

State of New Mexico
Truth or Consequences Housing Authority
Component Unit of the City of Truth or Consequences, N.M.

FINANCIAL STATEMENTS
With Independent Auditor's Report Thereon

For The Fiscal Year Ended June 30, 2009

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
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Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
DIRECTORY OF OFFICIALS
June 30, 2009

COMMISSIONERS

Kathleen Trujillo
Greg D'Amour
Doti Coffee
LeeAnn Tooley
Adrian O'Neill

Chairman
Commissioner
Commissioner
Commissioner
Commissioner

ADMINISTRATIVE STAFF

Marie Bradley

Executive Director

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARRROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Commissioners
Truth or Consequences Housing Authority
Truth or Consequences, New Mexico

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Truth or Consequences Housing Authority as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Authority's non-major enterprise funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Truth or Consequences Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Truth or Consequences Housing Authority as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major enterprise fund of the Truth or Consequences Housing Authority as of June 30, 2009, and the respective changes in financial position and cash flows and the respective budgetary comparisons presented as other supplementary information for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2009, on our consideration of the Truth or Consequences Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Truth or Consequences Housing Authority has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements, and on the combining, individual fund and budgetary comparisons statements presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co CPA's

October 25, 2009

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
STATEMENT OF NET ASSETS
June 30, 2009

| | <u>Low Rent Public Housing</u> | <u>Housing Choice Vouchers</u> | <u>Puesta Del Sol Apartments</u> |
|--|--|--|--|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 725,094 | \$ 156,518 | \$ 1,270 |
| Accounts receivable(net) | 106,438 | 2,722 | 17,598 |
| Prepaid expenses | 1,512 | 120 | 1,504 |
| Interfund receivables | 1,057 | | |
| Inventory | 2,963 | | 536 |
| | <u>837,064</u> | <u>159,360</u> | <u>20,908</u> |
| Total current assets | \$ 837,064 | \$ 159,360 | \$ 20,908 |
| Noncurrent assets: | | | |
| Restricted: | | | |
| Cash | \$ 39,768 | \$ 99,679 | \$ 41,315 |
| Capital assets, net | 1,949,295 | | 464,633 |
| | <u>1,989,063</u> | <u>99,679</u> | <u>505,948</u> |
| Total noncurrent assets | \$ 1,989,063 | \$ 99,679 | \$ 505,948 |
| Total assets | <u>\$ 2,826,127</u> | <u>\$ 259,039</u> | <u>\$ 526,856</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 19,446 | \$ 715 | \$ 9,066 |
| Accrued expenses | 22,098 | | 1,223 |
| Interfund payable | | | 21,084 |
| FSS deposits | 22,355 | 10,541 | |
| Current portion of long-term debt | | | 3,371 |
| Tenant deposits (payable from restricted assets) | 11,419 | | 2,068 |
| | <u>75,318</u> | <u>11,256</u> | <u>36,812</u> |
| Total current liabilities | \$ 75,318 | \$ 11,256 | \$ 36,812 |
| Noncurrent liabilities: | | | |
| Notes payable | \$ - | \$ - | \$ 470,383 |
| Compensated absences | 24,809 | 8,991 | 3,229 |
| | <u>24,809</u> | <u>8,991</u> | <u>473,612</u> |
| Total noncurrent liabilities | \$ 24,809 | \$ 8,991 | \$ 473,612 |
| Total liabilities | <u>\$ 100,127</u> | <u>\$ 20,247</u> | <u>\$ 510,424</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 1,949,295 | \$ - | \$ (9,121) |
| Restricted for housing assistance payments | | 89,138 | |
| Restricted for debt service | | | 39,247 |
| Unrestricted | 776,705 | 149,654 | (13,694) |
| | <u>2,726,000</u> | <u>238,792</u> | <u>16,432</u> |
| Total net assets | \$ 2,726,000 | \$ 238,792 | \$ 16,432 |

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

| Hacienda Orgullo Apartments | Other Funds | Total |
|-----------------------------------|-------------------|---------------------|
| \$ 29,347 | \$ 169,327 | \$ 1,081,556 |
| 84,017 | 49,891 | 260,666 |
| 1,693 | 88 | 4,917 |
| | 29,254 | 30,311 |
| <u>1,666</u> | | <u>5,165</u> |
| <u>\$ 116,723</u> | <u>\$ 248,560</u> | <u>\$ 1,382,615</u> |
| | | |
| \$ 120,230 | \$ - | \$ 300,992 |
| 860,586 | 908 | 3,275,422 |
| <u>\$ 980,816</u> | <u>\$ 908</u> | <u>\$ 3,576,414</u> |
| <u>\$ 1,097,539</u> | <u>\$ 249,468</u> | <u>\$ 4,959,029</u> |
| | | |
| \$ 77,879 | \$ 47 | \$ 107,153 |
| 380 | | 23,701 |
| 8,170 | 1,057 | 30,311 |
| | | 32,896 |
| 27,685 | | 31,056 |
| <u>6,830</u> | | <u>20,317</u> |
| <u>\$ 120,944</u> | <u>\$ 1,104</u> | <u>\$ 245,434</u> |
| | | |
| \$ 618,518 | \$ - | \$ 1,088,901 |
| 5,959 | 1,051 | 44,039 |
| <u>\$ 624,477</u> | <u>\$ 1,051</u> | <u>\$ 1,132,940</u> |
| <u>\$ 745,421</u> | <u>\$ 2,155</u> | <u>\$ 1,378,374</u> |
| | | |
| \$ 214,383 | \$ 908 | \$ 2,155,465 |
| | | 89,138 |
| 113,400 | | 152,647 |
| 24,335 | 246,405 | 1,183,405 |
| <u>\$ 352,118</u> | <u>\$ 247,313</u> | <u>\$ 3,580,655</u> |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2009

| | Low Rent Public Housing | Housing Choice Vouchers |
|--|-------------------------------|-------------------------------|
| Operating revenues: | | |
| Tenant rent | \$ 207,130 | \$ - |
| Other tenant revenue | 53,361 | 4,745 |
| Charges for services | | |
| | <u>\$ 260,491</u> | <u>\$ 4,745</u> |
| Operating expenses: | | |
| Administrative | \$ 121,494 | \$ 52,660 |
| Tenant services | 193,375 | 29,626 |
| Utilities | 84,692 | |
| Repairs and maintenance | 197,935 | |
| General | 57,299 | 29,594 |
| Depreciation | 160,814 | |
| | <u>\$ 815,609</u> | <u>\$ 111,880</u> |
| Total operating expenses | | |
| Operating income (loss) | <u>\$ (555,118)</u> | <u>\$ (107,135)</u> |
| Nonoperating revenue (expense): | | |
| Intergovernmental grants | \$ 626,261 | \$ 756,361 |
| Housing assistance payments | | (625,248) |
| Interest expense | | |
| Loss on disposition of assets | (18,532) | |
| Other nonoperating revenue | 6,340 | |
| | <u>\$ 614,069</u> | <u>\$ 131,113</u> |
| Total nonoperating revenues (expenses) | | |
| Change in net assets | <u>\$ 58,951</u> | <u>\$ 23,978</u> |
| Net assets, beginning of year | <u>2,667,049</u> | <u>214,814</u> |
| | <u>\$ 2,726,000</u> | <u>\$ 238,792</u> |

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

Puesta
Del Sol
Apartments

\$ 51,579
1,543

\$ 53,122

\$ 25,402

13,481
23,862
5,340
18,152

\$ 86,237

\$ (33,115)

\$ 88,651

(57,017)

133

\$ 31,767

\$ (1,348)

17,780

\$ 16,432

| Hacienda Orgullo Apartments | Other Funds | Total |
|-----------------------------------|-------------------|---------------------|
| \$ 64,701 | \$ - | \$ 323,410 |
| 1,225 | 10,725 | 71,599 |
| | 40,175 | 40,175 |
| <u>\$ 65,926</u> | <u>\$ 50,900</u> | <u>\$ 435,184</u> |
| | | |
| \$ 48,623 | \$ 9,759 | \$ 257,938 |
| | | 223,001 |
| 22,980 | 1,363 | 122,516 |
| 43,373 | 5,196 | 270,366 |
| 14,159 | 5,812 | 112,204 |
| 31,577 | 136 | 210,679 |
| <u>\$ 160,712</u> | <u>\$ 22,266</u> | <u>\$ 1,196,704</u> |
| | | |
| \$ (94,786) | \$ 28,634 | \$ (761,520) |
| | | |
| \$ 183,191 | \$ - | \$ 1,654,464 |
| | | (625,248) |
| (6,611) | | (63,628) |
| | | (18,532) |
| 388 | 2,029 | 8,890 |
| <u>\$ 176,968</u> | <u>\$ 2,029</u> | <u>\$ 955,946</u> |
| | | |
| \$ 82,182 | \$ 30,663 | \$ 194,426 |
| | | |
| 269,936 | 216,650 | 3,386,229 |
| <u>\$ 352,118</u> | <u>\$ 247,313</u> | <u>\$ 3,580,655</u> |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

| | <u>Low Rent Public Housing</u> | <u>Housing Choice Vouchers</u> |
|--|--|--|
| Cash flows from operating activities: | | |
| Receipts from tenants and fees | \$ 252,489 | \$ 4,215 |
| Payments to vendors | (453,125) | (32,319) |
| Payments to employees | (184,936) | (76,035) |
| | \$ (385,572) | \$ (104,139) |
| Cash flows from noncapital and related financing activities: | | |
| Intergovernmental grants | \$ 591,105 | \$ 756,361 |
| Housing assistance payments | | (625,248) |
| Loans to others | | |
| Interfund loans | (1,166) | |
| Other nonoperating revenues | 6,340 | 1,418 |
| | \$ 596,279 | \$ 132,531 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | \$ (90,068) | \$ - |
| Sale of fixed assets | 5,610 | |
| Interest paid on capital debt | | |
| Principal payments on capital debt | | |
| | \$ (84,458) | \$ - |
| Net increase (decrease) in cash | \$ 126,249 | \$ 28,392 |
| Cash, beginning of year | 638,613 | 227,805 |
| Cash, end of year | \$ 764,862 | \$ 256,197 |

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
STATEMENT OF CASH FLOWS (concluded)
For the Fiscal Year Ended June 30, 2009

| | Low Rent Public Housing | Housing Choice Vouchers |
|---|-------------------------------|-------------------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (555,118) | \$ (107,135) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation expense | 160,814 | |
| (Increase) decrease in: | | |
| Accounts receivable | (9,180) | |
| Prepaid expenses | 10,464 | 229 |
| Inventory | 497 | |
| Increase(decrease) in: | | |
| Accounts payable | 2,704 | 156 |
| Accrued expenses | 5,300 | (530) |
| Tenant deposits | (553) | |
| Compensated absences | (500) | 3,141 |
| | \$ (385,572) | \$ (104,139) |
| Net cash provided (used) by operating activities | | |

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

| <u>Puesta Del Sol Apartments</u> | <u>Hacienda Orgullo Apartments</u> | <u>Other Funds</u> | <u>Total</u> |
|--|--|------------------------|---------------------|
| \$ 49,831 | \$ 65,255 | \$ 65,553 | \$ 437,343 |
| (31,420) | (72,327) | (17,811) | (607,002) |
| <u>(28,617)</u> | <u>(53,875)</u> | <u>(4,729)</u> | <u>(348,192)</u> |
| | | | |
| <u>\$ (10,206)</u> | <u>\$ (60,947)</u> | <u>\$ 43,013</u> | <u>\$ (517,851)</u> |
| | | | |
| \$ 82,130 | \$ 110,909 | \$ - | \$ 1,540,505 |
| | | | (625,248) |
| | | | - |
| 42 | 67 | 1,057 | - |
| <u>133</u> | <u>388</u> | <u>2,029</u> | <u>10,308</u> |
| | | | |
| <u>\$ 82,305</u> | <u>\$ 111,364</u> | <u>\$ 3,086</u> | <u>\$ 925,565</u> |
| | | | |
| \$ (7,258) | \$ - | \$ - | (97,326) |
| | | | 5,610 |
| (57,017) | (6,611) | | (63,628) |
| <u>(2,996)</u> | <u>(27,409)</u> | | <u>(30,405)</u> |
| | | | |
| <u>\$ (67,271)</u> | <u>\$ (34,020)</u> | <u>\$ -</u> | <u>\$ (185,749)</u> |
| | | | |
| \$ 4,828 | \$ 16,397 | \$ 46,099 | \$ 221,965 |
| | | | |
| <u>37,757</u> | <u>133,180</u> | <u>123,228</u> | <u>1,160,583</u> |
| | | | |
| <u>\$ 42,585</u> | <u>\$ 149,577</u> | <u>\$ 169,327</u> | <u>\$ 1,382,548</u> |

| <u>Puesta Del Sol Apartments</u> | <u>Hacienda Argullo Apartments</u> | <u>Other Funds</u> | <u>Total</u> |
|--|--|------------------------|---------------------|
| \$ (33,115) | \$ (94,786) | \$ 28,634 | \$ (761,520) |
| 18,152 | 31,577 | 136 | 210,679 |
| (2,842) | (284) | 14,653 | 2,347 |
| (912) | (631) | (88) | 9,062 |
| 57 | (316) | | 238 |
| 7,720 | 522 | (211) | 10,891 |
| 186 | 380 | | 5,336 |
| (449) | (386) | | (1,388) |
| <u>997</u> | <u>2,977</u> | <u>(111)</u> | <u>6,504</u> |
| <u>\$ (10,206)</u> | <u>\$ (60,947)</u> | <u>\$ 43,013</u> | <u>\$ (517,851)</u> |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 Summary of Significant Accounting Policies

A. GENERAL

The Truth or Consequences Housing Authority was organized under New Mexico statutes, to provide a conduit for housing funds for disadvantaged New Mexicans. 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 Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. FINANCIAL REPORTING ENTITY

The Authority's basic financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria, the Authority has no component units.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All Authority activities are accounted for as proprietary activities, in accordance with HUD UFRS Guidelines.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and operating revenues for each segment of the business-type activities of the Authority. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Operating revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as operating revenues are presented as non-operating revenues. The comparison of program revenue and expenses identifies the extent to which a program or business segment is self-financing or draws from the non-operating revenues of the Authority.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into one major category: proprietary. An emphasis is placed on major funds within the proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the

measurement of financial activity focuses on net income measurement similar to the private sector.

The Enterprise Funds are as follows:

Major Funds

Low Rent Public Housing – To account for HUD’s Low Rent Public Housing and Capital Fund Program. Provides adequate living accommodations to qualified families through reduced rate rentals built and owned by the Housing Authority.

Housing Choice Vouchers – To account for HUD’s program which provides Housing Assistance payments for qualified low income residents in privately owned properties.

Housing Orgullo and Puesta del Sol – Rental units purchased through loan funds from the Rural Development Office of the United State 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.

Non-major Funds

Project Home – 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.

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.

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.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows business-like activities are presented using the economic resources measurement focus as defined in item “a” below.

- a. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated

with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met and reported as advances by the provider and deferred revenue by the recipient.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

The Housing Authority adopts budgets for its Low Rent Public Housing, Housing Choice Vouchers, Puesta del Sol Apartments, and Hacienda Orgullo Apartment funds 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.

No amendments are made to the original budgets.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Assets, "cash" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurers investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

G. INVENTORIES

Inventories consist primarily of supply items, and are recorded at cost, measured by the first-in first-out method.

H. INTER-FUND RECEIVABLES AND PAYABLES

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “inter-fund receivables/payables”.

I. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report rents and interest earnings as their major receivables.

J. CAPITAL ASSETS

Government-wide Statements and Fund Statements

In the government-wide and fund financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---------------------------|------------|
| · Buildings | 40 years |
| · Improvements | 40 years |
| · Machinery and Equipment | 5-10 years |
| · Software and Library | 5-10 years |

Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

K. RESTRICTED ASSETS

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to rent deposits, debt service funds, and future housing assistance payments.

L. LONG-TERM DEBT

All long-term debt to be repaid from business-type resources are reported as liabilities in the government-wide and fund statements. The long-term debt consists primarily of accrued compensated absences, and notes payable.

M. COMPENSATED ABSENCES

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. Proprietary funds report the liability as it is incurred.

N. EQUITY CLASSIFICATIONS

Government-wide Statements and Fund Financial Statements

Equity is classified as net assets and displayed in three components.

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or invested in capital assets, net of related debt.”

O. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide and fund financial statements, expenses are classified as operating or non-operating for business-type activities.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Authority does not allocate indirect costs.

Inventories are carried at cost, valued by the first-in first-out method.

P. INTER-FUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. No inter-fund transfers were made during the year ended June 30, 2009.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2009, \$-0- of the Authority's bank balance of \$1,412,980 was exposed to custodial credit risk.

| | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|---|---------------------|----------------------------|
| Deposits by custodial risk | | |
| Category: | | |
| Insured | \$ 631,937 | \$ 601,505 |
| Collateral held by the pledging bank's agent in Authority's name | 781,043 | 781,043 |
| Uninsured | <u>-0-</u> | <u>-0-</u> |
| | <u>\$ 1,412,982</u> | <u>\$ 1,382,548</u> |

Note 3 Accounts Receivables

| | |
|--------------------------------------|-------------------|
| Due from tenants | \$ 29,608 |
| Less allowance for doubtful accounts | <u>(5,213)</u> |
| Net tenant receivables | \$ 24,395 |
| Due from other governments | <u>236,271</u> |
| Net receivables | <u>\$ 260,666</u> |

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30,2009</u> |
|---------------------------------------|---------------------------------------|---------------------|--------------------|---------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 637,536 | \$ -0- | \$ -0- | \$ 637,536 |
| Construction in progress | <u>-0-</u> | <u>109,097</u> | <u> </u> | <u>109,097</u> |
| Total assets not being depreciated | <u>\$ 637,536</u> | <u>\$ 109,097</u> | <u>\$ -0-</u> | <u>\$ 746,633</u> |
| Other capital assets: | | | | |
| Furniture and fixtures | \$ 749,733 | \$ 57,646 | \$ (59,298) | \$ 748,081 |
| Buildings | 5,731,624 | -0- | -0- | 5,731,624 |
| Improvements | <u>523,291</u> | <u>5,160</u> | <u> </u> | <u>528,451</u> |
| Total other assets at historical cost | <u>\$ 7,004,648</u> | <u>\$ 62,806</u> | <u>\$ (59,298)</u> | <u>\$ 7,008,156</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and fixtures | \$ (535,858) | \$ (38,950) | \$ 35,156 | \$ (539,652) |
| Buildings | (3,456,526) | (134,120) | -0- | (3,590,646) |
| Improvements | <u>(311,460)</u> | <u>(37,609)</u> | <u> </u> | <u>(349,069)</u> |
| Total accumulated depreciation | <u>\$ (4,303,844)</u> | <u>\$ (210,679)</u> | <u>\$ 35,156</u> | <u>\$ (4,479,367)</u> |
| Other capital assets (net) | <u>\$ 2,700,804</u> | <u>\$ (147,873)</u> | <u>\$ (24,142)</u> | <u>\$ 2,528,789</u> |
| Capital assets, net | <u>\$ 3,338,340</u> | <u>\$ (38,776)</u> | <u>\$ (24,142)</u> | <u>\$ 3,275,422</u> |

Note 5 Accrued Expenses

Accrued expenses consist of the following at June 30, 2009:

| | |
|---------------------------|------------------|
| Accrued payroll | \$ 8,620 |
| Accrued interest | 1,037 |
| Accrued resident expenses | <u>14,044</u> |
| | <u>\$ 23,701</u> |

Note 6 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2009:

| | <u>Balance</u> <u>July 1, 2008</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2009</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|----------------------------------|---------------------------------------|------------------|--------------------|--|--|
| Business-Type Activities: | | | | | |
| Notes Payable: | | | | | |
| Hacienda Orgullo Apts. | \$ 673,612 | \$ 27,409 | \$ 646,203 | \$ 27,685 | |
| Puesta del Sol Apts. | <u>476,750</u> | <u>2,996</u> | <u>473,754</u> | <u>3,371</u> | |
| | \$1,150,362 | \$ 30,405 | \$1,119,957 | \$ 31,056 | |
| Compensated absences | <u>37,535</u> | <u>29,957</u> | <u>23,453</u> | <u>44,039</u> | |
| | <u>\$1,187,897</u> | <u>\$ 29,957</u> | <u>\$ 53,858</u> | <u>\$1,163,996</u> | <u>\$ 31,056</u> |

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.

Hacienda Orgullo Notes:

Loan No. 1, secured by apartment complex, the Authority's liability payable at \$2,160 per month, including interest at 1%, stated interest 9%, maturing June 25, 2030 \$ 492,571

Loan No. 2, secured by Hacienda Senior Center, the Authority's liability payable at \$675 per month, including interest at 1%,

| | |
|---|---------------------|
| stated interest 10.75%, maturing June 25, 2030 | <u>153,632</u> |
| | \$ 646,203 |
| Puesta del Sol note, secured by apartment complex, the Authority's Liability payable at \$1,273 per month, total payment \$4,954 per Month, including interest at 11.875%, maturing March 5, 2034 | <u>473,754</u> |
| | <u>\$ 1,119,957</u> |

The annual debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|---------------------|---------------------|
| Due in year ending June 30: | | |
| 2010 | \$ 31,056 | \$ 62,414 |
| 2011 | 31,757 | 61,713 |
| 2012 | 32,514 | 60,956 |
| 2013 | 33,334 | 60,136 |
| 2014 | 34,223 | 59,247 |
| 2015-2019 | 187,560 | 279,791 |
| 2020-2024 | 226,657 | 240,694 |
| 2025-2029 | 291,506 | 175,846 |
| 2030-2034 | <u>251,350</u> | <u>67,545</u> |
| | <u>\$ 1,119,957</u> | <u>\$ 1,068,342</u> |

Note 7 Retirement Plan

Plan Description

Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 15.65% of their gross salary. The Authority is required to contribute 11.65% of the gross covered salary. The contributor requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$53,211, \$54,137 and \$54,539 respectively, which equal the amount of the required contributions for each year.

Note 8 Post-Employment Benefits – State Retiree Health Care Plan

Plan Description

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

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

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

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The Statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$12,890, \$12,549, and \$12,557, respectively, which equal the required contributions for each year.

Note 9 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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.

Limits of coverage are as follows:

\$300,000 Medical and medically related expense per occurrence
\$400,000 Bodily Injury each person
\$750,000 Bodily Injury each occurrence
\$100,000 Property Damage each occurrence

Note 11 Financial Data Schedule

The Authority is required to submit, and include with the audited financial statements, a financial data schedule, which should be presented as other supplemental data.

The financial data schedule is not available for presentation in the audited financial statements. Upon availability, it will be presented in a separate report.

Note 12 Inter-fund Activity

Inter-fund balances at June 30, 2009 consisted of the following:

| | <u>Inter-Fund Payables</u> | | | |
|------------------------------|----------------------------|-----------------------------|--------------------|------------------|
| | <u>Puesta del Sol</u> | <u>Hacienda Orgullo</u> | <u>Other Funds</u> | <u>Total</u> |
| <u>Inter-fund Receivable</u> | | | | |
| Low-Rent Public Housing | \$ | \$ | \$ 1,057 | \$ 1,057 |
| Other Funds | <u>21,084</u> | <u>8,170</u> | <u> </u> | <u>29,254</u> |
| | <u>\$ 21,084</u> | <u>\$ 8,170</u> | <u>\$ 1,057</u> | <u>\$ 30,311</u> |

The inter-fund activity is to provide operating capital, and all amounts are expected to be repaid within one year.

Note 13 Concentrations

Seventy-nine percent of the Authority's revenues are derived from Federal grants. Reduction or interruption of these funds is not expected. However, if reduction or interruption of funding occurred, it would have a material effect on the operations of the Authority.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Non-Major Enterprise Funds
COMBINING STATEMENT OF NET ASSETS
June 30, 2009

| | ECDC Program | Home Program | Return to Owner | Total |
|----------------------------|-----------------|-----------------|--------------------|------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 18,691 | \$ 12,762 | \$ 137,874 | \$ 169,327 |
| Accounts receivable | | | 49,891 | 49,891 |
| Prepaid expenses | 88 | | | 88 |
| Interfund receivable | | | 29,254 | 29,254 |
| | | | | |
| Total current assets | \$ 18,779 | \$ 12,762 | \$ 217,019 | \$ 248,560 |
| Noncurrent assets: | | | | |
| Capital assets, net | 908 | | | 908 |
| | | | | |
| Total assets | \$ 19,687 | \$ 12,762 | \$ 217,019 | \$ 249,468 |
| LIABILITIES | | | | |
| Current: | | | | |
| Accounts payable | \$ 47 | \$ - | \$ - | \$ 47 |
| Interfund payable | 1,057 | | | 1,057 |
| | | | | |
| Total current liabilities | \$ 1,104 | \$ - | \$ - | \$ 1,104 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 1,051 | | | 1,051 |
| | | | | |
| Total liabilities | \$ 2,155 | \$ - | \$ - | \$ 2,155 |
| NET ASSETS | | | | |
| Invested in capital assets | \$ 908 | \$ - | \$ - | \$ 908 |
| Unrestricted | 16,624 | 12,762 | 217,019 | 246,405 |
| | | | | |
| Total net assets | \$ 17,532 | \$ 12,762 | \$ 217,019 | \$ 247,313 |

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
Non-Major Enterprise Funds
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2009

| | ECDC Program | Home Program | Return to Owner | Total |
|--|-----------------|-----------------|--------------------|---------------|
| Operating revenues: | | | | |
| Other tenant revenue | \$ - | \$ - | \$ 10,725 | \$ 10,725 |
| Charges for services | 20,040 | | 20,135 | 40,175 |
| Total operating revenues | \$ 20,040 | \$ - | \$ 30,860 | \$ 50,900 |
| Operating expenses: | | | | |
| Administrative | \$ 4,618 | \$ 1,274 | \$ 3,867 | \$ 9,759 |
| Utilities | 1,363 | | | 1,363 |
| Repairs and maintenance | 2,229 | 2,967 | | 5,196 |
| General | 4,517 | 1,295 | | 5,812 |
| Depreciation | 136 | | | 136 |
| Total operating expenses | \$ 12,863 | \$ 5,536 | \$ 3,867 | \$ 22,266 |
| Operating income (loss) | \$ 7,177 | \$ (5,536) | \$ 26,993 | \$ 28,634 |
| Nonoperating revenue (expense): | | | | |
| Other nonoperating revenue | \$ 56 | \$ 35 | \$ 1,938 | \$ 2,029 |
| Total nonoperating revenues (expenses) | \$ 56 | \$ 35 | \$ 1,938 | \$ 2,029 |
| Change in net assets | \$ 7,233 | \$ (5,501) | \$ 28,931 | \$ 30,663 |
| Net assets, beginning of year | 10,299 | 18,263 | 188,088 | 216,650 |
| Net assets, end of year | \$ 17,532 | \$ 12,762 | \$ 217,019 | \$ 247,313 |

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
Non-Major Enterprise Funds
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

| | <u>ECDC Program</u> | <u>Home Program</u> | <u>Return to Owner</u> | <u>Total</u> |
|--|-------------------------|-------------------------|----------------------------|-------------------|
| Cash flows from operating activities: | | | | |
| Receipts from tenants and fees | \$ 20,040 | \$ - | \$ 45,513 | \$ 65,553 |
| Payments to vendors | (8,308) | (5,586) | (3,917) | (17,811) |
| Payments to employees | (4,729) | | | (4,729) |
| | <u>\$ 7,003</u> | <u>\$ (5,586)</u> | <u>\$ 41,596</u> | <u>\$ 43,013</u> |
| Cash flows from noncapital and related financing activities: | | | | |
| Other nonoperating revenues | \$ 56 | \$ 35 | \$ 1,938 | \$ 2,029 |
| Loans to others | | | | - |
| Intercompany loans | 1,057 | | | 1,057 |
| Repayment of intercompany borrowings | | | | - |
| | <u>\$ 1,113</u> | <u>\$ 35</u> | <u>\$ 1,938</u> | <u>\$ 3,086</u> |
| Cash flows from capital and related financing activities: | | | | |
| Intergovernmental grants | \$ - | \$ - | \$ - | \$ - |
| Purchase of capital assets | | | | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net increase (decrease) in cash | \$ 8,116 | \$ (5,551) | \$ 43,534 | \$ 46,099 |
| Cash, beginning of year | <u>10,575</u> | <u>18,313</u> | <u>94,340</u> | <u>123,228</u> |
| Cash, end of year | <u>\$ 18,691</u> | <u>\$ 12,762</u> | <u>\$ 137,874</u> | <u>\$ 169,327</u> |

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
Non-Major Enterprise Funds
COMBINING STATEMENT OF CASH FLOWS(concluded)
For the Fiscal Year Ended June 30, 2009

| | <u>ECDC Program</u> | <u>Home Program</u> | <u>Return to Owner</u> | <u>Total</u> |
|---|-------------------------|-------------------------|----------------------------|------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 7,177 | \$ (5,536) | \$ 26,993 | \$ 28,634 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 136 | | | 136 |
| (Increase) decrease in: | | | | - |
| Accounts receivable | | | 14,653 | 14,653 |
| Prepaid expenses | (88) | | | (88) |
| Inventory | | | | - |
| Increase(decrease) in: | | | | |
| Accounts payable | (111) | (50) | (50) | (211) |
| Accrued expenses | | | | - |
| Tenant deposits | | | | - |
| Compensated absences | (111) | | | (111) |
| Net cash provided (used) by operating activities | <u>\$ 7,003</u> | <u>\$ (5,586)</u> | <u>\$ 41,596</u> | <u>\$ 43,013</u> |

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
LOW RENT PUBLIC HOUSING
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|------------------|------------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 178,262 | \$ 178,262 | \$ 207,130 | \$ 28,868 |
| Other tenant revenue | 35,785 | 35,785 | 53,361 | 17,576 |
| Total operating revenues | \$ 214,047 | \$ 214,047 | \$ 260,491 | \$ 46,444 |
| Operating expenses: | | | | |
| Administrative | \$ 169,872 | \$ 169,872 | \$ 121,494 | \$ 48,378 |
| Tenant services | | | 193,375 | (193,375) |
| Utilities | 69,360 | 69,360 | 84,692 | (15,332) |
| Repairs and maintenance | 215,718 | 215,718 | 197,935 | 17,783 |
| General | 201,532 | 201,532 | 57,299 | 144,233 |
| Depreciation | | | 160,814 | (160,814) |
| Total operating expenses | \$ 656,482 | \$ 656,482 | \$ 815,609 | \$ (159,127) |
| Operating income (loss) | \$ (442,435) | \$ (442,435) | \$ (555,118) | \$ (112,683) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 456,439 | \$ 456,439 | \$ 626,261 | \$ 169,822 |
| Loss on sale of assets | | | (18,532) | (18,532) |
| Other nonoperating revenue | 4,000 | 4,000 | 6,340 | 2,340 |
| Total nonoperating revenues (expenses) | \$ 460,439 | \$ 460,439 | \$ 614,069 | \$ 153,630 |
| Change in net assets | \$ 18,004 | \$ 18,004 | \$ 58,951 | \$ 40,947 |

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
HOUSING CHOICE VOUCHERS
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------------|------------------------|-------------------------|--|
| Operating revenues: | | | | |
| Other tenant revenue | \$ - | \$ - | \$ 4,745 | \$ 4,745 |
| Total operating revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,745</u> | <u>\$ 4,745</u> |
| Operating expenses: | | | | |
| Administrative | \$ 96,940 | \$ 96,940 | \$ 52,660 | \$ 44,280 |
| Tenant services | | | 29,626 | (29,626) |
| Repairs and maintenance | | | | - |
| General | 31,006 | 31,006 | 29,594 | 1,412 |
| Total operating expenses | <u>\$ 127,946</u> | <u>\$ 127,946</u> | <u>\$ 111,880</u> | <u>\$ 16,066</u> |
| Operating income (loss) | <u>\$ (127,946)</u> | <u>\$ (127,946)</u> | <u>\$ (107,135)</u> | <u>\$ 20,811</u> |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 130,896 | \$ 130,896 | \$ 756,361 | \$ 625,465 |
| Housing assistance payments | | | (625,248) | (625,248) |
| Other nonoperating revenue | 2,000 | 2,000 | | (2,000) |
| Total nonoperating revenues (expenses) | <u>\$ 132,896</u> | <u>\$ 132,896</u> | <u>\$ 131,113</u> | <u>\$ (1,783)</u> |
| Change in net assets | <u><u>\$ 4,950</u></u> | <u><u>\$ 4,950</u></u> | <u><u>\$ 23,978</u></u> | <u><u>\$ 19,028</u></u> |

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
HACIENDA ORGULLO APARTMENTS
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|------------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 177,549 | \$ 177,549 | \$ 64,701 | \$ (112,848) |
| Other tenant revenue | 3,970 | 3,970 | 1,225 | (2,745) |
| Total operating revenues | \$ 181,519 | \$ 181,519 | \$ 65,926 | \$ (115,593) |
| Operating expenses: | | | | |
| Administrative | \$ 46,378 | \$ 46,378 | \$ 48,623 | \$ (2,245) |
| Utilities | 21,900 | 21,900 | 22,980 | (1,080) |
| Repairs and maintenance | 33,621 | 33,621 | 43,373 | (9,752) |
| General | 50,303 | 50,303 | 14,159 | 36,144 |
| Interest | 34,020 | 34,020 | 6,611 | 27,409 |
| Depreciation | | | 31,577 | (31,577) |
| Total operating expenses | \$ 186,222 | \$ 186,222 | \$ 167,323 | \$ 18,899 |
| Operating income (loss) | \$ (4,703) | \$ (4,703) | \$ (101,397) | \$ (96,694) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 56,129 | \$ 56,129 | \$ 183,191 | \$ 127,062 |
| Other nonoperating revenue | 11,136 | 11,136 | 388 | (10,748) |
| Total nonoperating revenues (expenses) | \$ 67,265 | \$ 67,265 | \$ 183,579 | \$ 116,314 |
| Change in net assets | \$ 62,562 | \$ 62,562 | \$ 82,182 | \$ 19,620 |

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
PUESTA DEL SOL APARTMENTS
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2009

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|-----------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 94,354 | \$ 94,354 | \$ 51,579 | \$ (42,775) |
| Other tenant revenue | 3,750 | 3,750 | 1,543 | (2,207) |
| Total operating revenues | \$ 98,104 | \$ 98,104 | \$ 53,122 | \$ (44,982) |
| Operating expenses: | | | | |
| Administrative | \$ 26,408 | \$ 26,408 | \$ 25,402 | \$ 1,006 |
| Utilities | 10,800 | 10,800 | 13,481 | (2,681) |
| Repairs and maintenance | 20,331 | 20,331 | 23,862 | (3,531) |
| General | 27,461 | 27,461 | 5,340 | 22,121 |
| Interest | 15,277 | 15,277 | 57,017 | (41,740) |
| Depreciation | | | 18,152 | (18,152) |
| Total operating expenses | \$ 100,277 | \$ 100,277 | \$ 143,254 | \$ (42,977) |
| Operating income (loss) | \$ (2,173) | \$ (2,173) | \$ (90,132) | \$ (87,959) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 7,812 | \$ 7,812 | \$ 88,651 | \$ 80,839 |
| Other nonoperating revenue | 6,000 | 6,000 | 133 | (5,867) |
| Total nonoperating revenues (expenses) | \$ 13,812 | \$ 13,812 | \$ 88,784 | \$ 74,972 |
| Change in net assets | \$ 11,639 | \$ 11,639 | \$ (1,348) | \$ (12,987) |

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
COMPARATIVE STATEMENTS OF NET ASSETS
Hacienda Orgullo and Puesta Del Sol Apartments
June 30, 2009 and 2008

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|--|--------------------------------|----------------|------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 29,347 | \$ 24,019 | \$ 1,270 | \$ 2,097 |
| Accounts receivable(net) | 84,017 | 11,450 | 17,598 | 8,235 |
| Prepaid expenses | 1,693 | 1,062 | 1,504 | 592 |
| Interfund receivables | | 67 | | 42 |
| Inventory | 1,666 | 1,350 | 536 | 593 |
| Total current assets | \$ 116,723 | \$ 37,948 | \$ 20,908 | \$ 11,559 |
| Noncurrent assets: | | | | |
| Restricted: | | | | |
| Cash | \$ 120,230 | \$ 109,161 | \$ 41,315 | \$ 35,660 |
| Capital assets, net | 860,586 | 817,587 | 464,633 | 475,527 |
| Total noncurrent assets | \$ 980,816 | \$ 926,748 | \$ 505,948 | \$ 511,187 |
| Total assets | \$ 1,097,539 | \$ 964,696 | \$ 526,856 | \$ 522,746 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 77,879 | \$ 2,780 | \$ 9,066 | \$ 1,346 |
| Accrued expenses | 380 | | 1,223 | 1,037 |
| Interfund payable | 8,170 | 8,170 | 21,084 | 21,084 |
| Current portion of long-term debt | 27,685 | 27,409 | 3,371 | 2,996 |
| Tenant deposits (payable from restricted assets) | 6,830 | 7,216 | 2,068 | 2,517 |
| Total current liabilities | \$ 120,944 | \$ 45,575 | \$ 36,812 | \$ 28,980 |
| Noncurrent liabilities: | | | | |
| Notes payable | \$ 618,518 | \$ 646,203 | \$ 470,383 | \$ 473,754 |
| Compensated absences | 5,959 | 2,982 | 3,229 | 2,232 |
| Total noncurrent liabilities | \$ 624,477 | \$ 649,185 | \$ 473,612 | \$ 475,986 |
| Total liabilities | \$ 745,421 | \$ 694,760 | \$ 510,424 | \$ 504,966 |

Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
COMPARATIVE STATEMENTS OF NET ASSETS (concluded)
 Hacienda Orgullo and Puesta Del Sol Apartments
 June 30, 2009 and 2008

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|---|--------------------------------|------------|------------------------------|------------|
| NET ASSETS | 2009 | 2008 | 2009 | 2008 |
| Invested in capital assets, net of related debt | \$ 214,383 | \$ 143,975 | \$ (9,121) | \$ (1,223) |
| Restricted for debt service | 113,400 | 101,945 | 39,247 | 33,163 |
| Unrestricted | 24,335 | 24,016 | (13,694) | (14,160) |
| Total net assets | \$ 352,118 | \$ 269,936 | \$ 16,432 | \$ 17,780 |

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
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS**

Hacienda Orgullo and Puesta Del Sol Apartments
For the Fiscal Year Ended June 30, 2009 and 2008

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|---|--------------------------------|---------------------|------------------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Operating revenues: | | | | |
| Tenant rent | \$ 64,701 | \$ 59,418 | \$ 51,579 | \$ 46,658 |
| Other tenant revenue | 1,225 | 48 | 1,543 | 736 |
| Total operating revenues | \$ 65,926 | \$ 59,466 | \$ 53,122 | \$ 47,394 |
| Operating expenses: | | | | |
| Administrative | \$ 48,623 | \$ 48,929 | \$ 25,402 | \$ 24,907 |
| Utilities | 22,980 | 23,654 | 13,481 | 13,497 |
| Repairs and maintenance | 43,373 | 49,649 | 23,862 | 30,660 |
| General | 14,159 | 18,912 | 5,340 | 6,925 |
| Depreciation | 31,577 | 31,967 | 18,152 | 18,267 |
| Total operating expenses | \$ 160,712 | \$ 173,111 | \$ 86,237 | \$ 94,256 |
| Operating income (loss) | \$ (94,786) | \$ (113,645) | \$ (33,115) | \$ (46,862) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 183,191 | \$ 104,526 | \$ 88,651 | \$ 86,057 |
| Interest on notes | (6,611) | (6,940) | (57,017) | (56,776) |
| Other nonoperating revenue | 388 | 537 | 133 | 175 |
| Total nonoperating revenues (expenses) | \$ 176,968 | \$ 98,123 | \$ 31,767 | \$ 29,456 |
| Change in net assets | \$ 82,182 | \$ (15,522) | \$ (1,348) | \$ (17,406) |
| Net assets, beginning of year | 269,936 | 285,458 | 17,780 | 35,186 |
| Net assets, end of year | \$ 352,118 | \$ 269,936 | \$ 16,432 | \$ 17,780 |

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
COMPARATIVE STATEMENTS OF CASH FLOWS
Hacienda Orgullo and Puesta Del Sol Apartments
For the Fiscal Year Ended June 30, 2009 and 2008

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|---|--------------------------------|--------------------------|------------------------------|-------------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Cash flows from operating activities: | | | | |
| Receipts from tenants and fees | \$ 65,255 | \$ 62,298 | \$ 49,831 | \$ 48,105 |
| Payments to vendors | (72,327) | (87,181) | (31,420) | (34,084) |
| Payments to employees | (53,875) | (49,524) | (28,617) | (39,197) |
| Net cash provided (used) by operating activities | <u>\$ (60,947)</u> | <u>\$ (74,407)</u> | <u>\$ (10,206)</u> | <u>\$ (25,176)</u> |
| Cash flows from noncapital and related financing activities: | | | | |
| Intergovernmental grants | \$ 110,909 | \$ 100,464 | \$ 82,130 | \$ 82,118 |
| Interfund loans | 67 | 6,225 | 42 | 8,638 |
| Other nonoperating revenues | 388 | 537 | 133 | 175 |
| Net cash provided (used) by noncapital and related financing activities | <u>\$ 111,364</u> | <u>\$ 107,226</u> | <u>\$ 82,305</u> | <u>\$ 90,931</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | \$ - | \$ - | \$ (7,258) | \$ - |
| Principal payments on debt | (27,409) | (27,080) | (57,017) | (2,661) |
| Interest on notes | (6,611) | (6,940) | (2,996) | (56,776) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (34,020)</u> | <u>\$ (34,020)</u> | <u>\$ (67,271)</u> | <u>\$ (59,437)</u> |
| Net increase (decrease) in cash | \$ 16,397 | \$ (1,201) | \$ 4,828 | \$ 6,318 |
| Cash, beginning of year | <u>133,180</u> | <u>134,381</u> | <u>37,757</u> | <u>31,439</u> |
| Cash, end of year | <u><u>\$ 149,577</u></u> | <u><u>\$ 133,180</u></u> | <u><u>\$ 42,585</u></u> | <u><u>\$ 37,757</u></u> |

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
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
June 30, 2009

| | <u>Type of Account</u> | <u>Bank Balance</u> | <u>Reconciled Balance</u> |
|------------------------------|----------------------------|-------------------------|-------------------------------|
| <u>Bank of the Southwest</u> | | | |
| RTO | Checking | \$ 64,700 | \$ 64,700 |
| Home Reserve | Savings | 6,441 | 6,441 |
| Puesta Reserve | Savings | 34,496 | 34,496 |
| Puesta Tax/Ins | Savings | 4,751 | 4,751 |
| Hacienda Tax/Ins | Checking | 2,407 | 2,407 |
| Hacienda Resident | Checking | 3,565 | 3,565 |
| Hacienda Reserve | Savings | 107,428 | 107,428 |
| FSS Escrow | Savings | 32,896 | 32,896 |
| T or C Housing Authority | CD | 73,174 | 73,174 |
| | | <u>\$ 329,858</u> | <u>\$ 329,858</u> |
| <u>Compass Bank</u> | | | |
| Home Program | Checking | \$ 6,321 | \$ 6,321 |
| Puesta | Checking | 1,449 | 1,270 |
| Puesta Security | Checking | 2,068 | 2,068 |
| Hacienda | Checking | 29,417 | 29,347 |
| Hacienda Security | Checking | 6,830 | 6,830 |
| ECDC | Repurchase | 18,691 | 18,691 |
| Voucher | Repurchase | 200,447 | 200,255 |
| IDA Match | Checking | 5,994 | 5,994 |
| Low Rent | Repurchase | 329,943 | 299,952 |
| | | <u>\$ 601,160</u> | <u>\$ 570,728</u> |
| <u>Citizens Bank</u> | | | |
| Tor C Housing Authority | CD | \$ 226,076 | \$ 226,076 |
| T or C Housing Authority | CD | 210,485 | 210,485 |
| T or C Housing Authority | CD | 45,401 | 45,401 |
| | | <u>\$ 481,962</u> | <u>\$ 481,962</u> |
| Total cash and investments | | <u>\$ 1,412,980</u> | <u>\$ 1,382,548</u> |

Truth or Consequences Housing Authority
A Component Unit of the city of Truth or Consequences
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2009

| | Bank of the Southwest | Compass Bank | Citizens Bank | Total |
|---|-----------------------------|-------------------|-------------------|---------------------|
| Checking, Savings and CD's | \$ 329,858 | \$ 52,079 | 481,962 | \$ 863,899 |
| Repurchase deposits | | 549,081 | | 549,081 |
| Total on deposit | \$ 329,858 | \$ 601,160 | 481,962 | \$ 1,412,980 |
| Less FDIC insurance | (329,858) | (250,000) | (250,000) | (829,858) |
| Total uninsured public funds | \$ - | \$ 351,160 | 231,962 | \$ 583,122 |
| 102% collateralization requirement | \$ - | \$ 560,063 | \$ - | \$ 560,063 |
| 50% collateralization requirement (Section 6-10-17 NMSA) | | - | 115,981 | 115,981 |
| Total collateralization requirement | \$ - | \$ 560,063 | \$ 115,981 | \$ 676,044 |
| Pledged securities: | | | | |
| FHLB Letter of Credit 7/15/2009 | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Danbury Tx Higher Ed 236035AL5 2/15/2022 | | 14,178 | | 14,178 |
| Danbury Tx Higher Ed 236035AL5 2/15/2022 | | 47,259 | | 47,259 |
| FNMA 31410KBG8 12/01/2028 | | 255,476 | | 255,476 |
| FNMA 31410KBG8 12/01/2028 | | 97,498 | | 97,498 |
| FNMA ARM 31400SFX2 03/01/2033 | | 242,459 | | 242,459 |
| FHLB Note 11/18/2011 | | | 322,983 | 322,983 |
| Total pledged securities | \$ 100,000 | \$ 656,870 | \$ 322,983 | \$ 1,079,853 |
| Pledged securities over (under) requirement | \$ 100,000 | \$ 96,807 | \$ 207,002 | \$ 403,809 |

Securities pledged by Bank of the Southwest are held by the Federal Home Loan Bank in Irving, Tx.
Securities pledged by Compass Bank are Held by First Financial in El Paso, Tx.
Securities pledged by Citizens Bank are held by the Federal Home Loan Bank in Irving, TX.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

| <u>Federal Grantor/Pass-through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Total Awards Expended</u> |
|--|------------------------------------|--|--------------------------------------|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Direct programs: | | | |
| Public and Indian Housing | 14.850 | N/A | \$ 201,619 |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | 756,361 |
| Resident Opportunity and Supportive Services | 14.870 | N/A | 188,646 |
| Public Housing Capital Fund | 14.872 | N/A | 232,849 |
| Passed through the NM Mortgage Finance Authority: | | | |
| Community Development Block Grant - States Program | 14.228 | 07-05-TOC-RRS-001 | <u>81,835</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 1,461,310</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Direct programs: | | | |
| Rural Rental Housing Loans | 10.415 | N/A | \$ 1,164,130 |
| Rural Rental Assistance | 10.427 | N/A | <u>145,834</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 1,309,964</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,771,274</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2009

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Truth or Consequences Housing Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 Insurance

The Authority is a member of the Housing Authority Insurance Group, to which it pays an annual premium in exchange for insurance in varying amounts based on the type of risk, as follows:

| | |
|-------------------|------------|
| General liability | \$ 300,000 |
| Personal injury | 750,000 |
| Property damage | 100,000 |

Note 3 Loan Guarantees

The Authority had loan guarantees from Rural Rental Housing Loans at June 30, 2008, in the amount of \$1,119,957, which are included in the accompanying Schedule of Federal Financial Assistance under the Federal Loan Program, CFDA No. 10.415. The remainder of the federal assistance is loan subsidies in the amount of \$44,173.

The Rural Rental Housing loans require participation in repayment by the Authority, but significant debt repayment is through debt service subsidies from the U. S. Department of Agriculture.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

Findings – Financial Statement Audit

| | <u>Current Status</u> |
|---|-----------------------|
| 08-01 The audit report was not submitted timely to the New Mexico State Auditor | Resolved |
| 08-02 Compass bank depository collateral was insufficient | Resolved |
| 07-02 The financial statements were not prepared by Authority personnel | Repeated |

Findings – Major Federal Award Programs

None

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**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**

Hector H. Balderas, State Auditor
and
Board of Commissioners
Truth or Consequences Housing Authority
Truth or Consequences, New Mexico

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Truth or Consequences Housing Authority as of and for the year ended June 30, 2009, which collectively comprise the Truth or Consequences Housing Authority's basic financial statements and have issued our report thereon dated October 25, 2009. We have also audited the combining and individual fund financial statements of each of the Authority's non-major proprietary funds and the budgetary comparisons presented as other supplementary information as of and for the year ended June 30, 2009, and have issued our report thereon dated October 25, 2009. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Truth or Consequences Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Truth or Consequences Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Truth or Consequences Housing Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Truth or Consequences Housing Authority's ability to

initiate, authorize, record, process, or report financial data reliably in accordance with generally **accepted accounting** principles such that there is more than a remote likelihood that a misstatement of the Truth or Consequences Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Truth or Consequences Housing Authority's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Truth or Consequences Housing Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 07-2.

The Truth or Consequences Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Truth or Consequences Housing Authority's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the State Auditor, the New Mexico Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co CPAs

October 25, 2009

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor
and
Board of Commissioners
Truth or Consequences Housing Authority
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of the Truth or Consequences Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Truth or Consequences Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Truth or Consequences Housing Authority's management. Our responsibility is to express an opinion on the Truth or Consequences Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Truth or Consequences 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. Our audit does not provide a legal determination on the Truth or Consequences Housing Authority's compliance with those requirements.

In our opinion, the Truth or Consequences Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Truth or Consequences Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Truth or Consequences Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Truth or Consequences Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above,

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co CPAs

October 25, 2009

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Truth or Consequences Housing Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the Truth or Consequences Housing Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditors' report on compliance for the major federal awards programs for the Truth or Consequences Housing Authority expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Section 8 Housing Choice Vouchers, CFDA No. 14.871.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Truth or Consequences Housing Authority qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

OTHER INSTANCES OF NONCOMPLIANCE

07-02 Preparation of Financial Statements

Condition – The financial statements and related disclosures are not being prepared by the Authority.

Criteria – The American Institute of Certified Public Accountant’s Statement on Auditing Standards No. 112 concludes that a well designed system of internal control includes controls over financial reporting as well as other areas.

Effect – When sufficient controls over financial reporting are not operating effectively, the Authority’s ability to prevent or detect a misstatement in its financial statements is limited.

Cause – Authority personnel have been unable to dedicate the time necessary to gain an understanding of the elements of external financial reporting.

Recommendation – We recommend that the Authority’s personnel receive training in the requirements of external financial reporting.

Agency response – While the Authority agrees with this finding and the resulting recommendation, in the near future, the Authority does not believe the resources will be available to enact the recommendation.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.’s.

EXIT CONFERENCE

The contents of this report were discussed September 16, 2009. Present at this exit conference were:

| <u>Name</u> | <u>Title</u> | <u>Affiliation</u> |
|---------------|-----------------------|------------------------------|
| Adrian Oneill | Board Member | T or C Housing Authority |
| Greg D’Amour | Board Member | T or C Housing Authority |
| Marie Bradley | Executive Director | T or C Housing Authority |
| Suzi Slater | Chief Finance Officer | T or C Housing Authority |
| Rita Johnson | Director of Housing | T or C Housing Authority |
| Kay Stone | Shareholder | Stone, McGee & Co., C.P.A.’s |
| Mike Stone | Shareholder | Stone, McGee & Co., C.P.A.’s |