

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, 2013

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, 2013

**COMMISSIONERS**

Greg D'Amour  
LeeAnn Tooley  
Margaret Clanton  
Dan Mena

Chairman  
Vice-Chairman  
Commissioner  
Commissioner

**ADMINISTRATIVE STAFF**

Steven Rice  
Mario Portillo

Acting Executive Director  
Finance Director

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

RYAN MONTOYA, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise the Truth or Consequences Housing Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Truth or Consequences Housing Authority's nonmajor enterprise funds and the budgetary comparisons for the enterprise funds presented as other supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Truth or Consequences Housing Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor enterprise fund of the Truth or Consequences Housing Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the nonmajor enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Truth or Consequences Housing Authority's financial statements that collectively comprise the Authority's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of contents are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplemental data 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal awards and the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2013, 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 agreement 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 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 Truth or Consequences Housing Authority's internal control over financial reporting and compliance.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 10, 2013

*Stone, McGee & Co.*  
Certified Public Accountants

Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
**STATEMENT OF NET POSITION**  
June 30, 2013

	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Puesta Del Sol Apartments</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 394,123	\$ 169,592	\$ 2,119
Accounts receivable(net)	62,490	4,194	7,313
Prepaid expenses	15,883	1,143	2,873
Interfund receivables	47		(54,585)
Inventory	2,533		62
	<u>475,076</u>	<u>174,929</u>	<u>(42,218)</u>
Total current assets			
Noncurrent assets:			
Restricted:			
Cash	\$ 49,937	\$ 39,456	\$ 61,965
Capital assets, net	1,667,110	5,951	516,310
	<u>1,717,047</u>	<u>45,407</u>	<u>578,275</u>
Total noncurrent assets			
Total assets	<u>\$ 2,192,123</u>	<u>\$ 220,336</u>	<u>\$ 536,057</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 14,102	\$ -	\$ 1,896
Accrued expenses	19,582	1,450	721
FSS deposits	16,314	36,243	
Current portion of long-term debt			5,409
Tenant deposits (payable from restricted assets)	26,145		2,128
	<u>76,143</u>	<u>37,693</u>	<u>10,154</u>
Total current liabilities			
Noncurrent liabilities:			
Notes payable	\$ -	\$ -	\$ 452,103
Compensated absences	13,420	12,304	3,535
	<u>13,420</u>	<u>12,304</u>	<u>455,638</u>
Total noncurrent liabilities			
Total liabilities	<u>\$ 89,563</u>	<u>\$ 49,997</u>	<u>\$ 465,792</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,667,110	\$ 5,951	\$ 58,798
Restricted for housing assistance payments		3,213	
Restricted for repair and replacement			59,731
Restricted for taxes and insurance payments			106
Restricted for tenant use			
Unrestricted	435,450	161,175	(48,370)
	<u>2,102,560</u>	<u>170,339</u>	<u>70,265</u>
Total net position			

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



<u>Hacienda Orgullo Apartments</u>	<u>Other Funds</u>	<u>Total</u>
\$ 17,523	\$ 174,137	\$ 757,494
11,759	82,542	168,298
5,060	807	25,766
(11,224)	65,762	-
1,060		3,655
<u>\$ 24,178</u>	<u>\$ 323,248</u>	<u>\$ 955,213</u>
\$ 70,054	\$ -	\$ 221,412
848,235	364	3,037,970
<u>\$ 918,289</u>	<u>\$ 364</u>	<u>\$ 3,259,382</u>
<u>\$ 942,467</u>	<u>\$ 323,612</u>	<u>\$ 4,214,595</u>
\$ 1,635	\$ 73	\$ 17,706
755		22,508
		52,557
28,814		34,223
8,140		36,413
<u>\$ 39,344</u>	<u>\$ 73</u>	<u>\$ 163,407</u>
\$ 504,946	\$ -	\$ 957,049
4,840	1,204	35,303
<u>\$ 509,786</u>	<u>\$ 1,204</u>	<u>\$ 992,352</u>
<u>\$ 549,130</u>	<u>\$ 1,277</u>	<u>\$ 1,155,759</u>
\$ 314,475	\$ 364	\$ 2,046,698
		3,213
58,334		118,065
101		207
3,479		3,479
16,948	321,971	887,174
<u>\$ 393,337</u>	<u>\$ 322,335</u>	<u>\$ 3,058,836</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 POSITION**  
For the Fiscal Year Ended June 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Puesta Del Sol Apartments
Operating revenues:			
Tenant rent	\$ 225,928	\$ -	\$ 55,506
Other tenant revenue	32,830	10,220	6,781
Charges for services			
	<hr/>	<hr/>	<hr/>
Total operating revenues	\$ 258,758	\$ 10,220	\$ 62,287
Operating expenses:			
Administrative	\$ 295,666	\$ 76,044	\$ 40,656
Tenant services		32,883	
Utilities	91,379		12,031
Repairs and maintenance	170,122	192	37,831
General	73,069	33,897	5,632
Depreciation	153,570	2,048	24,313
	<hr/>	<hr/>	<hr/>
Total operating expenses	\$ 783,806	\$ 145,064	\$ 120,463
Operating income (loss)	\$ (525,048)	\$ (134,844)	\$ (58,176)
Nonoperating revenue (expense):			
Intergovernmental grants-Federal	\$ 221,207	\$ 875,285	\$ 93,186
Housing assistance payments		(772,071)	
Interest expense			(54,834)
Loss on disposition of assets			
Other nonoperating revenue	1,002	180	85
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	\$ 222,209	\$ 103,394	\$ 38,437
Change in net position	\$ (302,839)	\$ (31,450)	\$ (19,739)
Net position, beginning of year	<hr/>	<hr/>	<hr/>
Net position, end of year	\$ 2,405,399	201,789	90,004
	<hr/>	<hr/>	<hr/>
Net position, end of year	\$ 2,102,560	\$ 170,339	\$ 70,265

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

<u>Hacienda Orgullo Apartments</u>	<u>Other Funds</u>	<u>Total</u>
\$ 68,460	\$ -	\$ 349,894
9,272		59,103
	47,955	47,955
<u>\$ 77,732</u>	<u>\$ 47,955</u>	<u>\$ 456,952</u>
\$ 55,090	\$ 16,843	\$ 484,299
		32,883
21,973	1,610	126,993
51,301	5,161	264,607
14,936	5,027	132,561
37,853	136	217,920
<u>\$ 181,153</u>	<u>\$ 28,777</u>	<u>\$ 1,259,263</u>
<u>\$ (103,421)</u>	<u>\$ 19,178</u>	<u>\$ (802,311)</u>
\$ 110,985	\$ -	\$ 1,300,663
		(772,071)
(5,497)		(60,331)
		-
71	249	1,587
<u>\$ 105,559</u>	<u>\$ 249</u>	<u>\$ 469,848</u>
\$ 2,138	\$ 19,427	\$ (332,463)
391,199	302,908	3,391,299
<u>\$ 393,337</u>	<u>\$ 322,335</u>	<u>\$ 3,058,836</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, 2013

	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>
Cash flows from operating activities:		
Receipts from tenants and fees	\$ 260,773	\$ 12,962
Payments to vendors	(320,930)	(34,074)
Payments to employees	<u>(318,444)</u>	<u>(108,753)</u>
 Net cash provided (used) by operating activities	 <u>\$ (378,601)</u>	 <u>\$ (129,865)</u>
 Cash flows from noncapital and related financing activities:		
Intergovernmental grants	\$ 219,403	\$ 876,412
Housing assistance payments		(772,071)
Loans to others	10,883	
Interfund loans	31,295	
Other nonoperating revenues	<u>1,002</u>	<u>180</u>
 Net cash provided (used) by noncapital and related financing activities	 <u>\$ 262,583</u>	 <u>\$ 104,521</u>
 Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (11,476)	\$ -
Sale of fixed assets		
Interest paid on capital debt		
Principal payments on capital debt		
	<u>                    </u>	<u>                    </u>
 Net cash provided (used) by capital and related financing activities	 <u>\$ (11,476)</u>	 <u>\$ -</u>
 Net increase (decrease) in cash	 \$ (127,494)	 \$ (25,344)
 Cash, beginning of year	 <u>571,554</u>	 <u>234,392</u>
 Cash, end of year	 <u><u>\$ 444,060</u></u>	 <u><u>\$ 209,048</u></u>

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>
\$ 60,196	\$ 77,475	\$ 47,955	\$ 459,361
(56,354)	(88,957)	(22,792)	(523,107)
<u>(37,950)</u>	<u>(58,755)</u>	<u>(6,535)</u>	<u>(530,437)</u>
<u>\$ (34,108)</u>	<u>\$ (70,237)</u>	<u>\$ 18,628</u>	<u>\$ (594,183)</u>
\$ 92,867	\$ 109,337	\$ -	\$ 1,298,019
			(772,071)
		40,019	50,902
(2,455)	2,468	(31,308)	-
<u>85</u>	<u>71</u>	<u>249</u>	<u>1,587</u>
<u>\$ 90,497</u>	<u>\$ 111,876</u>	<u>\$ 8,960</u>	<u>\$ 578,437</u>
\$ -	\$ (25,044)	\$ -	\$ (36,520)
			-
(54,686)	(5,484)		(60,170)
<u>(4,764)</u>	<u>(28,536)</u>		<u>(33,300)</u>
<u>\$ (59,450)</u>	<u>\$ (59,064)</u>	<u>\$ -</u>	<u>\$ (129,990)</u>
\$ (3,061)	\$ (17,425)	\$ 27,588	\$ (145,736)
<u>67,145</u>	<u>105,002</u>	<u>146,549</u>	<u>1,124,642</u>
<u>\$ 64,084</u>	<u>\$ 87,577</u>	<u>\$ 174,137</u>	<u>\$ 978,906</u>

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, 2013

	Low Rent Public Housing	Housing Choice Vouchers
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (525,048)	\$ (134,844)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	153,570	2,048
(Increase) decrease in:		
Accounts receivable	(393)	
Prepaid expenses	(14,065)	(1,143)
Inventory	(339)	
Increase(decrease) in:		
Accounts payable	2,409	
Accrued expenses	555	12
Deferred revenue		
Tenant deposits	2,408	2,742
Compensated absences	2,302	1,320
	\$ (378,601)	\$ (129,865)
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 Argullo Apartments</u>	<u>Other Funds</u>	<u>Total</u>
\$ (58,176)	\$ (103,421)	\$ 19,178	\$ (802,311)
24,313	37,853	136	217,920
(1,052)	65		(1,380)
(69)	(4,645)	(807)	(20,729)
16	74		(249)
1,861	(79)	(2)	4,189
(67)	(128)		372
			-
(1,039)	(322)		3,789
<u>105</u>	<u>366</u>	<u>123</u>	<u>4,216</u>
<u>\$ (34,108)</u>	<u>\$ (70,237)</u>	<u>\$ 18,628</u>	<u>\$ (594,183)</u>

Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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 City provides sponsorship only, the entities operations are distinct and separate.

The Authority's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements) and interpretations. 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 Position, Statement of Revenues, Expenses and Changes in Net Position 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 Position, Statement of Revenues, Expenses and Change in Net Position, 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 position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Revenues, expenses, gains, losses, deferred outflow of resources, liabilities and deferred inflow of resources resulting from non-exchange transactions are recognized when the earnings process is complete. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, 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, deferred outflow of resources, liabilities and deferred inflow of resources 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, and beginning fund positions are not budgeted.

No amendments are made to the original budgets.

## **F. CASH AND INVESTMENTS**

For the purpose of the Statement of Net Position, “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”. Inter-fund receivables/payables between individual Enterprise Funds are eliminated in the total column of the Statement of Net Position.

**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, governmental grants, 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 Position, with accumulated depreciation reflected in the Statement of Net Position. 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, repair and replacement reserves, future housing assistance payments, and tax and insurance reserves.

**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. Proprietary funds report the liability as it is incurred.

**N. EQUITY CLASSIFICATIONS**

*Government-wide Statements and Fund Financial Statements*

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or net investment in capital assets.”

**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. The Authority's primary operating revenues are rents and sundry charges to facility users.

*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 position are available.

The Authority does not allocate indirect costs.

**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, 2013.

**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, 2013, \$.00 of the Authority's bank balance of \$1,053,299 was exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 624,756	\$ 624,756
Collateral held by the pledging bank's agent in Authority's name	428,543	354,150
Uninsured	<u>-0-</u>	<u>-0-</u>
	<u>\$ 1,053,299</u>	<u>\$ 978,906</u>

Note 3 Accounts Receivables

Due from tenants	\$ 6,892
Less allowance for doubtful accounts	<u>(609)</u>
Net tenant receivables	\$ 6,283
Due from other governments	<u>162,015</u>
Net receivables	<u>\$ 168,298</u>

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 637,536	\$ -0-	\$ -0-	\$ 637,536
Construction in progress	<u>134,897</u>	<u>-0-</u>	<u>134,897</u>	<u>-0-</u>
Total assets not being depreciated	<u>\$ 772,433</u>	<u>\$ -0-</u>	<u>\$ 134,897</u>	<u>\$ 637,536</u>
Other capital assets:				
Furniture and fixtures	\$ 713,850	\$ 33,940	\$ -	\$ 747,790
Buildings	6,274,140	25,044	-0-	6,299,184
Improvements	<u>534,183</u>	<u>112,433</u>	<u>-0-</u>	<u>646,616</u>
Total other assets at historical cost	<u>\$ 7,522,173</u>	<u>\$ 171,417</u>	<u>\$ -0-</u>	<u>\$ 7,693,590</u>
Less accumulated depreciation for:				
Furniture and fixtures	\$ (579,385)	\$ (34,726)	\$ -0-	\$ (614,111)
Buildings	(4,046,724)	(150,735)	-0-	(4,197,459)
Improvements	<u>(449,127)</u>	<u>(32,459)</u>	<u>-0-</u>	<u>(481,586)</u>
Total accumulated depreciation	<u>\$ (5,075,236)</u>	<u>\$ (217,920)</u>	<u>\$ -0-</u>	<u>\$ (5,293,156)</u>
Other capital assets (net)	<u>\$ 2,446,937</u>	<u>\$ (46,503)</u>	<u>\$ -0-</u>	<u>\$ 2,400,434</u>
Capital assets, net	<u>\$ 3,219,370</u>	<u>\$ (46,503)</u>	<u>\$ 134,897</u>	<u>\$ 3,037,970</u>

Note 5 Accrued Expenses

Accrued expenses consist of the following at June 30, 2013:

Accrued payroll	\$ 8,154
Accrued interest	327
Accrued resident expenses (FSS deposits)	<u>14,027</u>
	<u>\$ 22,508</u>

FSS deposits are amounts due tenants under the Family Self-Sufficiency Program.

Note 6 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2013:

	<u>Balance</u>		<u>Balance</u>	<u>Due</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
				<u>Within</u>
				<u>One Year</u>
Business-Type Activities:				
Notes Payable:				
Hacienda Orgullo Apts.	\$ 562,296	\$ 28,536	\$ 533,760	\$ 28,814
Puesta del Sol Apts.	<u>462,276</u>	<u>4,764</u>	<u>457,512</u>	<u>5,409</u>
	\$1,024,572	\$ 33,300	\$ 991,272	\$ 34,223
Compensated absences	<u>31,088</u>	<u>25,119</u>	<u>20,904</u>	<u>35,303</u>
	<u>\$1,055,660</u>	<u>\$ 25,119</u>	<u>\$ 54,204</u>	<u>\$ 1,026,575</u>
				<u>\$ 34,223</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 \$ 406,908

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 126,852

\$ 533,760



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>457,512</u>
	<u>\$ 991,272</u>

The annual debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
Due in year ending June 30:		
2014	\$ 34,223	\$ 59,247
2015	35,191	58,279
2016	36,247	57,223
2017	37,402	56,068
2018	38,667	54,803
2019-2023	217,239	250,112
2024-2028	275,671	191,680
2029-2033	274,214	93,581
2034-2038	<u>42,418</u>	<u>2,125</u>
	<u>\$ 991,272</u>	<u>\$ 823,118</u>

Note 7 Pension Plan – Public Employees Retirement Association

*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 benefits, 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](http://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 contribution 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, 2013, 2012, and 2011 were \$83,055, \$77,301 and \$68,764 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 responsible for establishing and amending benefit provisions of the healthcare plan, and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal

year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2013**, the statute required each participating employer to contribute **2.0%** of each participating employee's annual salary; each participating employee was required to contribute **1.0%** of their salary. In addition pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$21,087, \$18,456, and \$14,750, 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:

- \$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
- \$250,000 Personal Injury each occurrence and aggregate.

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. This schedule is a hard copy of the on-line submission to the Real Estate Assessment Center.

The financial data schedule is not available for presentation in the audited financial statements. Upon availability, it will be issued under separate cover.

Note 12 Inter-fund Activity

Inter-fund balances at June 30, 2013 consisted of the following:

<u>Inter-Fund Payables</u>					
<u>Inter-fund Receivable</u>	<u>Low-Rent Public Housing</u>	<u>Hacienda Orgullo</u>	<u>Puesta del Sol</u>	<u>Other Funds</u>	<u>Total</u>
Low-Rent Public Housing	\$	\$ 3,054	\$ 26,800	\$ 100	\$ 29,954
Other Funds	<u>29,907</u>	<u>8,170</u>	<u>27,785</u>	<u>          </u>	<u>65,862</u>
	<u>\$ 29,907</u>	<u>\$ 11,224</u>	<u>\$ 54,585</u>	<u>\$ 100</u>	<u>\$ 95,816</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-four 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.

Note 14 Restricted Net Position

The Authority reports \$124,964 in restricted net position, of which \$121,278 is restricted by enabling legislation.

Note 15 Evaluation of Subsequent Events

The Authority has evaluated subsequent events through November 10, 2013, the date which the financial statements were available to be issued.

Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
Non-Major Enterprise Funds  
**COMBINING STATEMENT OF NET POSITION**  
June 30, 2013

	ECDC Program	Home Program	Return to Owner	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 31,320	\$ 5,434	\$ 137,383	\$ 174,137
Accounts receivable			82,542	82,542
Prepaid expenses	807			807
Interfund receivable			65,862	65,862
Total current assets	\$ 32,127	\$ 5,434	\$ 285,787	\$ 323,348
Noncurrent assets:				
Capital assets, net	364			364
Total assets	\$ 32,491	\$ 5,434	\$ 285,787	\$ 323,712
<b>LIABILITIES</b>				
Current:				
Accounts payable	\$ 73	\$ -	\$ -	\$ 73
Interfund payable	50		50	100
Total current liabilities	\$ 123	\$ -	\$ 50	\$ 173
Noncurrent liabilities:				
Compensated absences	1,204			1,204
Total liabilities	\$ 1,327	\$ -	\$ -	\$ 1,377
<b>NET POSITION</b>				
Net investment in capital assets	\$ 364	\$ -	\$ -	\$ 364
Unrestricted	30,800	5,434	285,737	321,971
Total net position	\$ 31,164	\$ 5,434	\$ 285,737	\$ 322,335

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 POSITION**  
For the Fiscal Year Ended June 30, 2013

	<u>ECDC Program</u>	<u>Home Program</u>	<u>Return to Owner</u>	<u>Total</u>
Operating revenues:				
Other tenant revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	<u>20,040</u>		<u>27,915</u>	<u>47,955</u>
Total operating revenues	<u>\$ 20,040</u>	<u>\$ -</u>	<u>\$ 27,915</u>	<u>\$ 47,955</u>
Operating expenses:				
Administrative	\$ 6,358	\$ 958	\$ 9,527	\$ 16,843
Utilities	1,610			1,610
Repairs and maintenance	4,761		400	5,161
General	4,424		603	5,027
Depreciation	<u>136</u>			<u>136</u>
Total operating expenses	<u>\$ 17,289</u>	<u>\$ 958</u>	<u>\$ 10,530</u>	<u>\$ 28,777</u>
Operating income (loss)	<u>\$ 2,751</u>	<u>\$ (958)</u>	<u>\$ 17,385</u>	<u>\$ 19,178</u>
Nonoperating revenue (expense):				
Other nonoperating revenue	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 226</u>	<u>\$ 249</u>
Total nonoperating revenues (expenses)	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 226</u>	<u>\$ 249</u>
Change in net position	\$ 2,763	\$ (947)	\$ 17,611	\$ 19,427
Net position, beginning of year	<u>28,401</u>	<u>6,381</u>	<u>268,126</u>	<u>302,908</u>
Net position, end of year	<u><u>\$ 31,164</u></u>	<u><u>\$ 5,434</u></u>	<u><u>\$ 285,737</u></u>	<u><u>\$ 322,335</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  
Non-Major Enterprise Funds  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2013

	<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	\$ -	\$ 27,915	\$ 47,955
Payments to vendors	(11,304)	(958)	(10,530)	(22,792)
Payments to employees	(6,535)			(6,535)
Net cash provided (used) by operating activities	<u>\$ 2,201</u>	<u>\$ (958)</u>	<u>\$ 17,385</u>	<u>\$ 18,628</u>
Cash flows from noncapital and related financing activities:				
Other nonoperating revenues	\$ 12	\$ 11	\$ 226	\$ 249
Loans to others			40,019	40,019
Intercompany loans	50		(31,358)	(31,308)
Repayment of intercompany borrowings				-
Net cash provided (used) by noncapital and related financing activities	<u>\$ 62</u>	<u>\$ 11</u>	<u>\$ 8,887</u>	<u>\$ 8,960</u>
Cash flows from capital and related financing activities:				
Intergovernmental grants	\$ -	\$ -	\$ -	\$ -
Purchase of capital assets				
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash	\$ 2,263	\$ (947)	\$ 26,272	\$ 27,588
Cash, beginning of year	<u>29,057</u>	<u>6,381</u>	<u>111,111</u>	<u>146,549</u>
Cash, end of year	<u>\$ 31,320</u>	<u>\$ 5,434</u>	<u>\$ 137,383</u>	<u>\$ 174,137</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, 2013

	<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)	\$ 2,751	\$ (958)	\$ 17,385	\$ 19,178
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	136			136
(Increase) decrease in:				-
Accounts receivable				-
Prepaid expenses	(807)			(807)
Inventory				-
Increase(decrease) in:				
Accounts payable	(2)			(2)
Accrued expenses				-
Tenant deposits				-
Compensated absences	123			123
Net cash provided (used) by operating activities	<u>\$ 2,201</u>	<u>\$ (958)</u>	<u>\$ 17,385</u>	<u>\$ 18,628</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 220,234	\$ 220,234	\$ 225,928	\$ 5,694
Other tenant revenue	37,620	37,620	32,830	(4,790)
 Total operating revenues	 \$ 257,854	 \$ 257,854	 \$ 258,758	 \$ 904
Operating expenses:				
Administrative	\$ 148,211	\$ 148,211	\$ 295,666	\$ (147,455)
Tenant services	117,729	117,729		117,729
Utilities	90,750	90,750	91,379	(629)
Repairs and maintenance	177,672	177,672	170,122	7,550
General	75,085	75,085	73,069	2,016
Depreciation			153,570	(153,570)
 Total operating expenses	 \$ 609,447	 \$ 609,447	 \$ 783,806	 \$ (174,359)
 Operating income (loss)	 \$ (351,593)	 \$ (351,593)	 \$ (525,048)	 \$ (173,455)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 239,533	\$ 239,533	\$ 221,207	\$ (18,326)
Loss on sale of assets				
Other nonoperating revenue	70	70	1,002	932
 Total nonoperating revenues (expenses)	 \$ 239,603	 \$ 239,603	 \$ 222,209	 \$ (17,394)
 Change in net position	 \$ (111,990)	 \$ (111,990)	 \$ (302,839)	 \$ (190,849)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Other tenant revenue	\$ -	\$ -	\$ 10,220	\$ 10,220
Total operating revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,220</u>	<u>\$ 10,220</u>
Operating expenses:				
Administrative	\$ 65,226	\$ 65,226	\$ 76,044	\$ (10,818)
Tenant services	32,240	32,240	32,883	(643)
Repairs and maintenance			192	(192)
General	34,304	34,304	33,897	407
Depreciation			2,048	(2,048)
Total operating expenses	<u>\$ 131,770</u>	<u>\$ 131,770</u>	<u>\$ 145,064</u>	<u>\$ (13,294)</u>
Operating income (loss)	<u>\$ (131,770)</u>	<u>\$ (131,770)</u>	<u>\$ (134,844)</u>	<u>\$ (3,074)</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 796,605	\$ 796,605	\$ 875,285	\$ 78,680
Housing assistance payments	(664,942)	(664,942)	(772,071)	(107,129)
Other nonoperating revenue	150	150	180	30
Total nonoperating revenues (expenses)	<u>\$ 131,813</u>	<u>\$ 131,813</u>	<u>\$ 103,394</u>	<u>\$ (28,419)</u>
Change in net position	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ (31,450)</u>	<u>\$ (31,493)</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 183,936	\$ 183,936	\$ 68,460	\$ (115,476)
Other tenant revenue	5,850	5,850	9,272	3,422
 Total operating revenues	 \$ 189,786	 \$ 189,786	 \$ 77,732	 \$ (112,054)
Operating expenses:				
Administrative	\$ 52,618	\$ 52,618	\$ 55,090	\$ (2,472)
Utilities	19,350	19,350	21,973	(2,623)
Repairs and maintenance	45,801	45,801	51,301	(5,500)
General	12,770	12,770	14,936	(2,166)
Depreciation			37,853	(37,853)
 Total operating expenses	 \$ 130,539	 \$ 130,539	 \$ 181,153	 \$ (50,614)
 Operating income (loss)	 \$ 59,247	 \$ 59,247	 \$ (103,421)	 \$ (162,668)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ -	\$ -	\$ 110,985	\$ 110,985
Interest expense			(5,497)	(5,497)
Other nonoperating revenue	100	100	71	(29)
 Total nonoperating revenues (expenses)	 \$ 100	 \$ 100	 \$ 105,559	 \$ 105,459
 Change in net position	 \$ 59,347	 \$ 59,347	 \$ 2,138	 \$ (57,209)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 110,832	\$ 110,832	\$ 55,506	\$ (55,326)
Other tenant revenue	7,250	7,250	6,781	(469)
 Total operating revenues	 \$ 118,082	 \$ 118,082	 \$ 62,287	 \$ (55,795)
Operating expenses:				
Administrative	\$ 33,158	\$ 33,158	\$ 40,656	\$ (7,498)
Utilities	12,350	12,350	12,031	319
Repairs and maintenance	36,850	36,850	37,831	(981)
General	6,550	6,550	5,632	918
Depreciation			24,313	(24,313)
 Total operating expenses	 \$ 88,908	 \$ 88,908	 \$ 120,463	 \$ (31,555)
 Operating income (loss)	 \$ 29,174	 \$ 29,174	 \$ (58,176)	 \$ (87,350)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ -	\$ -	\$ 93,186	\$ 93,186
Interest expense	(15,276)	(15,276)	(54,834)	(39,558)
Other nonoperating revenue	100	100	85	(15)
 Total nonoperating revenues (expenses)	 \$ (15,176)	 \$ (15,176)	 \$ 38,437	 \$ 53,613
 Change in net position	 \$ 13,998	 \$ 13,998	 \$ (19,739)	 \$ (33,737)

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 POSITION**  
Hacienda Orgullo and Puesta Del Sol Apartments  
June 30, 2013 and 2012

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2013	2012	2013	2012
<b>ASSETS</b>				
Current assets:				
Cash	\$ 17,523	\$ 43,604	\$ 2,119	\$ 5,939
Accounts receivable (net)	11,759	10,176	7,313	5,942
Prepaid expenses	5,060	415	2,873	2,804
Interfund receivables				
Inventory	1,060	1,134	62	78
Total current assets	\$ 35,402	\$ 55,329	\$ 12,367	\$ 14,763
Noncurrent assets:				
Restricted:				
Cash	\$ 70,054	\$ 61,398	\$ 61,965	\$ 61,206
Capital assets, net	848,235	861,044	516,310	540,623
Total noncurrent assets	\$ 918,289	\$ 922,442	\$ 578,275	\$ 601,829
Total assets	\$ 953,691	\$ 977,771	\$ 590,642	\$ 616,592
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,635	\$ 1,714	\$ 1,896	\$ 35
Accrued expenses	755	869	721	640
Interfund payable	11,224	8,756	54,585	57,040
Current portion of long-term debt	28,814	28,528	5,409	4,806
Tenant deposits (payable from restricted assets)	8,140	8,462	2,128	3,167
Total current liabilities	\$ 50,568	\$ 48,329	\$ 64,739	\$ 65,688
Noncurrent liabilities:				
Notes payable	\$ 504,946	\$ 533,768	\$ 452,103	\$ 457,470
Compensated absences	4,840	4,475	3,535	3,430
Total noncurrent liabilities	\$ 509,786	\$ 538,243	\$ 455,638	\$ 460,900
Total liabilities	\$ 560,354	\$ 586,572	\$ 520,377	\$ 526,588

Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
**COMPARATIVE STATEMENTS OF NET POSITION (concluded)**  
Hacienda Orgullo and Puesta Del Sol Apartments  
June 30, 2013 and 2012

<b>NET POSITION</b>	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2013	2012	2013	2012
Net investment in capital assets	\$ 314,475	\$ 298,748	\$ 58,798	\$ 78,347
Restricted for repair and replacement	58,334	47,128	59,731	53,347
Restricted for taxes and insurance payments	101	2,329	106	4,692
Restricted for tenant use	3,479	3,479		
Unrestricted	16,948	39,515	(48,370)	(46,382)
Total net position	\$ 393,337	\$ 391,199	\$ 70,265	\$ 90,004

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 POSITION**  
Hacienda Orgullo and Puesta Del Sol Apartments  
For the Fiscal Year Ended June 30, 2013 and 2012

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2013	2012	2013	2012
Operating revenues:				
Tenant rent	\$ 68,460	\$ 63,852	\$ 55,506	\$ 46,959
Other tenant revenue	9,272	7,395	6,781	13,753
<b>Total operating revenues</b>	<b>\$ 77,732</b>	<b>\$ 71,247</b>	<b>\$ 62,287</b>	<b>\$ 60,712</b>
Operating expenses:				
Administrative	\$ 55,090	\$ 52,507	\$ 40,656	\$ 33,305
Utilities	21,973	21,037	12,031	12,812
Repairs and maintenance	51,301	44,643	37,831	34,086
General	14,936	13,765	5,632	6,272
Depreciation	37,853	38,407	24,313	24,882
<b>Total operating expenses</b>	<b>\$ 181,153</b>	<b>\$ 170,359</b>	<b>\$ 120,463</b>	<b>\$ 111,357</b>
<b>Operating income (loss)</b>	<b>\$ (103,421)</b>	<b>\$ (99,112)</b>	<b>\$ (58,176)</b>	<b>\$ (50,645)</b>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 110,985	\$ 114,316	\$ 93,186	\$ 89,737
Interest expense	(5,497)	(5,300)	(54,834)	(54,469)
Other nonoperating revenue	71	47	85	78
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 105,559</b>	<b>\$ 109,063</b>	<b>\$ 38,437</b>	<b>\$ 35,346</b>
<b>Change in net position</b>	<b>\$ 2,138</b>	<b>\$ 9,951</b>	<b>\$ (19,739)</b>	<b>\$ (15,299)</b>
Net position, beginning of year	391,199	381,248	90,004	105,303
<b>Net position, end of year</b>	<b>\$ 393,337</b>	<b>\$ 391,199</b>	<b>\$ 70,265</b>	<b>\$ 90,004</b>

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, 2013 and 2012

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2013	2012	2013	2012
Cash flows from operating activities:				
Receipts from tenants and fees	\$ 77,475	\$ 70,950	\$ 60,196	\$ 60,212
Payments to vendors	(88,957)	(82,862)	(56,354)	(54,766)
Payments to employees	(58,755)	(50,238)	(37,950)	(34,204)
Net cash provided (used) by operating activities	<u>\$ (70,237)</u>	<u>\$ (62,150)</u>	<u>\$ (34,108)</u>	<u>\$ (28,758)</u>
Cash flows from noncapital and related financing activities:				
Intergovernmental grants	\$ 109,337	\$ 113,913	\$ 92,867	\$ 89,471
Interfund loans	2,468	8,756	(2,455)	3,376
Other nonoperating revenues	71	47	85	79
Net cash provided (used) by noncapital and related financing activities	<u>\$ 111,876</u>	<u>\$ 122,716</u>	<u>\$ 90,497</u>	<u>\$ 92,926</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (25,044)	\$ -	\$ -	\$ -
Principal payments on capital debt	(28,536)	(28,244)	(4,764)	(4,312)
Interest paid on capital debt	(5,484)	(5,776)	(54,686)	(55,224)
Net cash provided (used) by capital and related financing activities	<u>\$ (59,064)</u>	<u>\$ (34,020)</u>	<u>\$ (59,450)</u>	<u>\$ (59,536)</u>
Net increase (decrease) in cash	\$ (17,425)	\$ 26,546	\$ (3,061)	\$ 4,632
Cash, beginning of year	<u>105,002</u>	<u>78,456</u>	<u>67,145</u>	<u>62,513</u>
Cash, end of year	<u><u>\$ 87,577</u></u>	<u><u>\$ 105,002</u></u>	<u><u>\$ 64,084</u></u>	<u><u>\$ 67,145</u></u>



Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
**COMPARATIVE STATEMENTS OF CASH FLOWS (concluded)**  
Hacienda Orgullo and Puesta Del Sol Apartments  
For the Fiscal Year Ended June 30, 2013 and 2012

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2013	2012	2013	2012
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (103,421)	\$ (99,112)	\$ (58,176)	\$ (50,645)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	37,853	38,407	24,313	24,882
(Increase) decrease in:				
Accounts receivable	65	(385)	(1,052)	(1,116)
Prepaid expenses	(4,645)	(181)	(69)	(2,164)
Inventory	74	532	16	458
 Increase (decrease) in:				
Accounts payable	(79)	(1,067)	1,861	(985)
Accrued expenses	(128)	763	(67)	476
Deferred revenue		(96)		
Tenant deposits	(322)	184	(1,039)	616
Compensated absences	366	(1,195)	105	(280)
 Net cash provided (used) by operating activities	<u>\$ (70,237)</u>	<u>\$ (62,150)</u>	<u>\$ (34,108)</u>	<u>\$ (28,758)</u>

Truth or Consequences Housing Authority  
A Component Unit of the City of Truth or Consequences  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
June 30, 2013

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Bank of the Southwest</u>			
RTO	Checking	\$ 61,613	\$ 61,528
Home Reserve	Savings	5,434	5,434
Puesta Tax/Ins	Savings	106	106
Hacienda Tax/Ins	Checking	101	101
Hacienda Resident	Checking	3,478	3,478
PH FSS Escrow	Savings	17,781	17,781
FSS Escrow	Savings	<u>36,243</u>	<u>36,243</u>
Total Bank of the Southwest		<u>\$ 124,756</u>	<u>\$ 124,671</u>
<u>Compass Bank</u>			
Hacienda	Checking	\$ 24,078	\$ 17,523
Puesta	Checking	6,067	2,119
Puesta Security	Checking	2,128	2,128
Hacienda Security	Checking	8,141	8,141
ECDC	Checking	31,331	31,320
Voucher	Checking	126,753	125,678
IDA Match	Checking	6,011	6,011
Low Rent	Checking	<u>114,532</u>	<u>51,813</u>
Total Compass Bank		<u>\$ 319,041</u>	<u>\$ 244,733</u>
<u>Citizens Bank</u>			
Hacienda Reserve	Checking	\$ 58,334	\$ 58,334
Puesta Reserve	Checking	59,731	59,731
Tor C Housing Authority	CD	47,127	47,127
T or C Housing Authority	CD	234,789	234,789
T or C Housing Authority	CD	31,607	31,607
T or C Housing Authority	CD	75,855	75,855
T or C Housing Authority	CD	<u>102,059</u>	<u>102,059</u>
Total Citizens Bank		<u>\$ 609,502</u>	<u>\$ 609,502</u>
Total cash and investments		<u><u>\$ 1,053,299</u></u>	<u><u>\$ 978,906</u></u>

Truth or Consequences Housing Authority  
A Component Unit of the city of Truth or Consequences  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
June 30, 2013

	Bank of the Southwest	Compass Bank	Citizens Bank	Total
Checking, Savings and CD's	\$ 124,756	\$ 319,041	\$ 609,502	\$ 1,053,299
Total on deposit	\$ 124,756	\$ 319,041	\$ 609,502	\$ 1,053,299
Less FDIC insurance	(124,756)	(250,000)	(250,000)	(624,756)
Total uninsured public funds	\$ -	\$ 69,041	\$ 359,502	\$ 428,543
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -	\$ 34,521	\$ 179,751	\$ 214,272
Total collateralization requirement	\$ -	\$ 34,521	\$ 179,751	\$ 214,272
Pledged securities:				
FNMA 31410GWR0 10/1/17	\$ -	\$ 32,945	\$ -	\$ 32,945
Danbury TX 236035AL5 2/15/22		12,750		12,750
Danbury TX 236035AL5 2/15/22		42,500		42,500
FNMA 31410KGB8 12/1/28		95,220		95,220
FNMA 31410KGB8 12/1/28		36,339		36,339
FNMA 31400SFX2 3/1/33		153,262		153,262
FNMA 31400QJ87 3/1/33		43,329		43,329
FHLMC 31336CM83 8/1/35		75,890		75,890
FNMA 31407RLD4 9/1/36		46,878		46,878
FNMA 31414EKD5 6/1/38		88,394		88,394
GNMA 36200KGJ0 12/15/46		35,043		35,043
GNMA 36200KGJ0 12/15/46		40,049		40,049
FHLB 313379EE5 6/14/2019			197,552	197,552
FHLB 313379EE5 6/14/2019			296,327	296,327
FHLB 313370SZ2 9/8/2017			516,948	516,948
Total pledged securities	\$ -	\$ 702,599	\$ 1,010,827	\$ 1,713,426
Pledged securities over (under) requirement	\$ -	\$ 668,079	\$ 831,076	\$ 1,499,155

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, 2013

<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>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Direct programs:			
Public and Indian Housing	14.850	N/A	\$ 78,759
Section 8 Housing Choice Vouchers	14.871	N/A	809,901
Resident Opportunity and Supportive Services	14.870	N/A	115,580
Supportive Housing for Persons with Disabilities	14.181	N/A	65,384
Public Housing Capital Fund	14.872	N/A	<u>26,868</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,096,492</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct programs:			
Rural Rental Housing Loans	10.415	N/A	\$ 1,035,445
Rural Rental Assistance	10.427	N/A	<u>156,702</u>
Total U.S. Department of Agriculture			<u>\$ 1,192,147</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,288,639</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, 2013

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	\$ 2,000,000
Personal injury	2,000,000
Property damage	2,000,000

Note 3     Loan Guarantees

The Authority had loan guarantees from Rural Rental Housing Loans at June 30, 2013, in the amount of \$991,272, which are included in the accompanying Schedule of Expenditures of Federal Awards under the Rural Rental Housing Loans, CFDA No. 10.415. The remainder of the federal assistance in this federal program 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, 2013

**Findings – Financial Statement Audit**

Current Status

2012-1 The Authority reported employee Public employee Retirement Act contributions as taxable wages.

Resolved

**Findings – Major Federal Award Programs**

None

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise Truth or Consequences Housing Authority's basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons of the Authority presented as other supplementary information, and have issued our report thereon dated November 10, 2013.

**Internal Control Over financial Reporting**

In planning and performing our audit of the financial statements, we considered Truth or Consequences 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Truth or Consequences 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 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 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

### **Truth or Consequences Housing Authority's Responses to Findings**

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. The Authority's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 10, 2013

*Stone, McGee & Co.*  
*Certified Public Accountants*



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Truth or Consequences Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Truth or Consequences Housing Authority's major federal programs for the year ended June 30, 2013. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

## Opinion on Each Major Federal Program

In our opinion, Truth or Consequences Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control over Compliance

Management of Truth or Consequences Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Truth or Consequences Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Truth or Consequences 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
November 10, 2013

*Stone, McGee & Co.*  
*Certified Public Accountants*

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, 2013

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified 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 *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
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 *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by 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 unmodified 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: Rural Rental Housing Loans, CFDA No. 10.415
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Truth or Consequences Housing Authority was determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2013-1 Contracting for Audit Services (Other)**

**Condition** – The recommendation for audit services and the audit contract were submitted to the New Mexico State Auditor for his approval on June 4, 2013.

**Criteria** – Subsection G, paragraph 6 of 2.2.2.8 NMAC, 2013, commonly called the Audit Rule, requires housing authority's to submit the recommendation for audit services and the signed audit contract by May 15, 2013.

**Effect** – Lack of an audit contract could delay the audit process and jeopardize timely financial reporting by the entity. In addition, 2.2.2 NMAC regulations have been violated.

Cause – The Finance Director had health problems which delayed the processing of the recommendation and contract.

Recommendation – We recommend that the Authority comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

Agency Response – The submission of the audit recommendation and contract has been calendared, and in the future, the 2.2.2 NMAC deadlines will be met.

#### 2013-2 Inter-fund Transaction Reconciliation (Other)

Condition – The Authority’s inter-fund receivables and payables differed by \$26,199.

Criteria – Generally accepted accounting principles require that inter-fund receivables and payables balance.

Effect – There is an increased likelihood that the financial statements may be misstated, or, in the alternative, that financial statement amounts may be misclassified.

Cause – The Authority did not reconcile inter-fund receivables and payables at year-end. Certain payables had been erroneously recorded as accounts payable rather than inter-fund payables, causing an imbalance in the accounts.

Recommendation – We recommend that the Authority reconcile inter-fund transactions on a monthly basis, and that supervisory personnel review the balances monthly to ensure that the amounts balance.

Agency Response – The recommendation will be adopted.

#### **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, with input from Authority personnel.

#### **EXIT CONFERENCE**

The contents of this report were discussed October 31, 2013. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Greg D'Amour	Board Chairman	T or C Housing Authority
LeeAnn Tooley	Board Vice-Chairman	T or C Housing Authority
Steven Rice	Acting Executive Director	T or C Housing Authority
Mario Portillo	Finance Director	T or C Housing Authority
Laura Leera	Housing Director	T or C Housing Authority
Jessie Anglin	Voucher Manager	T or C Housing Authority
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s