,350,031
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Add: outstanding checks	84,317
Less: deposits in transit	(103,234)
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Bank balance of deposits and investments	\$ 1,331,114
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The Authority's investments as listed on the statement of net position are in certificates of deposit with a maturity date greater than 90 days from year-end. These certificates of deposit are not subject to fair value measurement.

NOTE 3: ACCOUNTS RECEIVABLE

As of June 30, 2019, the Housing Authority had the following receivables:

Tenant receivables	\$	16,151
Allowance for doubtful accounts - tenants		(709)
Grants receivable		15,790
Notes receivable		219,801
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Total	\$	251,033
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The Authority's notes receivable consist of three promissory notes from related entities which are owed to the Return to Owner Program. These notes were executed for the purpose of funding future tax credit properties for which the Authority plans to be a participating member. These notes have no set time for repayment and bear no interest. These notes are considered fully receivable.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 4: CAPITAL ASSETS

The following summarizes changes in capital assets activity for the Authority during fiscal year 2019.

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 637,536	\$ -	\$ -	\$ -	\$ 637,536
Construction in progress	156,084	-	-	-	156,084
Total capital assets not being depreciated	793,620	-	-	-	793,620
Capital assets being depreciated:					
Land improvements	631,742	178,517	-	(42,045)	768,214
Buildings and improvements	6,763,906	22,550	-	-	6,786,456
Dwelling equipment	257,226	-	22,823	48,925	283,328
Non-dwelling equipment	493,425	73,990	-	(6,880)	560,535
Total capital assets being depreciated	8,146,299	275,057	22,823	-	8,398,533
Total capital assets	8,939,919	275,057	22,823	-	9,192,153
Accumulated depreciation:					
Land improvements	565,736	28,705	-	-	594,441
Buildings and improvements	4,466,111	100,808	-	-	4,566,919
Dwelling equipment	242,937	(346)	23,353	-	219,238
Non-dwelling equipment	446,407	28,740	-	-	475,147
Total accumulated depreciation	5,721,191	157,907	23,353	-	5,855,745
Total capital assets, net of depreciation	\$ 3,218,728	\$ 117,150	\$ (530)	\$ -	\$ 3,336,408

Depreciation expense for the year ended June 30, 2019 totaled \$157,907 for the Authority.

In the Financial Data Schedule, the Construction in Progress category contains \$89,532 in capital assets in service which are recorded in depreciating categories on the financial statements.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 5: LONG-TERM LIABILITIES

The following summarizes changes in long-term liability activity during fiscal year 2019:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 296,902	\$ -	\$ 23,035	\$ 273,867	\$ 23,266
USDA Loans Hacienda Orgullo #2	92,457	-	8,150	84,307	7,276
USDA Loan Puesta del Sol	422,778	-	12,731	410,047	10,990
Compensated Absences	23,158	54,766	53,270	24,654	24,654
Total long-term debt	\$ 7,248,287	\$ 54,766	\$ 97,186	\$ 792,875	\$ 66,186

The USDA Loan liabilities are collateralized by the property purchased/renovated with the funds.

Compensated absences increased by \$1,496 and the balances are paid from the programs under which they are incurred.

The Hacienda Orgullo notes are payable to the U.S. Department of Agriculture, through the Rural Housing Service. The stated interest rates are paid 1% by the Authority, and the remainder by Rural Housing Service, in the form of a debt service subsidy.

The Puesta del Sol note is payable to the U.S. Department of Agriculture, through the Rural Housing Service. The Authority receives a fixed debt service subsidy from the Rural Housing Service of \$3,681 per month.

The terms of each note payable are summarized below:

Description	Date of Issue	Maturity Date	Interest Rate	Subsidy Rate	Original Amount of Issue	Balance June 30, 2019
USDA Loans Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140	\$ 273,867
USDA Loans Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000	84,307
USDA Loan Puesta del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788	410,047
Total NMFA Loans						\$ 768,221

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 5: LONG-TERM LIABILITIES (Continued)

Debt service requirements on long-term debt at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 41,532	\$ 79,759	\$ 121,291
2021	43,218	75,619	118,837
2022	45,079	71,279	116,358
2023	47,138	66,716	113,854
2024	49,419	61,905	111,324
2025-2029	291,221	226,563	517,784
2030-2034	250,614	69,864	320,478
	\$ 768,221	\$ 651,705	\$ 1,419,926

NOTE 6: INTERPROGRAM RECEIVABLES AND PAYABLES

The following interprogram receivables and payables have been reported on the statement of net position - detail. Payments from Return to Owner to the Low Rent Public Housing Program are made quarterly in the amount of \$2981.50 through January 1, 2031. Puesta del Sol does not have a set schedule of payments to Return to Owner.

Due From	Due to	
Puesta del Sol	Return to Owner	\$ 81,301
Return to Owner	Low Rent Public Housing Program	140,131
		\$ 221,432

NOTE 7: CONTINGENT LIABILITIES

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

The Authority is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

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

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction 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.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 8: PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

Contributions. The contribution requirements of defined benefit plan members and the Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 135 of the PERA FY18 annual CAFR at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

The PERA coverage option that applies to the Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Housing Authority were \$80,042 and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were 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 June 30, 2018.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Housing Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population.

For PERA Fund Municipal General Division, at June 30, 2019, the Housing Authority reported a liability of \$1,503,496 for its proportionate share of the net pension liability. At June 30, 2019, the Housing Authority’s proportion was 0.0943 percent, which changed from its proportion of 0.0892 percent as of June 30, 2018.

For the year ended June 30, 2019, the Housing Authority recognized PERA Fund Municipal General Division pension expense of \$173,652.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 8: PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

At June 30, 2019, the Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 136,313	\$ 8,643
Net difference between projected and actual earnings on pension plan investments	111,505	-
Changes in proportion and differences between the Housing Authority's contributions and proportionate share of contributions	101,344	11,809
The Housing Authority's difference between expected and actual experience	43,455	39,470
The Housing Authority's contributions subsequent to the measurement date	80,042	-
Total	\$ 472,659	\$ 59,922

\$80,042 reported as deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	(195,180)
2021	(101,465)
2022	(30,294)
2023	(5,756)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2017 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2017, actuarial valuation.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 8: PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

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	4 Year smoothed Market Value
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% annual rate first 9 years, 2.75% all other years
Mortality assumption	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 long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets	20.00	6.48
Total	100.00%	

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 8: PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

Therefore, the 7.25 assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Housing Authority’s net pension liability in each PERA Fund Division that the Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Truth or Consequences Housing Authority's proportionate share of the net pension liability	\$ 2,316,779	\$ 1,503,496	\$ 831,179

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. As of June 30, 2018, amounts due to PERA from the Authority totaled \$7,632.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

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

General Information about the OPEB

Plan description: Employees of the 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, 2019, 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	93,349
	156,025
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	48,756
	93,349

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

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 Authority were \$13,257 for the year ended June 30, 2019.

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

At June 30, 2019, the Authority reported a liability of \$622,249 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 June 30, 2017. The 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, 2019, the Authority’s proportion was 0.01431 percent.

For the year ended June 30, 2019, the Housing Authority recognized an OPEB benefit of \$1,313. At June 30, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 116,170
Net difference between projected and actual earnings on pension plan investments	-	7,763
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	-	2,296
The Housing Authority's difference between expected and actual experience	-	36,842
The Housing Authority's contributions subsequent to the measurement date	13,257	-
Total	\$ 13,257	\$ 163,071

Deferred outflows of resources totaling \$13,257 represent 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, 2020.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

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

Year ended June 30:	
2020	\$ (41,336)
2021	(41,336)
2022	(41,336)
2023	(32,033)
2024	(7,030)
Total	\$ (163,071)

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

Actuarial 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% to 12.50%, based on years of service, including inflation
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 years 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.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

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

Asset Class	Target Allocation
U.S. core fixed income	20%
U.S. equity - large cap	20%
Non U.S. - emerging markets	15%
Non U.S. - developed equities	12%
Private equity	10%
Credit and structured finance	10%
Real estate	5%
Absolute return	5%
U.S. equity - small/mid cap	3%

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. 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 Authority, as well as what the 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	Current	1% Increase
(3.08%)	Discount Rate	(5.08%)
(3.08%)	(4.08%)	(5.08%)
\$ 753,069	\$ 622,249	\$ 519,135

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

The following presents the net OPEB liability of the Authority, as well as what the 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:

1% Decrease	Current Trend Rates	1% Increase
\$ 526,019	\$ 622,249	\$ 697,696

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 Authority reported a payable of \$769 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined together with other Housing Authorities and obtained insurance through the Housing Authority Insurance Group, a Housing Authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to Housing Authority Insurance Group for its general insurance coverage, and risk of loss is transferred. The limits of the Authority’s coverage are as follows: \$50,000 fire damage sub-limit, \$2,000,000 bodily injury each occurrence and aggregate, \$2,000,000 property damage each occurrence and aggregate, \$100,000 mold or bacteria, and \$250,000 personal injury each occurrence and aggregate. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the previous three years.

NOTE 11: CONCENTRATIONS

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 12: 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 December 2, 2019 which is the date on which the financial statements were available to be issued. There were no events noted as of this date.

NOTE 13: CAPITAL FUND CLOSEOUTS

The Authority had no Capital Fund Program closeouts during the year ended June 30, 2019.

NOTE 14: COMMITMENTS

The Housing Authority has the following commitments at June 30, 2019 relating to contracts in place for the completion of Capital Fund Projects:

Capital Fund Program 2017: \$ 74,000 – Related to concrete improvements at the housing complex.

These projects should be completed during the fiscal year 2020.


NOTE 15: SUBSEQUENT PRONOUNCEMENTS

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

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

In June 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.



Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Financial Statements
June 30, 2019

NOTE 15: SUBSEQUENT PRONOUNCEMENTS (Continued)

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

Required Supplementary Information

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Employer's Proportionate Share of the Net Pension Liability of
PERA Fund Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
Truth or Consequences Housing Authority's proportion of the net pension liability	0.0943%	0.0892%
Truth or Consequences Housing Authority's proportionate share of the net pension liability	\$ 1,503,496	\$ 1,225,684
Truth or Consequences Housing Authority's covered payroll	\$ 631,912	\$ 617,593
Truth or Consequences Housing Authority's proportionate share of the net pension liability as a percentage of its covered payroll	237.93%	198.46%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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, Truth or Consequences Housing Authority will present information for those years for which information is available.

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

2017	2016	2015
Measurement	Measurement	Measurement
Date	Date	Date
(As of and for	(As of and for	(As of and for
the Year Ended	the Year Ended	the Year Ended
June 30, 2016)	June 30, 2015)	June 30, 2014)
0.9228%	0.9820%	0.9820%
\$ 1,287,717	\$ 797,317	\$ 766,065
\$ 571,154	\$ 605,461	\$ 583,664
225.46%	131.69%	131.25%
69.18%	76.99%	81.29%

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 80,042	\$ 76,145
Contributions in relation to the contractually required contribution	(80,042)	(76,145)
Contribution deficiency (excess)	\$ -	\$ -
Truth or Consequences Housing Authority's covered payroll	\$ 664,243	\$ 631,912
Contributions as a percentage of covered payroll	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, Truth or Consequences Housing Authority will present information for those years for which information is available.

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

As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 74,420	\$ 68,824	\$ 72,958
(74,420)	(68,824)	(72,958)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 617,593	\$ 571,154	\$ 605,461
12.05%	12.05%	12.05%

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Required Supplementary Information
Public Employees Retirement Association (PERA) Plan
June 30, 2019

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2018-Final.pdf>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2017-PERA-Valuation-Report-FINAL.pdf> See the notes to the financial statements on page 57 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

See independent auditors' report.

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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New
Mexico Retiree Health Care Act Plan
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

	2019	2018
	Measurement	Measurement
	Date	Date
	(As of and for	(As of and for
	the Year Ended	the Year Ended
	June 30, 2018)	June 30, 2017)
Truth or Consequences Housing Authority's proportion of the net OPEB liability	0.01431%	0.01436%
Truth or Consequences Housing Authority's proportionate share of the net OPEB liability	\$ 622,249	\$ 650,748
Truth or Consequences Housing Authority's covered-employee payroll	\$ 632,179	\$ 598,187
Truth or Consequences Housing Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	98.43%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* 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, Truth or Consequences Housing Authority will present information for those years for which information is available.

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 13,257	\$ 12,645
Contributions in relation to the contractually required contribution	(13,257)	(12,645)
Contribution deficiency (excess)	\$ -	\$ -
Truth or Consequences Housing Authority's covered-employee payroll	\$ 662,764	\$ 632,179
Contributions as a percentage of covered-employee payroll	2.00%	2.00%

* 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, Truth or Consequences Housing Authority will present information for those years for which information is available.

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to Required Supplementary Information
New Mexico Retiree Health Care Authority (NMRHCA) Plan
June 30, 2019

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY18 audit available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.18.pdf.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_update_Final_Report_11.21.17.pdf. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

See independent auditors' report.

Supplementary Information

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Net Position - Detail
June 30, 2019

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program
Assets		
Current assets		
Cash and cash equivalents	\$ 220,120	\$ 93,686
Investments	227,083	49,408
Accounts receivable - grants	15,790	-
Accounts receivable - tenants, net	4,982	-
Notes receivable	-	-
Interprogram receivables	140,131	-
Inventory	20,188	-
Prepaid expenses	20,184	1,548
Total current assets	648,478	144,642
Non-current assets		
Restricted cash and cash equivalents	47,174	69,038
Capital assets	6,702,716	35,730
Less: accumulated depreciation	(4,500,139)	(35,730)
Total non-current assets	2,249,751	69,038
Total assets	2,898,229	213,680
Deferred outflows		
Deferred outflows - pension	208,323	67,041
Deferred outflows - OPEB	7,371	1,180
Total deferred outflows	215,694	68,221
Total assets and deferred outflows	\$ 3,113,923	\$ 281,901

See independent auditors' report.

Puesta del Sol Apartments	Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ (2,239)	\$ 42,367	\$ 345,639	\$ 74,369	\$ 5,940	\$ 779,882
-	-	79,526	-	-	356,017
-	-	-	-	-	15,790
7,860	2,600	-	-	-	15,442
123	-	219,678	-	-	219,801
-	-	81,301	-	-	221,432
1,191	2,971	-	-	-	24,350
1,863	2,753	-	-	-	26,348
8,798	50,691	726,144	74,369	5,940	1,659,062
22,655	75,265	-	-	-	214,132
878,541	1,534,258	-	40,908	-	9,192,153
(442,859)	(851,415)	-	(25,602)	-	(5,855,745)
458,337	758,108	-	15,306	-	3,550,540
467,135	808,799	726,144	89,675	5,940	5,209,602
29,692	44,817	122,786	-	-	472,659
770	1,208	2,728	-	-	13,257
30,462	46,025	125,514	-	-	485,916
\$ 497,597	\$ 854,824	\$ 851,658	\$ 89,675	\$ 5,940	\$ 5,695,518

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Net Position - Detail
June 30, 2019

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program
Liabilities		
Current liabilities		
Accounts payable	\$ 15,098	\$ -
Accrued payroll	54,228	-
Compensated absences	8,975	268
Interprogram payables	-	-
Current portion of loans payable	-	-
Total current liabilities	78,301	268
Current liabilities (payable from restricted assets)		
Tenant deposits	25,725	-
FSS deposits	21,449	69,038
Total current liabilities (payable from restricted assets)	47,174	69,038
Non-current liabilities		
Loans payable	-	-
Net OPEB Liability	348,531	55,938
Net pension liability	725,457	226,169
Total non-current liabilities	1,073,988	282,107
Total liabilities	1,199,463	351,413
Deferred Inflows		
Deferred inflows - pension	4,740	25,265
Deferred inflows - OPEB	90,345	14,438
Total deferred inflows	95,085	39,703
Net Position		
Net investment in capital assets	2,202,577	-
Unrestricted	(383,202)	(109,215)
Total net position	1,819,375	(109,215)
Total liabilities, deferred inflows, and net position	\$ 3,113,923	\$ 281,901

See independent auditors' report.

Puesta del Sol Apartments	Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 2,361	\$ 2,188	\$ 147	\$ -	\$ -	\$ 19,794
-	-	-	-	-	54,228
2,547	2,015	10,849	-	-	24,654
81,301	-	140,131	-	-	221,432
10,990	30,542	-	-	-	41,532
97,199	34,745	151,127	-	-	361,640
1,951	6,566	-	-	-	34,242
-	-	-	-	-	90,487
1,951	6,566	-	-	-	124,729
399,057	327,632	-	-	-	726,689
33,853	56,976	126,951	-	-	622,249
77,953	122,340	351,577	-	-	1,503,496
510,863	506,948	478,528	-	-	2,852,434
610,013	548,259	629,655	-	-	3,338,803
(6,334)	563	35,688	-	-	59,922
9,764	14,821	33,703	-	-	163,071
3,430	15,384	69,391	-	-	222,993
25,635	324,669	-	15,306	-	2,568,187
(141,481)	(33,488)	152,612	74,369	5,940	(434,465)
(115,846)	291,181	152,612	89,675	5,940	2,133,722
\$ 497,597	\$ 854,824	\$ 851,658	\$ 89,675	\$ 5,940	\$ 5,695,518

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program
Operating revenues		
Rental revenue	\$ 243,371	\$ -
Other tenant revenue	12,734	-
Management fees	-	-
Subsidy grants	323,324	988,014
Total operating revenues	579,429	988,014
Operating expenses		
Personnel services	293,194	34,834
Contractual services	102,318	22,211
Supplies	17,015	247
Maintenance and materials	62,337	-
Utilities	80,604	-
Management Fees	-	-
Insurance	25,526	1,934
Bad debt	2,873	-
Housing assistance payments	-	948,175
Depreciation	87,657	1,586
Miscellaneous	53,733	14,329
Total operating expenses	725,257	1,023,316
Operating income (loss)	(145,828)	(35,302)
Non-operating revenues (expenses)		
Interest income	4,587	1,451
Interest expense	-	-
Miscellaneous income	-	7,698
Gain on disposal of assets	530	-
Total non-operating revenues (expenses)	5,117	9,149
Income (loss) before capital grants	(140,711)	(26,153)
Capital grants	181,472	-
Change in net position	40,761	(26,153)
Total net position - beginning of year	1,778,614	(83,062)
Total net position - end of year	\$ 1,819,375	\$ (109,215)

See independent auditors' report.

Puesta del Sol Apartments	Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 56,357	\$ 67,137	\$ -	\$ 20,040	\$ -	\$ 386,905
2,875	735	-	-	-	16,344
-	-	173,550	-	-	173,550
76,645	124,783	-	-	-	1,512,766
135,877	192,655	173,550	20,040	-	2,089,565
44,098	39,874	112,656	162	-	524,818
20,315	17,804	1,248	7,959	-	171,855
13,684	10,183	-	-	-	41,129
10,391	11,176	-	915	-	84,819
14,849	21,983	-	2,237	-	119,673
5,712	14,742	-	-	-	20,454
2,429	4,026	-	-	-	33,915
604	165	-	-	-	3,642
-	-	-	-	-	948,175
25,060	41,147	-	2,457	-	157,907
7,711	5,013	4,335	542	-	85,663
144,853	166,113	118,239	14,272	-	2,192,050
(8,976)	26,542	55,311	5,768	-	(102,485)
57	217	2,263	215	9	8,799
(44,172)	(31,300)	-	-	-	(75,472)
-	365	-	-	-	8,063
-	-	-	-	-	530
(44,115)	(30,718)	2,263	215	9	(58,080)
(53,091)	(4,176)	57,574	5,983	9	(160,565)
-	-	-	-	-	181,472
(53,091)	(4,176)	57,574	5,983	9	20,907
(62,755)	295,357	95,038	83,692	5,931	2,112,815
\$ (115,846)	\$ 291,181	\$ 152,612	\$ 89,675	\$ 5,940	\$ 2,133,722

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Cash Flows - Detail
For the Year Ended June 30, 2019

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program
Cash flows from operating activities:		
Cash received from tenant rents and management charges	\$ 263,872	\$ -
Cash payments to employees for services	(272,973)	(28,670)
Cash payments to suppliers for goods and services	(380,586)	(976,031)
Cash received from subsidy grants	311,734	988,014
Net cash provided (used) by operating activities	(77,953)	(16,687)
Cash flows from noncapital financing activities:		
Miscellaneous income	-	7,698
Interfund payments received (paid)	11,926	-
Net cash provided (used) by noncapital financing activities	11,926	7,698
Cash flows from capital and related financing activities:		
Capital grants	181,472	-
Acquisition of capital assets	(247,329)	-
Payments on notes payable	-	-
Interest payments	-	-
Net cash (used) by capital and related financing activities	(65,857)	-
Cash flows from investing activities:		
Interest on cash deposits	812	331
Net cash provided (used) by investing activities	812	331
Net increase (decrease) in cash and cash equivalents	(131,072)	(8,658)
Cash and cash equivalents - beginning of year	398,366	171,382
Cash and cash equivalents - end of year	\$ 267,294	\$ 162,724

See independent auditors' report.

Puesta del Sol Apartments	Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 53,658	\$ 66,283	\$ 173,550	\$ 20,040	\$ -	\$ 577,403
(35,396)	(33,515)	(94,337)	(162)	-	(465,053)
(77,878)	(88,795)	(5,436)	(11,653)	-	(1,540,379)
76,645	124,783	-	-	-	1,501,176
17,029	68,756	73,777	8,225	-	73,147
-	365	-	-	-	8,063
21,977	(2,275)	71,531	-	-	103,159
21,977	(1,910)	71,531	-	-	111,222
-	-	-	-	-	181,472
(27,728)	-	-	-	-	(275,057)
(12,731)	(31,185)	-	-	-	(43,916)
(44,172)	(31,300)	-	-	-	(75,472)
(84,631)	(62,485)	-	-	-	(212,973)
57	217	460	215	9	2,101
57	217	460	215	9	2,101
(45,568)	4,578	145,768	8,440	9	(26,503)
65,984	113,054	199,871	65,929	5,931	1,020,517
\$ 20,416	\$ 117,632	\$ 345,639	\$ 74,369	\$ 5,940	\$ 994,014

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Cash Flows - Detail
For the Year Ended June 30, 2019

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program
Reconciliation of operating (loss) income to net cash provided (used) by operating activities:		
Operating (loss) income	\$ (145,828)	\$ (35,302)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:		
Depreciation	87,657	1,586
Bad debt expense	2,873	-
Noncash OPEB expense	(6,953)	(1,076)
Noncash pension expense	50,191	7,766
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable - grants	(11,590)	-
Accounts receivable - tenants, net	(3,902)	-
Inventory	(18,130)	-
Prepaid expenses	(19,355)	(866)
Accounts payable	(1,568)	-
Accrued payroll expenses	(21,374)	-
FSS deposits	10,137	11,731
Accrued compensated absences	673	(167)
Tenant deposits	1,532	-
Deferred outflows - subsequent contributions - OPEB	(314)	(49)
Deferred outflows - subsequent contributions - pension	(2,002)	(310)
Net cash provided (used) by operating activities	\$ (77,953)	\$ (16,687)

See independent auditors' report.

Puesta del Sol Apartments	Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ (8,976)	\$ 26,542	\$ 55,311	\$ 5,768	\$ -	\$ (102,485)
25,060	41,147	-	2,457	-	157,907
604	165	-	-	-	3,642
(1,300)	(1,171)	(3,034)	-	-	(13,534)
9,378	8,448	21,903	-	-	97,686
-	-	-	-	-	(11,590)
(6,037)	(1,648)	-	-	-	(11,587)
(643)	(1,100)	-	-	-	(19,873)
(1,766)	(2,565)	-	-	-	(24,552)
(378)	(203)	147	-	-	(2,002)
-	-	-	-	-	(21,374)
-	-	-	-	-	21,868
1,057	(528)	461	-	-	1,496
463	59	-	-	-	2,054
(59)	(53)	(137)	-	-	(612)
(374)	(337)	(874)	-	-	(3,897)
\$ 17,029	\$ 68,756	\$ 73,777	\$ 8,225	\$ -	\$ 73,147

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Supporting Schedules

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Collateral Pledged By Depository For Public Funds
June 30, 2019

Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2019	Location of Safekeeper
BBVA Compass				
FHR 4035 K 6.00%	1/15/2042	3137ANUX1	\$ 82,642	First Financial Bank - El Paso, TX
FHLMC ARM #2B0837 2.497%	10/1/2042	3128LL4W3	10,317	First Financial Bank - El Paso, TX
FHLMC ARM #1Q1444 4.675%	3/1/2036	3128S5S96	95,619	First Financial Bank - El Paso, TX
FHLMC ARM #848892 2.318%	1/1/2043	31300L2Z7	15,723	First Financial Bank - El Paso, TX
FHLMC ARM #848897 2.978%	10/1/2042	31300L3E3	3,968	First Financial Bank - El Paso, TX
FHLMC ARM #848897 2.978%	10/1/2042	31300L3E3	5,291	First Financial Bank - El Paso, TX
FHLMC ARM #848957 2.310%	1/1/2043	31300L5S0	29,937	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.317%	1/1/2043	31300L6L4	20,157	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.317%	1/1/2043	31300L6L4	23,180	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.317%	1/1/2043	31300L6L4	23,180	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.317%	1/1/2043	31300L6L4	11,086	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.317%	1/1/2043	31300L6L4	19,149	First Financial Bank - El Paso, TX
FHLMC ARM #848449 4.907 %	5/1/2037	31300LL60	35,233	First Financial Bank - El Paso, TX
FHLMC ARM #848449 4.907 %	5/1/2037	31300LL60	38,987	First Financial Bank - El Paso, TX
FHLMC ARM #2B1068 2.234%	2/1/2043	31326FFH6	19,192	First Financial Bank - El Paso, TX
FHLMC ARM #2B1182 4.740%	3/1/2043	31326FJ33	4,357	First Financial Bank - El Paso, TX
FHLMC ARM #2B1289 2.248%	4/1/2043	31326FNE4	273,242	First Financial Bank - El Paso, TX
FNMA ARM #AJ8074 4.609%	12/1/2041	3138E06L8	191,135	First Financial Bank - El Paso, TX
FNMA ARM #AJ8074 4.609%	12/1/2041	3138E06L8	243,015	First Financial Bank - El Paso, TX
FNMA ARM #AL3383 4.592%	4/1/2043	3138EKXM2	34,740	First Financial Bank - El Paso, TX
FNMA ARM #AP9497 2.086%	12/1/2042	3138MDRT1	39,846	First Financial Bank - El Paso, TX
FNMA ARM #AP9497 2.086%	12/1/2042	3138MDRT1	84,872	First Financial Bank - El Paso, TX
FNMA ARM #AQ2406 2.245%	2/1/2043	3138MHU84	87,581	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.278%	3/1/2043	3138MHVC4	40,507	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.278%	3/1/2043	3138MHVC4	67,511	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.278%	3/1/2043	3138MHVC4	22,954	First Financial Bank - El Paso, TX
FNMA ARM #AQ2412 2.243%	3/1/2043	3138MHVE0	24,142	First Financial Bank - El Paso, TX
FNMA ARM #AQ3636 2.168%	11/1/2042	3138MKBE5	73,179	First Financial Bank - El Paso, TX
FNMA ARM #AR1231 2.349%	1/1/2043	3138NXLM7	16,048	First Financial Bank - El Paso, TX
FNMA ARM #689984 4.945%	5/1/2033	31400KR00	31,880	First Financial Bank - El Paso, TX
FNMA ARM #694287 4.669%	3/1/2033	31400QJ87	10,660	First Financial Bank - El Paso, TX
FNMA ARM #695982 4.893%	3/1/2033	31400SF2	36,585	First Financial Bank - El Paso, TX
FHLMC POOL #A16657 5.500%	1/1/2033	31296RME5	68,128	First Financial Bank - El Paso, TX
FNMA POOL #AM3122 2.550%	4/1/2023	3138L3PG4	731,817	First Financial Bank - El Paso, TX
FNMA POOL #676773 5.500 %	12/1/2032	31391T2E7	354,743	First Financial Bank - El Paso, TX
FNMA POOL #676775 6.000%	11/1/2032	31391T2G2	22,542	First Financial Bank - El Paso, TX
FNMA POOL #676775 6.000%	11/1/2032	31391T2G2	246,051	First Financial Bank - El Paso, TX
FNMA POOL #676775 6.000%	11/1/2032	31391T2G2	27,802	First Financial Bank - El Paso, TX
FNMA POOL #676775 6.000%	11/1/2032	31391T2G2	29,888	First Financial Bank - El Paso, TX
FNMA POOL #676775 6.000%	11/1/2032	31391T2G2	33,363	First Financial Bank - El Paso, TX
Total BBVA Compass			3,230,249	

See independent auditors' report.

Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2019	Location of Safekeeper
Citizen Bank of Las Cruces				
FHLB Letter of Credit	12/9/2022	N/A	\$ 767,932	Federal Home Loan Bank, Irving, TX
Total Citizen Bank of Las Cruces			767,932	
Total pledged collateral			\$ 3,998,181	

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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Deposit Accounts
June 30, 2019

Bank Name/ Account Name	Account Type	Bank Balance	Outstanding Items	Book Balance
Bank of the Southwest				
Hacienda Orgullo Tax & Insurance	NOW	\$ 1	\$ -	\$ 1
Public Housing FSS Escrow	Savings	16,709	-	16,709
Puesta del Sol Tax & Insurance Savings	Savings	11	-	11
RTO- General Fund Operating	NOW	63,986	-	63,986
S8 FSS Escrow Vouchers	Savings	69,038	-	69,038
Home Reserve	Checking	5,940	-	5,940
Total Bank of the Southwest		155,685	-	155,685
BBVA Compass				
ECDC- Operating	Checking	74,552	(182)	74,370
Hacienda Orgullo Gen Operating	Checking	49,827	(7,460)	42,367
Public Housing PH Operating	Checking	192,334	53,512	245,846
IDA Match Funds	Money Market	4,740	-	4,740
Puesta del Sol Gen Operating	Checking	3,609	(5,848)	(2,239)
Return To Owner- Gen. Fund Operating	Checking	291,623	(9,971)	281,652
S8- Voucher	Checking	104,304	(10,619)	93,685
Total BBVA Compass		720,989	19,432	740,421
Citizens Bank of Las Cruces				
Public Housing- LR OP Reserve	Money Market	68,778	-	68,778
Public Housing- T or C Op Reserve (CFP)	Money Market	20,767	2	20,769
Public Housing- T or C Op Reserve	CD	105,763	-	105,763
RTO #1	CD	79,526	-	79,526
S8 Voucher	CD	49,408	-	49,408
Total Citizens Bank of Las Cruces		324,242	2	324,244
First Savings Bank				
Hacienda Orgullo - Security Deposit	NOW	6,949	(463)	6,486
Hacienda Orgullo - Reserve	Money Market	1,929	(54)	1,875
Puesta del Sol - Reserve	CD	33,005	-	33,005
Puesta del Sol - Security Deposit	CD	88,315	-	88,315
Total First Savings Bank		130,198	(517)	129,681
Total deposits		\$ 1,331,114	\$ 18,917	\$ 1,350,031
Cash and cash equivalents and short term investments per financial statements				
Cash and cash equivalents per statement of net position			\$ 779,882	
Restricted cash and cash equivalents per statement of net position				214,132
Investments per statement of net position				356,017
Total cash, cash equivalents, and investments			\$ 1,350,031	

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Financial Data Schedule
June 30, 2019

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
111	Cash - Unrestricted	\$ 220,120	\$ -	\$ 74,369	\$ 40,128
113	Cash - Other Restricted	21,449	-	-	89,559
114	Cash - Tenant Security Deposits	25,725	-	-	8,361
100	Total Cash	267,294	-	74,369	138,048
121	Accounts Receivable - PHA projects	15,790	-	-	-
125	Accounts Receivable - Miscellaneous	140,131	-	-	123
126	Accounts Receivable - Tenants - Dwelling Rents	4,529	-	-	11,622
126.1	Allowance for Doubtful Accounts - Dwelling Rents	453	-	-	(1,162)
120	Total Receivables, Net of Allowance for Doubtful Accounts	160,903	-	-	10,583
131	Investments - Unrestricted	227,083	-	-	-
130	Total Investments	227,083	-	-	-
142	Prepaid Expenses and Other Assets	20,184	-	-	4,616
143	Inventories	20,188	-	-	4,162
150	Total Current Assets	695,652	-	74,369	157,409
161	Land	431,590	-	-	205,946
162	Buildings	4,730,083	-	6,551	2,044,629
163	Furniture, Equipment & Machinery - Dwellings	227,085	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	477,435	-	16,342	20,771
165	Leasehold Improvements	590,907	-	18,015	85,210
166	Accumulated Depreciation	(4,500,139)	-	(25,602)	(1,294,274)
167	Construction in progress	245,616	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,202,577	-	15,306	1,118,525
180	Total Non-Current Assets	2,202,577	-	15,306	1,118,525
190	Total Assets	2,898,229	-	89,675	1,275,934
200	Deferred Outflows of Resources	215,694	-	-	76,487
290	Total Assets and Deferred Outflows of Resources	\$ 3,113,923	\$ -	\$ 89,675	\$ 1,352,421

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ 143,094	\$ -	\$ 5,940	\$ 345,639	\$ 829,290
-	-	69,038	-	-	-	180,046
-	-	-	-	-	-	34,086
-	-	212,132	-	5,940	345,639	1,043,422
-	-	-	-	-	-	15,790
-	-	-	-	-	300,979	441,233
-	-	-	-	-	-	16,151
-	-	-	-	-	-	(709)
-	-	-	-	-	300,979	472,465
-	-	-	-	-	79,526	306,609
-	-	-	-	-	79,526	306,609
-	-	1,548	-	-	-	26,348
-	-	-	-	-	-	24,350
-	-	213,680	-	5,940	726,144	1,873,194
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,781,263
-	-	-	-	-	-	283,328
-	-	35,730	-	-	-	550,278
-	-	-	-	-	-	694,132
-	-	(35,730)	-	-	-	(5,855,745)
-	-	-	-	-	-	245,616
-	-	-	-	-	-	3,336,408
-	-	-	-	-	-	3,336,408
-	-	213,680	-	5,940	726,144	5,209,602
-	-	68,221	-	-	125,514	485,916
\$ -	\$ -	\$ 281,901	\$ -	\$ 5,940	\$ 851,658	\$ 5,695,518

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Financial Data Schedule
June 30, 2019

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable <= 90 Days	15,098	-	-	4,549
321	Accrued Wage/Payroll Taxes Payable	54,228	-	-	-
322	Accrued Compensated Absences - Current Portion	8,975	-	-	4,562
341	Tenant Security Deposits	25,725	-	-	8,517
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	41,532
345	Other Current Liabilities	21,449	-	-	81,301
310	Total Current Liabilities	125,475	-	-	140,461
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	726,689
357	Accrued Pension and OPEB Liabilities	1,073,988	-	-	291,122
350	Total Non-Current Liabilities	1,073,988	-	-	1,017,811
300	Total Liabilities	1,199,463	-	-	1,158,272
400	Deferred Inflows of Resources	95,085	-	-	18,814
508.1	Net investment in capital assets	2,202,577	-	15,306	350,304
512.1	Unrestricted Net Position	(383,202)	-	74,369	(174,969)
513	Total Equity/Net Position	1,819,375	-	89,675	175,335
600	Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position	\$ 3,113,923	\$ -	\$ 89,675	\$ 1,352,421

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	147	19,794
-	-	-	-	-	-	54,228
-	-	268	-	-	10,849	24,654
-	-	-	-	-	-	34,242
-	-	-	-	-	-	41,532
-	-	64,904	4,134	-	140,131	311,919
-	-	65,172	4,134	-	151,127	486,369
-	-	-	-	-	-	726,689
-	-	282,107	-	-	478,528	2,125,745
-	-	282,107	-	-	478,528	2,852,434
-	-	347,279	4,134	-	629,655	3,338,803
-	-	39,703	-	-	69,391	222,993
-	-	-	-	-	-	2,568,187
-	-	(105,081)	(4,134)	5,940	152,612	(434,465)
-	-	(105,081)	(4,134)	5,940	152,612	2,133,722
\$ -	\$ -	\$ 281,901	\$ -	\$ 5,940	\$ 851,658	\$ 5,695,518

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Financial Data Schedule
June 30, 2019

Line Item	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$ 243,371	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	581	-	-	123,494
70500	Total Tenant Revenue	243,952	-	20,040	123,494
70600	HUD PHA Operating Grants	218,139	48,278	-	74,424
70610	Capital Grants	-	133,194	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	4,587	-	-	274
71500	Other Revenue	12,153	-	215	3,975
71600	Gain or Loss on Sale of Capital Assets	530	-	-	-
70000	Total Revenue	479,361	181,472	20,255	202,167
91100	Administrative Salaries	42,500	-	-	14,746
91200	Auditing Fees	16,316	-	-	5,934
91310	Book-keeping Fee	2,286	-	893	-
91400	Advertising and Marketing	3,417	-	-	354
91500	Employee Benefit Contributions - Administrative	23,369	-	6	7,714
91600	Office Expenses	32,424	-	-	4,883
91700	Legal Expense	2,266	-	-	234
91800	Travel	4,231	-	-	-
91900	Other Operating - Administrative	9,610	-	542	31,629
91000	Total Operating - Administrative	136,419	-	1,441	65,494
92100	Tenant Services - Salaries	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	20,105	-	-	-
92500	Total Tenant Services	20,105	-	-	-
93100	Water	12,347	-	555	6,987
93200	Electricity	53,328	-	-	7,014
93300	Gas	4,356	-	693	3,063
93600	Sewer	10,573	-	-	10,394
93800	Other Utilities Expense	-	-	989	7,532
93000	Total Utilities	80,604	-	2,237	34,990

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,411
-	-	-	-	-	-	124,075
-	-	-	-	-	-	387,486
127,004	-	910,596	77,418	-	-	1,455,859
-	-	-	-	-	-	133,194
-	105,185	-	-	-	-	105,185
-	-	1,451	-	9	2,263	8,584
-	-	7,698	-	-	173,550	197,591
-	-	-	-	-	-	530
127,004	105,185	919,745	77,418	9	175,813	2,288,429
-	-	11,460	11,764	-	65,497	145,967
-	-	7,416	-	-	-	29,666
-	-	4,214	-	-	1,248	8,641
-	-	-	-	-	-	3,771
-	-	11,610	-	-	47,159	89,858
-	-	9,834	-	-	4,335	51,476
-	-	-	-	-	-	2,500
-	-	425	-	-	-	4,656
-	-	6,828	-	-	-	48,609
-	-	51,787	11,764	-	118,239	385,144
-	-	-	-	-	-	-
-	-	-	-	-	-	20,105
-	-	-	-	-	-	20,105
-	-	-	-	-	-	19,889
-	-	-	-	-	-	60,342
-	-	-	-	-	-	8,112
-	-	-	-	-	-	20,967
-	-	-	-	-	-	8,521
-	-	-	-	-	-	117,831

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Financial Data Schedule
June 30, 2019

Line Item	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ 73,807	\$ -	\$ 94	\$ 38,565
94200	Ordinary Maintenance & Operation - Materials & Other	53,447	-	915	18,512
94300	Ordinary Maintenance & Operation Contracts	91,815	-	7,066	53,164
94500	Employee Benefit Contributions - Ordinary Maintenance	46,931	-	62	22,947
94000	Total Maintenance	266,000	-	8,137	133,188
96110	Property Insurance	25,526	-	-	6,455
96130	Workmen's Compensation	-	-	-	-
96140	All Other Insurance	-	-	-	-
96100	Total Insurance Premiums	25,526	-	-	6,455
96200	Other General Expenses	105,185	-	-	3,863
96400	Bad Debt - Tenant Rents	2,873	-	-	769
96000	Total Other General	108,058	-	-	4,632
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	75,472
96700	Total Interest Expense and Amortization Cost	-	-	-	75,472
96900	Total Operating Expenses	636,712	-	11,815	320,231
97000	Excess Operating Revenue Over Operating Expenses	(157,351)	181,472	8,440	(118,064)
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	87,657	-	2,457	66,207
90000	Total Expenses	724,369	-	14,272	386,438
10010	Operating Transfers In	153,463	-	-	127,004
10020	Operating Transfers Out	-	(48,278)	-	-
10100	Total Other Financing Sources (Uses)	153,463	(48,278)	-	127,004

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,466
-	-	-	-	-	-	72,874
-	-	-	-	-	-	152,045
-	-	-	-	-	-	69,940
-	-	-	-	-	-	407,325
-	-	-	-	-	-	31,981
-	-	-	-	-	-	-
-	-	1,934	-	-	-	1,934
-	-	1,934	-	-	-	33,915
-	-	10,828	-	-	-	119,876
-	-	-	-	-	-	3,642
-	-	10,828	-	-	-	123,518
-	-	-	-	-	-	75,472
-	-	-	-	-	-	75,472
-	-	64,549	11,764	-	118,239	1,163,310
127,004	105,185	855,196	65,654	9	57,574	1,125,119
-	-	879,273	66,144	-	-	945,417
-	-	1,586	-	-	-	157,907
-	-	945,408	77,908	-	118,239	2,266,634
-	-	-	-	-	-	280,467
(127,004)	(105,185)	-	-	-	-	(280,467)
(127,004)	(105,185)	-	-	-	-	-

See independent auditors' report.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Financial Data Schedule
June 30, 2019

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (91,545)	\$ 133,194	\$ 5,983	\$ (57,267)
11030	Beginning Equity	1,778,614	-	83,692	232,602
11040-10	Correction of Equity classification	(888)	-	-	-
11040-20	Equity Transfers	133,194	(133,194)	-	-
	Ending Equity (deficit)	\$ 1,819,375	\$ -	\$ 89,675	\$ 175,335
11190	Unit Months Available	1,200	-	12	636
11210	Number of Unit Months Leased	1,096	-	12	530
11270	Excess Cash	\$ 458,561	\$ -	\$ -	\$ -
11620	Building Purchases	\$ 133,194	\$ -	\$ -	\$ -

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities	Total
\$ -	\$ -	\$ (25,663)	\$ (490)	\$ 9	\$ 57,574	\$ 21,795
-	-	(79,418)	(3,644)	5,931	95,038	2,112,815
-	-	-	-	-	-	(888)
-	-	-	-	-	-	-
\$ -	\$ -	\$ (105,081)	\$ (4,134)	\$ 5,940	\$ 152,612	\$ 2,133,722
-	-	2,040	240	-	-	4,128
-	-	2,034	240	-	-	3,912
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,561
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,194

See independent auditors' report.

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Compliance Section

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
Executive Director and the Board of Commissioners of
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Truth or Consequences Housing Authority, a component unit of the City of Truth or Consequences (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 December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item NM 2018-001.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 2, 2019

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Federal Financial Assistance

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
Executive Director and the Board of Commissioners of
Truth or Consequences Housing Authority
Truth or Consequences, New Mexico

Report on Compliance for the Major Federal Program

We have audited Truth or Consequences Housing Authority's (the "Housing Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Housing Authority's major federal program for the year ended June 30, 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 the Housing Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item FA 2019-001 that we consider to be a significant deficiency.

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

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 2, 2019

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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Grant or State Number	Federal CFDA Number	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Housing and Urban Development					
<i>Direct Programs:</i>					
Public and Indian Housing	NM002000001	14.850	\$ 218,139	\$ -	-
Section 8 Housing Choice Voucher Program (1)	N/A	14.871	910,596	-	-
Mainstream Voucher Program (1)	N/A	14.879	77,418	-	-
Total Housing Voucher Cluster			988,014	-	-
Public Housing Capital Fund	CFP 2017	14.872	15,790	-	-
Public Housing Capital Fund	CFP 2016	14.872	126,314	-	-
Total Public Housing Capital Fund			142,104	-	-
Resident Opportunity and Supportive Services		14.870	105,185	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			1,453,442	-	-
U.S. Department of Agriculture					
<i>Direct Programs:</i>					
Rural Rental Housing Loans		10.415 *	886,561	-	-
Rural Rental Assistance		10.427	127,004	-	-
<i>Total U.S. Department of Agriculture - Direct Programs</i>			1,013,565	-	-
Total Expenditures of Federal Awards			\$ 2,467,007	\$ -	-

* Major program

(1) Housing Voucher Cluster

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Truth or Consequences Housing Authority (the Housing Authority) and is presented on the full accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Federally Funded Loans

The Housing Authority has federally funded loans or loan guarantees in the amount of \$768,221 as of June 30, 2019.

10% de minimis Indirect Cost Rate

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

Federally Funded Insurance

The Housing Authority has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,467,007
Less: Federally Insured Loan Balance	(768,221)
Total expenditures funded by other sources	681,476
<hr/>	
Total expenditures (including capitalized expenditures)	\$ 2,380,262
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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Findings and Questioned Costs
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? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | | | | | |
|--|----------------------------|-----------------|--------|----------------------------|--|
| 1. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | None noted | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">10.415</td> <td style="text-align: center;">Rural Rental Housing Loans</td> </tr> </table> | CFDA
Number | Federal Program | 10.415 | Rural Rental Housing Loans | |
| CFDA
Number | Federal Program | | | | |
| 10.415 | Rural Rental Housing Loans | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION II – PRIOR YEAR AUDIT FINDINGS

FA 2017-01 Internal Controls over Eligibility and Special Tests and Provisions – Housing Voucher Cluster (Significant Deficiency) – Resolved

NM 2018-001 — Travel and Per Diem (Other Noncompliance) - Repeated

SECTION III – FINANCIAL STATEMENT FINDINGS

None noted.

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

NM 2018-001 — Travel and Per Diem (Other Noncompliance)

Condition: The Authority reimbursed mileage and per diem rates that were different from the amounts allowed by state statute in the following amounts:

- In four out of ten items tested, the rates used resulted in payments for per diem and partial per diem which were overpayments of \$63.50.
- In one out of ten items tested, the rates used resulted in payments for per diem and partial per diem which were underpayments of \$44.00.

Status of Prior Year Finding: The Authority has made progress to clear this finding, as all transactions tested which occurred after the Authority updated their per diem rates were properly calculated.

Criteria: The Per Diem and Mileage Act, Section 10-8-1 to 10-8-8, NMSA 1978 documents the amounts for various per diem and mileage reimbursements allowable under state statutes.

Effect: The Authority did not comply with the Mileage and Per Diem Act and reimbursed incorrect amounts of per diem and partial day per diem.

Cause: The Authority's policy and form had calculated per diem at amounts that do not match the Per diem and Mileage Act. These rates were updated during Fiscal year 2019.

Auditors' Recommendation: The Authority should implement a procedure to review all travel and per diem expenditures prior to payment and ensure all reimbursements are in compliance with State Statutes and the Authority's policy.

Authority's Response: TCHA updated the Travel and Per Diem worksheet in consultation with the IPA firm. The TCHA Senior Finance Manager will review New Mexico Administrative code periodically to ensure our policy is up to date on any future changes.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
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June 30, 2019

SECTION V – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2019-001 – Internal Controls over Program Income – Rural Rental Loan Program (Significant Deficiency)

Federal Program Information:

Funding Agency:	U.S. Department of Agriculture
Title:	Rural Rental Housing Loans
CFDA Numbers:	10.415
Federal Award Identification Number	N/A
Award Year:	2018-2019

Condition: The Authority's controls over program income were not operating effectively. For 1 out of 8 items tested, the 'Rent Clarification Record' was not retained in the tenant file to document the review of the tenant's rent calculation.

Criteria: Per 2 CFR 200.303(a), an entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the entity is managing the Federal awards in compliance with statutes, regulations, and the terms and conditions of the award.

Questioned costs: None

Effect: Without internal controls operating effectively, it is possible that the Authority would be at risk to be out of compliance with the program income compliance requirement of the program. The Authority cannot effectively manage its federal program with controls that do not operate effectively.

Cause: The Authority did not retain the 'Rent Clarification Record' to document the review of the tenant's rent calculation.

Auditor's Recommendation: We recommend that Authority staff receive updated training over the requirements of the program, including document retention in tenant files. We also recommend that the Authority review all current files for appropriate documentation.

Authority Response: Rural Development program management has undergone staffing changes. The TCHA Executive Director, will ensure that new staff receive specialized training within the next six (6) months or sooner as classes become available through industry providers. Other program specific and ancillary education will also be scheduled as classes are available. Current files are in process of review for appropriate documentation. Periodic file review will be scheduled to maintain quality control and compliance.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences, New Mexico
Other Disclosures
June 30, 2019

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the Truth or Consequences Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.

EXIT CONFERENCE

The contents of the report for Truth or Consequences Housing Authority were discussed on November 27, 2019. The following individuals were in attendance:

Truth or Consequences Housing Authority

Greg D'Amour, Board Chairman
Leanne Tooley, Board Vice-Chairman
Steven Rice, Executive Director
Teresa Casteneda, Senior Finance Specialist

Carr, Riggs & Ingram, LLC

Benjamin A. Martinez, CPA, Senior Manager