

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, 2014

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, 2014

COMMISSIONERS

Greg D'Amour
LeeAnn Tooley
Margaret Clanton
Dan Mena

Chairman
Vice-Chairman
Commissioner
Commissioner

ADMINISTRATIVE STAFF

Steven Rice
Mario Portillo

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, 2014, 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, 2014, 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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the 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 purposes 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 6, 2014, 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 6, 2014

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, 2014

| | <u>Low Rent Public Housing</u> | <u>Housing Choice Vouchers</u> | <u>Puesta Del Sol Apartments</u> |
|--|--|--|--|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 450,771 | \$ 140,565 | \$ 21,537 |
| Accounts receivable(net) | 36,749 | | 6,221 |
| Prepaid expenses | 18,818 | | 2,776 |
| Interfund receivables | 28,915 | 140 | |
| Inventory | 2,533 | | 62 |
| | <u>537,786</u> | <u>140,705</u> | <u>30,596</u> |
| Total current assets | <u>\$ 537,786</u> | <u>\$ 140,705</u> | <u>\$ 30,596</u> |
| Noncurrent assets: | | | |
| Restricted: | | | |
| Cash | \$ 46,888 | \$ 40,138 | \$ 63,024 |
| Capital assets, net | 1,921,452 | 16,361 | 492,441 |
| | <u>1,968,340</u> | <u>56,499</u> | <u>555,465</u> |
| Total noncurrent assets | <u>\$ 1,968,340</u> | <u>\$ 56,499</u> | <u>\$ 555,465</u> |
| Total assets | <u>\$ 2,506,126</u> | <u>\$ 197,204</u> | <u>\$ 586,061</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 9,992 | \$ 5,018 | \$ 3,724 |
| Accrued expenses | 37,884 | | |
| Interfund payables | 140 | | 69,200 |
| Unearned revenue | | | 1,344 |
| FSS deposits | 16,458 | 40,138 | |
| Current portion of long-term debt | | | 6,087 |
| Tenant deposits (payable from restricted assets) | 24,156 | | 2,100 |
| | <u>88,630</u> | <u>45,156</u> | <u>82,455</u> |
| Total current liabilities | <u>\$ 88,630</u> | <u>\$ 45,156</u> | <u>\$ 82,455</u> |
| Noncurrent liabilities: | | | |
| Notes payable | \$ - | \$ - | \$ 446,016 |
| Compensated absences | 9,705 | 8,171 | 3,255 |
| | <u>9,705</u> | <u>8,171</u> | <u>449,271</u> |
| Total noncurrent liabilities | <u>\$ 9,705</u> | <u>\$ 8,171</u> | <u>\$ 449,271</u> |
| Total liabilities | <u>\$ 98,335</u> | <u>\$ 53,327</u> | <u>\$ 531,726</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 1,921,452 | \$ 16,361 | \$ 40,338 |
| Restricted for housing assistance payments | | | |
| Restricted for repair and replacement | | | 60,818 |
| Restricted for taxes and insurance payments | | | 106 |
| Restricted for tenant use | | | |
| Unrestricted | 486,339 | 127,516 | (46,927) |
| | <u>2,407,791</u> | <u>143,877</u> | <u>54,335</u> |
| Total net position | <u>\$ 2,407,791</u> | <u>\$ 143,877</u> | <u>\$ 54,335</u> |

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

| Hacienda Orgullo Apartments | Other Funds | Total* |
|-----------------------------------|-------------------|---------------------|
| \$ 24,239 | \$ 259,985 | \$ 897,097 |
| 9,463 | 120,136 | 172,569 |
| 4,618 | | 26,212 |
| 1,060 | 47,785 | 3,655 |
| <u>\$ 39,380</u> | <u>\$ 427,906</u> | <u>\$ 1,099,533</u> |
| | | |
| \$ 72,822 | \$ - | \$ 222,872 |
| 816,689 | 228 | 3,247,171 |
| <u>\$ 889,511</u> | <u>\$ 228</u> | <u>\$ 3,470,043</u> |
| | | |
| <u>\$ 928,891</u> | <u>\$ 428,134</u> | <u>\$ 4,569,576</u> |
| | | |
| \$ 6,545 | \$ 62 | \$ 25,341 |
| 90 | | 37,974 |
| 7,500 | | |
| 967 | | 2,311 |
| | | 56,596 |
| 29,104 | | 35,191 |
| 7,659 | | 33,915 |
| <u>\$ 51,865</u> | <u>\$ 62</u> | <u>\$ 191,328</u> |
| | | |
| \$ 475,865 | \$ - | \$ 921,881 |
| 2,873 | | 24,004 |
| <u>\$ 478,738</u> | <u>\$ -</u> | <u>\$ 945,885</u> |
| | | |
| <u>\$ 530,603</u> | <u>\$ 62</u> | <u>\$ 1,137,213</u> |
| | | |
| \$ 311,720 | \$ 228 | \$ 2,290,099 |
| | | - |
| 61,583 | | 122,401 |
| 101 | | 207 |
| 3,479 | | 3,479 |
| 21,405 | 427,844 | 1,016,177 |
| <u>\$ 398,288</u> | <u>\$ 428,072</u> | <u>\$ 3,432,363</u> |

*After internal receivables and payables have been eliminated

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, 2014

| | Low Rent Public Housing | Housing Choice Vouchers | Puesta Del Sol Apartments |
|---|-------------------------------|-------------------------------|---------------------------------|
| Operating revenues: | | | |
| Tenant rent | \$ 225,751 | \$ - | \$ 47,210 |
| Other tenant revenue | 24,856 | 5,573 | 3,195 |
| Charges for services | | | |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating revenues | \$ 250,607 | \$ 5,573 | \$ 50,405 |
| Operating expenses: | | | |
| Administrative | \$ 171,546 | \$ 77,131 | \$ 36,515 |
| Tenant services | 2,653 | 34,743 | |
| Utilities | 85,526 | | 13,350 |
| Repairs and maintenance | 177,313 | | 32,925 |
| General | 75,848 | 31,561 | 5,999 |
| Depreciation | 89,259 | 3,181 | 23,869 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total operating expenses | \$ 602,145 | \$ 146,616 | \$ 112,658 |
| Operating income (loss) | <u>\$ (351,538)</u> | <u>\$ (141,043)</u> | <u>\$ (62,253)</u> |
| Nonoperating revenue (expense): | | | |
| Intergovernmental grants-Federal | \$ 432,909 | \$ 880,229 | \$ 99,989 |
| Housing assistance payments | | (765,818) | |
| Interest expense | | | (53,742) |
| Loss on disposition of assets | | | |
| Other nonoperating revenue | 968 | 170 | 76 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total nonoperating revenues (expenses) | \$ 433,877 | \$ 114,581 | \$ 46,323 |
| Change in net position | <u>\$ 82,339</u> | <u>\$ (26,462)</u> | <u>\$ (15,930)</u> |
| Net position, beginning of year, as originally stated | \$ 2,102,560 | \$ 170,339 | \$ 70,265 |
| Restatement | <u>222,892</u> | | |
| Net position, beginning of year, as restated | \$ 2,325,452 | \$ 170,339 | \$ 70,265 |
| Change in net position | <u>82,339</u> | <u>(26,462)</u> | <u>(15,930)</u> |
| Net position, end of year | <u>\$ 2,407,791</u> | <u>\$ 143,877</u> | <u>\$ 54,335</u> |

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

| Hacienda Orgullo Apartments | Other Funds | Total |
|-----------------------------------|-------------------|---------------------|
| \$ 69,384 | \$ - | \$ 342,345 |
| 1,453 | 633 | 35,710 |
| | 214,586 | 214,586 |
| <u>\$ 70,837</u> | <u>\$ 215,219</u> | <u>\$ 592,641</u> |
| | | |
| \$ 47,340 | \$ 98,474 | \$ 431,006 |
| | | 37,396 |
| 18,770 | 1,581 | 119,227 |
| 41,687 | 6,242 | 258,167 |
| 13,562 | 3,071 | 130,041 |
| 39,512 | 136 | 155,957 |
| <u>\$ 160,871</u> | <u>\$ 109,504</u> | <u>\$ 1,131,794</u> |
| <u>\$ (90,034)</u> | <u>\$ 105,715</u> | <u>\$ (539,153)</u> |
| | | |
| \$ 103,681 | \$ - | \$ 1,516,808 |
| | | (765,818) |
| (5,477) | | (59,219) |
| | | - |
| 78 | 22 | 1,314 |
| <u>\$ 98,282</u> | <u>\$ 22</u> | <u>\$ 693,085</u> |
| <u>\$ 8,248</u> | <u>\$ 105,737</u> | <u>\$ 153,932</u> |
| | | |
| \$ 393,337 | \$ 322,335 | \$ 3,058,836 |
| (3,297) | | 219,595 |
| <u>\$ 390,040</u> | <u>\$ 322,335</u> | <u>\$ 3,278,431</u> |
| 8,248 | 105,737 | 153,932 |
| <u>\$ 398,288</u> | <u>\$ 428,072</u> | <u>\$ 3,432,363</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, 2014

| | <u>Low Rent Public Housing</u> | <u>Housing Choice Vouchers</u> |
|--|--|--|
| Cash flows from operating activities: | | |
| Receipts from tenants and fees | \$ 266,706 | \$ 5,573 |
| Payments to vendors | (324,862) | (59,861) |
| Payments to employees | (182,327) | (79,102) |
| | \$ (240,483) | \$ (133,390) |
| Cash flows from noncapital and related financing activities: | | |
| Intergovernmental grants | \$ 442,551 | \$ 884,423 |
| Housing assistance payments | | (765,818) |
| Loans to others | | |
| Interfund loans | 9,193 | (140) |
| Other nonoperating revenues | 968 | 170 |
| | \$ 452,712 | \$ 118,635 |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | \$ (158,630) | \$ (13,590) |
| Sale of fixed assets | | |
| Interest paid on capital debt | | |
| Principal payments on capital debt | | |
| | \$ (158,630) | \$ (13,590) |
| Net increase (decrease) in cash | \$ 53,599 | \$ (28,345) |
| Cash, beginning of year | 444,060 | 209,048 |
| Cash, end of year | \$ 497,659 | \$ 180,703 |

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> |
|--|--|------------------------|---------------------|
| \$ 53,393 | \$ 71,355 | \$ 215,219 | \$ 612,246 |
| (66,833) | (90,981) | (109,776) | (652,313) |
| <u>(20,762)</u> | <u>(31,407)</u> | | <u>(313,598)</u> |
| | | | |
| <u>\$ (34,202)</u> | <u>\$ (51,033)</u> | <u>\$ 105,443</u> | <u>\$ (353,665)</u> |
| | | | |
| \$ 99,437 | \$ 106,426 | \$ - | \$ 1,532,837 |
| | | | (765,818) |
| | | (37,594) | (37,594) |
| 14,615 | (3,724) | 17,977 | 37,921 |
| <u>76</u> | <u>78</u> | <u>22</u> | <u>1,314</u> |
| | | | |
| <u>\$ 114,128</u> | <u>\$ 102,780</u> | <u>\$ (19,595)</u> | <u>\$ 768,660</u> |
| | | | |
| \$ - | \$ (7,966) | \$ - | \$ (180,186) |
| | | | - |
| (54,040) | (5,506) | | (59,546) |
| <u>(5,409)</u> | <u>(28,791)</u> | | <u>(34,200)</u> |
| | | | |
| <u>\$ (59,449)</u> | <u>\$ (42,263)</u> | <u>\$ -</u> | <u>\$ (273,932)</u> |
| | | | |
| \$ 20,477 | \$ 9,484 | \$ 85,848 | \$ 141,063 |
| | | | |
| <u>64,084</u> | <u>87,577</u> | <u>174,137</u> | <u>978,906</u> |
| | | | |
| <u>\$ 84,561</u> | <u>\$ 97,061</u> | <u>\$ 259,985</u> | <u>\$ 1,119,969</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, 2014

| | Low Rent Public Housing | Housing Choice Vouchers |
|---|-------------------------------|-------------------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (351,538) | \$ (141,043) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation expense | 89,259 | 3,181 |
| (Increase) decrease in: | | |
| Accounts receivable | 16,099 | |
| Prepaid expenses | (2,935) | 1,143 |
| Inventory | | |
| Increase(decrease) in: | | |
| Accounts payable | (4,110) | 5,018 |
| Accrued expenses | 18,446 | 2,444 |
| Unearned revenue | | |
| Tenant deposits | (1,989) | |
| Compensated absences | (3,715) | (4,133) |
| Net cash provided (used) by operating activities | \$ (240,483) | \$ (133,390) |

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> |
|--|--|------------------------|---------------------|
| \$ (62,253) | \$ (90,034) | \$ 105,715 | \$ (539,153) |
| 23,869 | 39,512 | 136 | 155,957 |
| 1,644 | (449) | | 17,294 |
| 97 | 442 | 807 | (446) |
| | | | - |
| 1,828 | 4,910 | (11) | 7,635 |
| (423) | (3,933) | | 16,534 |
| 1,344 | 967 | | 2,311 |
| (28) | (481) | | (2,498) |
| <u>(280)</u> | <u>(1,967)</u> | <u>(1,204)</u> | <u>(11,299)</u> |
| <u>\$ (34,202)</u> | <u>\$ (51,033)</u> | <u>\$ 105,443</u> | <u>\$ (353,665)</u> |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, deferred outflows of resources, liabilities and deferred inflows of resources (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 deferred outflows of resources by the provider and deferred inflows of resources 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Authority had no items that qualify for reporting in the category at June 30, 2014.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category at June 30, 2014.

K. 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.

L. 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.

M. 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.

N. 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.

O. 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.”

P. 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.

Q. 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, 2014.

R. 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, 2014, \$.00 of the Authority’s bank balance of \$1,145,259 was exposed to custodial credit risk.

| | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|---|---------------------|----------------------------|
| Deposits by custodial risk | | |
| Category: | | |
| Insured | \$ 377,829 | \$ 377,829 |
| Collateral held by the pledging bank’s agent in Authority’s name | 767,430 | 742,140 |
| Uninsured | <u>-0-</u> | <u>-0-</u> |
| | <u>\$ 1,145,259</u> | <u>\$ 1,119,969</u> |

Note 3 Accounts Receivables

| | |
|--------------------------------------|-------------------|
| Due from tenants | \$ 5,089 |
| Less allowance for doubtful accounts | <u>(609)</u> |
| Net tenant receivables | \$ 4,480 |
| Due from other governments | <u>168,089</u> |
| Net receivables | <u>\$ 172,569</u> |

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Balance <u>July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>June 30, 2014</u> |
|---------------------------------------|--------------------------------|---------------------|------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 637,536 | \$ -0- | \$ -0- | \$ 637,536 |
| Construction in progress | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total assets not being depreciated | <u>\$ 637,536</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 637,536</u> |
| Other capital assets: | | | | |
| Furniture and fixtures | \$ 747,790 | \$ 32,763 | \$ - | \$ 780,553 |
| Buildings | 6,299,184 | 114,636 | -0- | 6,413,820 |
| Improvements | <u>646,616</u> | <u>32,785</u> | <u>-0-</u> | <u>679,401</u> |
| Total other assets at historical cost | <u>\$ 7,693,590</u> | <u>\$ 180,184</u> | <u>\$ -0-</u> | <u>\$ 7,873,774</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and fixtures | \$ (614,111) | \$ (30,138) | \$ -0- | \$ (644,249) |
| Buildings | (4,012,486) | (89,279) | -0- | (4,101,765) |
| Improvements | <u>(481,586)</u> | <u>(36,539)</u> | <u>-0-</u> | <u>(518,125)</u> |
| Total accumulated depreciation | <u>\$ (5,108,183)</u> | <u>\$ (155,956)</u> | <u>\$ -0-</u> | <u>\$ (5,264,139)</u> |
| Other capital assets (net) | <u>\$ 2,585,407</u> | <u>\$ 24,228</u> | <u>\$ -0-</u> | <u>\$ 2,609,635</u> |
| Capital assets, net | <u>\$ 3,222,943</u> | <u>\$ 24,228</u> | <u>\$ -0-</u> | <u>\$ 3,247,171</u> |

Note 5 Accrued Expenses

Accrued expenses consist of the following at June 30, 2014:

| | |
|---|------------------|
| Accrued payroll | \$ 11,735 |
| Accrued interest | 3,768 |
| Accrued resident expenses (FSS ROSS deposits) | <u>22,471</u> |
| | <u>\$ 37,974</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, 2014:

| | Balance | | | Balance | Due |
|---------------------------|---------------------|-----------------------------|--------------------|----------------------|------------------|
| | <u>July 1, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2014</u> | <u>Within</u> |
| | | | | | <u>One Year</u> |
| Business-Type Activities: | | | | | |
| Notes Payable: | | | | | |
| Hacienda Orgullo Apts. | \$ 533,760 | \$ | \$ 28,791 | \$ 504,969 | \$ 29,104 |
| Puesta del Sol Apts. | <u>457,512</u> | <u> </u> | <u>5,409</u> | <u>452,103</u> | <u>6,087</u> |
| | \$ 991,272 | \$ -0- | \$ 34,200 | \$ 957,072 | \$ 35,191 |
| Compensated absences | <u>35,303</u> | <u>26,174</u> | <u>37,473</u> | <u>24,004</u> | <u>-0-</u> |
| | <u>\$1,026,575</u> | <u>\$ 26,174</u> | <u>\$ 71,673</u> | <u>\$ 981,076</u> | <u>\$ 35,191</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 | \$ 384,980 |
| 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>119,989</u> |
| | \$ 504,969 |
| 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>452,103</u> |
| | <u>\$ 957,072</u> |

The annual debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-------------------|-------------------|
| Due in year ending June 30: | | |
| 2015 | \$ 35,191 | \$ 58,279 |
| 2016 | 36,247 | 57,223 |
| 2017 | 37,402 | 56,068 |
| 2018 | 38,667 | 54,803 |
| 2019 | 40,056 | 53,414 |
| 2020-2024 | 226,658 | 240,693 |
| 2025-2029 | 291,505 | 175,846 |
| 2030-2034 | <u>251,346</u> | <u>67,545</u> |
| | <u>\$ 957,072</u> | <u>\$ 763,871</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.

Funding Policy

Plan members are required to contribute 17.15% 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, 2014, 2013, and 2012 were \$80,569, \$83,055 and \$77,301 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.

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 were required to contribute 1% and the employer contributed 2%. For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2014**, 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, 2014, 2013 and 2012 were \$19,455, \$21,087, and \$18,456, 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.

Currently, the Authority has a pending dispute with the U.S. Department of Housing and Urban Development (HUD) over its cost allocation plan. As a matter of course, the entire cost allocation has been disallowed, resulting in a demand from HUD for \$595,111. The Authority has filed a response, and expects any final settlement to be substantially less than this amount.

During the year ending June 30, 2015, the Authority will be required to report a material liability for pension plan participation, due to the adoption of new reporting standards. Currently, the amount is not estimable.

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, 2014 consisted of the following:

| | <u>Inter-Fund Payables</u> | | | <u>Total</u> |
|------------------------------|--|-----------------------------|---------------------------|------------------|
| | <u>Low-Rent Public Housing</u> | <u>Hacienda Orgullo</u> | <u>Puesta del Sol</u> | |
| <u>Inter-fund Receivable</u> | | | | |
| Housing Choice Vouchers | \$ 140 | \$ | \$ | \$ 140 |
| Low-Rent Public Housing | | | 28,915 | 28,915 |
| Other Funds | | 7,500 | 40,285 | 47,785 |
| | <u>\$ 140</u> | <u>\$ 7,500</u> | <u>\$ 69,200</u> | <u>\$ 76,840</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-two 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 \$126,087 in restricted net position, of which \$122,401 is restricted by enabling legislation.

Note 15 Evaluation of Subsequent Events

The Authority has evaluated subsequent events through November 6, 2014, the date which the financial statements were available to be issued.

Note 16 Restatement

During the year ended June 30, 2014, the Authority discovered prior year errors which require correction, as follows:

| | <u>Low-Rent Public Housing</u> | <u>Hacienda Arguello</u> | <u>Total</u> |
|--|--|------------------------------|-------------------|
| Adjustment for interfund activity | \$ 29,907 | \$ | \$ 29,907 |
| Correction to ROSS IDA liability | 8,014 | | 8,014 |
| Correction of previous years over depreciation | 184,971 | | 184,971 |
| Correction to 2013 receivable | | (3,297) | (3,297) |
| | <u>\$ 222,892</u> | <u>\$ (3,297)</u> | <u>\$ 219,595</u> |

Prior year net positions have been restated for the effects of these changes.

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, 2014

| | ECDC Program | Home Program | Return to Owner | Total |
|----------------------------------|-----------------|-----------------|--------------------|------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 41,059 | \$ 6,001 | \$ 212,925 | \$ 259,985 |
| Accounts receivable | | | 120,136 | 120,136 |
| Prepaid expenses | | | | - |
| Interfund receivable | | | 47,785 | 47,785 |
| Total current assets | \$ 41,059 | \$ 6,001 | \$ 380,846 | \$ 427,906 |
| Noncurrent assets: | | | | |
| Capital assets, net | 228 | | | 228 |
| Total assets | \$ 41,287 | \$ 6,001 | \$ 380,846 | \$ 428,134 |
| LIABILITIES | | | | |
| Current: | | | | |
| Accounts payable | \$ 62 | \$ - | \$ - | \$ 62 |
| Interfund payable | | | | - |
| Total current liabilities | \$ 62 | \$ - | \$ - | \$ 62 |
| Noncurrent liabilities: | | | | |
| Compensated absences | | | | - |
| Total liabilities | \$ 62 | \$ - | \$ - | \$ 62 |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 228 | \$ - | \$ - | \$ 228 |
| Unrestricted | 40,997 | 6,001 | 380,846 | 427,844 |
| Total net position | \$ 41,225 | \$ 6,001 | \$ 380,846 | \$ 428,072 |

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, 2014

| | ECDC Program | Home Program | Return to Owner | Total |
|--|-----------------|-----------------|--------------------|------------|
| Operating revenues: | | | | |
| Other tenant revenue | \$ - | \$ 558 | \$ 75 | \$ 633 |
| Charges for services | 20,040 | | 194,546 | 214,586 |
| Total operating revenues | \$ 20,040 | \$ 558 | \$ 194,621 | \$ 215,219 |
| Operating expenses: | | | | |
| Administrative | \$ 3,533 | \$ - | \$ 94,941 | \$ 98,474 |
| Utilities | 1,581 | | | 1,581 |
| Repairs and maintenance | 1,871 | | 4,371 | 6,242 |
| General | 2,871 | | 200 | 3,071 |
| Depreciation | 136 | | | 136 |
| Total operating expenses | \$ 9,992 | \$ - | \$ 99,512 | \$ 109,504 |
| Operating income (loss) | \$ 10,048 | \$ 558 | \$ 95,109 | \$ 105,715 |
| Nonoperating revenue (expense): | | | | |
| Other nonoperating revenue | \$ 13 | \$ 9 | \$ - | \$ 22 |
| Total nonoperating revenues (expenses) | \$ 13 | \$ 9 | \$ - | \$ 22 |
| Change in net position | \$ 10,061 | \$ 567 | \$ 95,109 | \$ 105,737 |
| Net position, beginning of year | 31,164 | 5,434 | 285,737 | 322,335 |
| Net position, end of year | \$ 41,225 | \$ 6,001 | \$ 380,846 | \$ 428,072 |

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, 2014

| | <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 | \$ 558 | \$ 194,621 | \$ 215,219 |
| Payments to vendors | (10,264) | | (99,512) | (109,776) |
| Payments to employees | | | | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash provided (used) by operating activities | <u>\$ 9,776</u> | <u>\$ 558</u> | <u>\$ 95,109</u> | <u>\$ 105,443</u> |
| Cash flows from noncapital and related financing activities: | | | | |
| Other nonoperating revenues | \$ 13 | \$ 9 | \$ - | \$ 22 |
| Loans to others | | | (37,594) | (37,594) |
| Intercompany loans | (50) | | 18,027 | 17,977 |
| Repayment of intercompany borrowings | | | | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash provided (used) by noncapital and related financing activities | <u>\$ (37)</u> | <u>\$ 9</u> | <u>\$ (19,567)</u> | <u>\$ (19,595)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Intergovernmental grants | \$ - | \$ - | \$ - | \$ - |
| Purchase of capital assets | | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net cash provided (used) by capital and related financing activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net increase (decrease) in cash | \$ 9,739 | \$ 567 | \$ 75,542 | \$ 85,848 |
| Cash, beginning of year | <u>31,320</u> | <u>5,434</u> | <u>137,383</u> | <u>174,137</u> |
| Cash, end of year | <u>\$ 41,059</u> | <u>\$ 6,001</u> | <u>\$ 212,925</u> | <u>\$ 259,985</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, 2014

| | <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) | \$ 10,048 | \$ 558 | \$ 95,109 | \$ 105,715 |
| 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 | (11) | | | (11) |
| Accrued expenses | | | | - |
| Tenant deposits | | | | - |
| Compensated absences | (1,204) | | | (1,204) |
| Net cash provided (used) by operating activities | <u>\$ 9,776</u> | <u>\$ 558</u> | <u>\$ 95,109</u> | <u>\$ 105,443</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, 2014

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 230,234 | \$ 230,234 | \$ 225,751 | \$ (4,483) |
| Other tenant revenue | 17,880 | 17,880 | 24,856 | 6,976 |
| Total operating revenues | \$ 248,114 | \$ 248,114 | \$ 250,607 | \$ 2,493 |
| Operating expenses: | | | | |
| Administrative | \$ 171,950 | \$ 171,950 | \$ 171,546 | \$ 404 |
| Tenant services | 2,920 | 2,920 | 2,653 | 267 |
| Utilities | 86,300 | 86,300 | 85,526 | 774 |
| Repairs and maintenance | 288,580 | 288,580 | 177,313 | 111,267 |
| General | 76,200 | 76,200 | 75,848 | 352 |
| Depreciation | | | 89,259 | (89,259) |
| Total operating expenses | \$ 625,950 | \$ 625,950 | \$ 602,145 | \$ 23,805 |
| Operating income (loss) | \$ (377,836) | \$ (377,836) | \$ (351,538) | \$ 26,298 |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 383,152 | \$ 383,152 | \$ 432,909 | \$ 49,757 |
| Loss on sale of assets | | | | |
| Other nonoperating revenue | | | 968 | 968 |
| Total nonoperating revenues (expenses) | \$ 383,152 | \$ 383,152 | \$ 433,877 | \$ 50,725 |
| Change in net position | \$ 5,316 | \$ 5,316 | \$ 82,339 | \$ 77,023 |

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, 2014

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------|---------------------------|---------------------------|--|
| Operating revenues: | | | | |
| Other tenant revenue | \$ - | \$ - | \$ 5,573 | \$ 5,573 |
| Total operating revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,573</u> | <u>\$ 5,573</u> |
| Operating expenses: | | | | |
| Administrative | \$ 82,365 | \$ 82,365 | \$ 77,131 | \$ 5,234 |
| Tenant services | 37,750 | 37,750 | 34,743 | 3,007 |
| Repairs and maintenance | | | | - |
| General | 34,373 | 34,373 | 31,561 | 2,812 |
| Depreciation | | | 3,181 | (3,181) |
| Total operating expenses | <u>\$ 154,488</u> | <u>\$ 154,488</u> | <u>\$ 146,616</u> | <u>\$ 7,872</u> |
| Operating income (loss) | <u>\$ (154,488)</u> | <u>\$ (154,488)</u> | <u>\$ (141,043)</u> | <u>\$ 13,445</u> |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 844,755 | \$ 844,755 | \$ 880,229 | \$ 35,474 |
| Housing assistance payments | (723,535) | (723,535) | (765,818) | (42,283) |
| Other nonoperating revenue | | | 170 | 170 |
| Total nonoperating revenues (expenses) | <u>\$ 121,220</u> | <u>\$ 121,220</u> | <u>\$ 114,581</u> | <u>\$ (6,639)</u> |
| Change in net position | <u><u>\$ (33,268)</u></u> | <u><u>\$ (33,268)</u></u> | <u><u>\$ (26,462)</u></u> | <u><u>\$ 6,806</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, 2014

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|-----------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 69,350 | \$ 69,350 | \$ 69,384 | \$ 34 |
| Other tenant revenue | 1,529 | 1,529 | 1,453 | (76) |
| Total operating revenues | \$ 70,879 | \$ 70,879 | \$ 70,837 | \$ (42) |
| Operating expenses: | | | | |
| Administrative | \$ 48,285 | \$ 48,285 | \$ 47,340 | \$ 945 |
| Utilities | 18,855 | 18,855 | 18,770 | 85 |
| Repairs and maintenance | 42,185 | 42,185 | 41,687 | 498 |
| General | 14,260 | 14,260 | 13,562 | 698 |
| Depreciation | | | 39,512 | (39,512) |
| Total operating expenses | \$ 123,585 | \$ 123,585 | \$ 160,871 | \$ (37,286) |
| Operating income (loss) | \$ (52,706) | \$ (52,706) | \$ (90,034) | \$ (37,328) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 103,130 | \$ 103,130 | \$ 103,681 | \$ 551 |
| Interest expense | | | (5,477) | (5,477) |
| Other nonoperating revenue | | | 78 | 78 |
| Total nonoperating revenues (expenses) | \$ 103,130 | \$ 103,130 | \$ 98,282 | \$ (4,848) |
| Change in net position | \$ 50,424 | \$ 50,424 | \$ 8,248 | \$ (42,176) |

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, 2014

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|-----------------|--|
| Operating revenues: | | | | |
| Tenant rent | \$ 47,225 | \$ 47,225 | \$ 47,210 | \$ (15) |
| Other tenant revenue | 3,255 | 3,255 | 3,195 | (60) |
| Total operating revenues | \$ 50,480 | \$ 50,480 | \$ 50,405 | \$ (75) |
| Operating expenses: | | | | |
| Administrative | \$ 37,235 | \$ 37,235 | \$ 36,515 | \$ 720 |
| Utilities | 13,380 | 13,380 | 13,350 | 30 |
| Repairs and maintenance | 33,390 | 33,390 | 32,925 | 465 |
| General | 6,040 | 6,040 | 5,999 | 41 |
| Depreciation | | | 23,869 | (23,869) |
| Total operating expenses | \$ 90,045 | \$ 90,045 | \$ 112,658 | \$ (22,613) |
| Operating income (loss) | \$ (39,565) | \$ (39,565) | \$ (62,253) | \$ (22,688) |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 55,265 | \$ 55,265 | \$ 99,989 | \$ 44,724 |
| Interest expense | | | (53,742) | (53,742) |
| Other nonoperating revenue | | | 76 | 76 |
| Total nonoperating revenues (expenses) | \$ 55,265 | \$ 55,265 | \$ 46,323 | \$ (8,942) |
| Change in net position | \$ 15,700 | \$ 15,700 | \$ (15,930) | \$ (31,630) |

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, 2014 and 2013

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 24,239 | \$ 17,523 | \$ 21,537 | \$ 2,119 |
| Accounts receivable (net) | 9,463 | 11,759 | 6,221 | 7,313 |
| Prepaid expenses | 4,618 | 5,060 | 2,776 | 2,873 |
| Interfund receivables | | | | |
| Inventory | 1,060 | 1,060 | 62 | 62 |
| Total current assets | \$ 39,380 | \$ 35,402 | \$ 30,596 | \$ 12,367 |
| Noncurrent assets: | | | | |
| Restricted: | | | | |
| Cash | \$ 72,822 | \$ 70,054 | \$ 63,024 | \$ 61,965 |
| Capital assets, net | 816,689 | 848,235 | 492,441 | 516,310 |
| Total noncurrent assets | \$ 889,511 | \$ 918,289 | \$ 555,465 | \$ 578,275 |
| Total assets | \$ 928,891 | \$ 953,691 | \$ 586,061 | \$ 590,642 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 6,545 | \$ 1,635 | \$ 3,724 | \$ 1,896 |
| Accrued expenses | 90 | 755 | | 721 |
| Interfund payable | 7,500 | 11,224 | 69,200 | 54,585 |
| Unearned revenue | 967 | | 1,344 | |
| Current portion of long-term debt | 29,104 | 28,814 | 6,087 | 5,409 |
| Tenant deposits (payable from restricted assets) | 7,659 | 8,140 | 2,100 | 2,128 |
| Total current liabilities | \$ 51,865 | \$ 50,568 | \$ 82,455 | \$ 64,739 |
| Noncurrent liabilities: | | | | |
| Notes payable | \$ 475,865 | \$ 504,946 | \$ 446,016 | \$ 452,103 |
| Compensated absences | 2,873 | 4,840 | 3,255 | 3,535 |
| Total noncurrent liabilities | \$ 478,738 | \$ 509,786 | \$ 449,271 | \$ 455,638 |
| Total liabilities | \$ 530,603 | \$ 560,354 | \$ 531,726 | \$ 520,377 |

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, 2014 and 2013

| NET POSITION | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|---|--------------------------------|------------|------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Net investment in capital assets | \$ 311,720 | \$ 314,475 | \$ 40,338 | \$ 58,798 |
| Restricted for repair and replacement | 61,583 | 58,334 | 60,818 | 59,731 |
| Restricted for taxes and insurance payments | 101 | 101 | 106 | 106 |
| Restricted for tenant use | 3,479 | 3,479 | | |
| Unrestricted | 21,405 | 16,948 | (46,927) | (48,370) |
| Total net position | \$ 398,288 | \$ 393,337 | \$ 54,335 | \$ 70,265 |

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, 2014 and 2013

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|--|--------------------------------|---------------------|------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating revenues: | | | | |
| Tenant rent | \$ 69,384 | \$ 68,460 | \$ 47,210 | \$ 55,506 |
| Other tenant revenue | 1,453 | 9,272 | 3,195 | 6,781 |
| Total operating revenues | <u>\$ 70,837</u> | <u>\$ 77,732</u> | <u>\$ 50,405</u> | <u>\$ 62,287</u> |
| Operating expenses: | | | | |
| Administrative | \$ 47,340 | \$ 55,090 | \$ 36,515 | \$ 40,656 |
| Utilities | 18,770 | 21,973 | 13,350 | 12,031 |
| Repairs and maintenance | 41,687 | 51,301 | 32,925 | 37,831 |
| General | 13,562 | 14,936 | 5,999 | 5,632 |
| Depreciation | 39,512 | 37,853 | 23,869 | 24,313 |
| Total operating expenses | <u>\$ 160,871</u> | <u>\$ 181,153</u> | <u>\$ 112,658</u> | <u>\$ 120,463</u> |
| Operating income (loss) | <u>\$ (90,034)</u> | <u>\$ (103,421)</u> | <u>\$ (62,253)</u> | <u>\$ (58,176)</u> |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental grants | \$ 103,681 | \$ 110,985 | \$ 99,989 | \$ 93,186 |
| Interest expense | (5,477) | (5,497) | (53,742) | (54,834) |
| Other nonoperating revenue | 78 | 71 | 76 | 85 |
| Total nonoperating revenues (expenses) | <u>\$ 98,282</u> | <u>\$ 105,559</u> | <u>\$ 46,323</u> | <u>\$ 38,437</u> |
| Change in net position | <u>\$ 8,248</u> | <u>\$ 2,138</u> | <u>\$ (15,930)</u> | <u>\$ (19,739)</u> |
| Net position, beginning of year, as originally state | \$ 393,337 | \$ 391,199 | \$ 70,265 | \$ 90,004 |
| Restatement | <u>(3,297)</u> | | | |
| Net position, beginning of year as restated | \$ 390,040 | \$ 391,199 | \$ 70,265 | \$ 90,004 |
| Change in net position | <u>8,248</u> | <u>2,138</u> | <u>(15,930)</u> | <u>(19,739)</u> |
| Net position, end of year | <u>\$ 398,288</u> | <u>\$ 393,337</u> | <u>\$ 54,335</u> | <u>\$ 70,265</u> |

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, 2014 and 2013

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|---|--------------------------------|-------------------------|------------------------------|-------------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Cash flows from operating activities: | | | | |
| Receipts from tenants and fees | \$ 71,355 | \$ 77,475 | \$ 53,393 | \$ 60,196 |
| Payments to vendors | (90,981) | (88,957) | (66,833) | (56,354) |
| Payments to employees | (31,407) | (58,755) | (20,762) | (37,950) |
| Net cash provided (used) by operating activities | <u>\$ (51,033)</u> | <u>\$ (70,237)</u> | <u>\$ (34,202)</u> | <u>\$ (34,108)</u> |
| Cash flows from noncapital and related financing activities: | | | | |
| Intergovernmental grants | \$ 106,426 | \$ 109,337 | \$ 99,437 | \$ 92,867 |
| Interfund loans | (3,724) | 2,468 | 14,615 | (2,455) |
| Other nonoperating revenues | 78 | 71 | 76 | 85 |
| Net cash provided (used) by noncapital and related financing activities | <u>\$ 102,780</u> | <u>\$ 111,876</u> | <u>\$ 114,128</u> | <u>\$ 90,497</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | \$ (7,966) | \$ (25,044) | \$ - | \$ - |
| Principal payments on capital debt | (28,791) | (28,536) | (5,409) | (4,764) |
| Interest paid on capital debt | (5,506) | (5,484) | (54,040) | (54,686) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (42,263)</u> | <u>\$ (59,064)</u> | <u>\$ (59,449)</u> | <u>\$ (59,450)</u> |
| Net increase (decrease) in cash | \$ 9,484 | \$ (17,425) | \$ 20,477 | \$ (3,061) |
| Cash, beginning of year | <u>87,577</u> | <u>105,002</u> | <u>64,084</u> | <u>67,145</u> |
| Cash, end of year | <u><u>\$ 97,061</u></u> | <u><u>\$ 87,577</u></u> | <u><u>\$ 84,561</u></u> | <u><u>\$ 64,084</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, 2014 and 2013

| | Hacienda Orgullo Apartments | | Puesta Del Sol Apartments | |
|--|--------------------------------|--------------|------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (90,034) | \$ (103,421) | \$ (62,253) | \$ (58,176) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation expense | 39,512 | 37,853 | 23,869 | 24,313 |
| (Increase) decrease in: | | | | |
| Accounts receivable | (449) | 65 | 1,644 | (1,052) |
| Prepaid expenses | 442 | (4,645) | 97 | (69) |
| Inventory | | 74 | | 16 |
| Increase (decrease) in: | | | | |
| Accounts payable | 4,910 | (79) | 1,828 | 1,861 |
| Accrued expenses | (3,933) | (128) | (423) | (67) |
| Unearned revenue | 967 | | 1,344 | |
| Tenant deposits | (481) | (322) | (28) | (1,039) |
| Compensated absences | (1,967) | 366 | (280) | 105 |
| Net cash provided (used) by operating activities | \$ (51,033) | \$ (70,237) | \$ (34,202) | \$ (34,108) |

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
June 30, 2014

| | <u>Type of Account</u> | <u>Bank Balance</u> | <u>Reconciled Balance</u> |
|------------------------------|----------------------------|----------------------------|-------------------------------|
| <u>Bank of the Southwest</u> | | | |
| RTO | Checking | \$ 61,546 | \$ 61,546 |
| Home Reserve | Savings | 6,001 | 6,001 |
| Puesta Tax/Ins | Savings | 106 | 106 |
| Hacienda Tax/Ins | Checking | 101 | 101 |
| Hacienda Resident | Checking | 3,479 | 3,479 |
| PH FSS Escrow | Savings | 16,458 | 16,458 |
| FSS Escrow | Savings | <u>40,138</u> | <u>40,138</u> |
| Total Bank of the Southwest | | <u>\$ 127,829</u> | <u>\$ 127,829</u> |
| <u>Compass Bank</u> | | | |
| Hacienda | Checking | \$ 24,711 | \$ 24,038 |
| Puesta | Checking | 22,069 | 21,537 |
| Puesta Security | Checking | 2,100 | 2,100 |
| Hacienda Security | Checking | 7,860 | 7,860 |
| RTO | Checking | 75,334 | 75,334 |
| ECDC | Checking | 41,059 | 41,059 |
| Voucher | Checking | 93,509 | 93,319 |
| IDA Match | Checking | 6,013 | 6,013 |
| Low Rent | Checking | <u>129,689</u> | <u>105,799</u> |
| Total Compass Bank | | <u>\$ 402,344</u> | <u>\$ 377,059</u> |
| <u>Citizens Bank</u> | | | |
| Hacienda Reserve | Checking | \$ 61,583 | \$ 61,583 |
| Puesta Reserve | Checking | 60,823 | 60,818 |
| Tor C Housing Authority | CD | 76,045 | 76,045 |
| T or C Housing Authority | CD | 47,246 | 47,246 |
| T or C Housing Authority | CD | 102,315 | 102,315 |
| T or C Housing Authority | CD | 235,388 | 235,388 |
| T or C Housing Authority | CD | <u>31,686</u> | <u>31,686</u> |
| Total Citizens Bank | | <u>\$ 615,086</u> | <u>\$ 615,081</u> |
| Total cash and investments | | <u><u>\$ 1,145,259</u></u> | <u><u>\$ 1,119,969</u></u> |

Truth or Consequences Housing Authority
A Component Unit of the city of Truth or Consequences
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2014

| | Bank of the Southwest | Compass Bank | Citizens Bank | Total |
|---|-----------------------------|-----------------|------------------|--------------|
| Checking, Savings and CD's | \$ 127,829 | \$ 402,344 | \$ 615,086 | \$ 1,145,259 |
| Total on deposit | \$ 127,829 | \$ 402,344 | \$ 615,086 | \$ 1,145,259 |
| Less FDIC insurance | (127,829) | | (250,000) | (377,829) |
| Total uninsured public funds | \$ - | \$ 402,344 | \$ 365,086 | \$ 767,430 |
| 50% collateralization requirement (Section 6-10-17 NMSA) | \$ - | \$ 201,172 | \$ 182,543 | \$ 383,715 |
| Total collateralization requirement | \$ - | \$ 201,172 | \$ 182,543 | \$ 383,715 |
| Pledged securities: | | | | |
| FHLMC 31300L6L4 1/1/43 | \$ - | \$ 93,151 | \$ - | \$ 93,151 |
| FNMA 31401MKT7 5/1/33 | | 33,852 | | 33,852 |
| FHLMC 31300L2Z7 1/1/43 | | 56,129 | | 56,129 |
| FHLMC 31326FFH6 2/1/43 | | 65,101 | | 65,101 |
| FHLMC 31326FJ33 3/1/43 | | 54,465 | | 54,465 |
| FNMA 31400SFX2 3/1/33 | | 112,478 | | 112,478 |
| FNMA 31400QJ87 3/1/33 | | 36,996 | | 36,996 |
| FHLMC 31336CM83 8/1/35 | | 63,032 | | 63,032 |
| FNMA 31407RLD4 9/1/36 | | 37,472 | | 37,472 |
| FNMA 31414EKD5 6/1/38 | | 49,848 | | 49,848 |
| GNMA 36200KGJ0 12/15/46 | | 34,452 | | 34,452 |
| GNMA 36200KGJ0 12/15/46 | | 39,374 | | 39,374 |
| FHLB 313379EE5 6/14/2019 | | | 297,173 | 297,173 |
| FHLB 313379EE5 6/14/2019 | | | 198,115 | 198,115 |
| FHLB 313370SZ2 9/8/2017 | | | 516,682 | 516,682 |
| Total pledged securities | \$ - | \$ 676,350 | \$ 1,011,970 | \$ 1,688,320 |
| Pledged securities over (under) requirement | \$ - | \$ 475,178 | \$ 829,427 | \$ 1,304,605 |

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, 2014

| <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 | \$ 183,886 |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | 813,630 |
| Resident Opportunity and Supportive Services | 14.870 | N/A | 80,864 |
| Supportive Housing for Persons with Disabilities | 14.181 | N/A | 66,599 |
| Public Housing Capital Fund | 14.872 | N/A | <u>168,339</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 1,313,318</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Direct programs: | | | |
| Rural Rental Housing Loans | 10.415 | N/A | \$ 1,001,245 |
| Rural Rental Assistance | 10.427 | N/A | <u>159,498</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 1,160,743</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,474,061</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, 2014

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, 2014, in the amount of \$957,072, 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, 2014

Findings – Financial Statement Audit

Current Status

2013-1 The Authority did not submit its recommendation for audit Services to the NM State Auditor by the required deadline

Resolved

2013-2 The Authority had not balanced its inter-fund transactions

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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**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***

INDEPENDENT AUDITOR'S REPORT

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, 2014, 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 6, 2014.

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 item 2014-001.

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 6, 2014

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2014-002. Our opinion on each major program is not modified with respect to these matters.

Truth or Consequences Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Truth or Consequences Housing Authority's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 6, 2014

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, 2014

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: 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 was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2014-001 Maintenance of Personnel Records (Other)

Condition – In a test of 22 files, we noted 5 instances where the federal form I-9 was not complete.

Criteria – Federal regulations require that I-9s, the citizenship declaration for employees, be maintained for all employees, and that this form contain the appropriate evidence of citizenship.

Effect – Federal regulations have been violated, and there is an increased likelihood of employing non-qualified personnel. In addition, the Authority is subject to significant penalties should the I-9s be inspected and found to be incomplete.

Cause – The I-9 form is extensive, and requires several sections to be completed, increasing the likelihood that personnel will not complete the form in its entirety.

Recommendation – We recommend that the Authority review its I-9s, and insure that all are completed in their entirety. In addition, a secondary supervisory review should be implemented to review newly completed I-9s.

Agency Response – The I-9s in question will be completed, and supervisory personnel will be involved in the process.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Other)

2014-002 Section 8 Housing Choice Vouchers-CFDA No. 14.871, Grant No. NM020, Grant period-Year ended June 30, 2014

Condition – In a review of 34 applicant files, we noted the following:

- 11 files did not contain citizenship declarations
- 4 files did not contain the fingerprint/ background check
- 4 files did not contain the lead-based paint declaration
- 4 files did not contain all sex offender search criterion

Criteria – Federal regulations require that citizenship declarations, fingerprint/background checks, lead based paint declarations and sex offender search data be included in each applicant file.

Effect – There is an increased likelihood that ineligible clients will be admitted to the program, and federal regulations have been violated.

Cause – File reviews did not reveal the missing information.

Recommendation – We recommend that the files be reviewed and updated to contain all required information.

Agency Response – A file review and update system is already in place, and will be emphasized in the future, to insure that all files are complete.

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 23, 2014, and October 27, 2014. Present at these exit conferences were:

| <u>Name</u> | <u>Title</u> | <u>Affiliation</u> |
|---------------|--------------------|------------------------------|
| Greg D'Amour | Board Chairman | T or C Housing Authority |
| Steven Rice | Executive Director | T or C Housing Authority |
| Caryl Darnell | Finance Assistant | 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 |