

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, 2016

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, 2016

COMMISSIONERS

Greg D'Amour
LeeAnn Tooley
Earl Greer
Dan Mena

Chairman
Vice-Chairman
Commissioner
Commissioner

ADMINISTRATIVE STAFF

Steven Rice
Teresa Casteneda

Executive Director
Finance Assistant

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

Timothy Keller, 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, 2016, 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, 2016, 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, 2016, 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, 2016, 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

Accounting principles generally accepted in the United States of America require that information related to the Authority's pension plan presented on pages 40 to 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The Schedule of Vendor Information, listed as other information in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2016, 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 24, 2016

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, 2016

	Low Rent Public Housing	Housing Choice Vouchers	Puesta Del Sol Apartments
ASSETS			
Current assets:			
Cash	\$ 689,924	\$ 71,703	\$ 28,383
Accounts receivable(net)	19,825		4,420
Prepaid expenses	13,218		5,166
Interfund receivables	175,909		
Inventory	4,141		548
Total current assets	\$ 903,017	\$ 71,703	\$ 38,517
Noncurrent assets:			
Restricted:			
Cash	\$ 71,672	\$ 52,470	\$ 40,164
Capital assets, net	1,908,634	7,022	479,254
Total noncurrent assets	\$ 1,980,306	\$ 59,492	\$ 519,418
Total assets	\$ 2,883,323	\$ 131,195	\$ 557,935
Deferred outflows of resources:			
Related to pensions	\$ 26,908	\$ 14,468	\$ 1,274
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 17,894	\$ 1,808	\$ 3,027
Accrued expenses	101,942		
Interfund payables			61,821
Unearned revenue			
FSS deposits	39,416	52,470	
Current portion of long-term debt			7,710
Tenant deposits (payable from restricted assets)	26,240		1,440
Total current liabilities	\$ 185,492	\$ 54,278	\$ 73,998
Noncurrent liabilities:			
Notes payable	\$ -	\$ -	\$ 431,455
Net pension liability	392,109	144,080	25,493
Compensated absences	8,532	15,249	1,403
Total noncurrent liabilities	\$ 400,641	\$ 159,329	\$ 458,351
Total liabilities	\$ 586,133	\$ 213,607	\$ 532,349

<u>Hacienda Orgullo Apartments</u>	<u>Return To Owner</u>	<u>Other Funds</u>	<u>Total*</u>
\$ 17,315	\$ 278,764	\$ 46,640	\$ 1,132,729
9,158	221,807		255,210
8,016		2,666	29,066
2,398	64,096		7,087
<u>\$ 36,887</u>	<u>\$ 564,667</u>	<u>\$ 49,306</u>	<u>\$ 1,424,092</u>
\$ 52,720	\$ -	\$ -	\$ 217,026
<u>791,768</u>		<u>20,874</u>	<u>3,207,552</u>
<u>\$ 844,488</u>	<u>\$ -</u>	<u>\$ 20,874</u>	<u>\$ 3,424,578</u>
<u>\$ 881,375</u>	<u>\$ 564,667</u>	<u>\$ 70,180</u>	<u>\$ 4,848,670</u>
<u>\$ 4,100</u>	<u>\$ 22,074</u>	<u>\$ -</u>	<u>\$ 68,824</u>
\$ 2,740	\$ 324	\$ 156	\$ 25,949
2,275	175,909		101,942
			-
29,692			91,886
7,047			37,402
			34,727
<u>\$ 41,754</u>	<u>\$ 176,233</u>	<u>\$ 156</u>	<u>\$ 291,906</u>
\$ 416,786	\$ -	\$ -	\$ 848,241
54,034	181,601		797,317
<u>2,402</u>	<u>7,937</u>		<u>35,523</u>
<u>\$ 473,222</u>	<u>\$ 189,538</u>	<u>\$ -</u>	<u>\$ 1,681,081</u>
<u>\$ 514,976</u>	<u>\$ 365,771</u>	<u>\$ 156</u>	<u>\$ 1,972,987</u>

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
STATEMENT OF NET POSITION (Concluded)
June 30, 2016

	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Puesta Del Sol Apartments</u>
Deferred inflows of resources:			
Related to pensions	\$ 44,157	\$ 32,407	\$ 1,192
NET POSITION			
Net investment in capital assets	\$ 1,908,634	\$ 7,022	\$ 40,089
Restricted for housing assistance payments			38,703
Restricted for repair and replacement			21
Restricted for taxes and insurance payments			
Restricted for tenant use			
Unrestricted	<u>371,307</u>	<u>(107,373)</u>	<u>(53,145)</u>
Total net position	<u>\$ 2,279,941</u>	<u>\$ (100,351)</u>	<u>\$ 25,668</u>

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

<u>Hacienda Orgullo Apartments</u>	<u>Return To Owner</u>	<u>Other Funds</u>	<u>Total*</u>
<u>\$ 7,470</u>	<u>\$ 54,405</u>	<u>\$ -</u>	<u>\$ 139,631</u>
\$ 345,290	\$ -	\$ 20,874	\$ 2,321,909
42,359			-
6			81,062
3,308			27
(27,934)	166,565	49,150	3,308
<u>\$ 363,029</u>	<u>\$ 166,565</u>	<u>\$ 70,024</u>	<u>\$ 2,804,876</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, 2016

	Low Rent Public Housing	Housing Choice Vouchers	Puesta Del Sol Apartments
Operating revenues:			
Tenant rent	\$ 240,830	\$ -	\$ 55,594
Other tenant revenue	254		3,173
Charges for services			
	<hr/>	<hr/>	<hr/>
Total operating revenues	\$ 241,084	\$ -	\$ 58,767
Operating expenses:			
Administrative	\$ 218,748	\$ 88,956	\$ 31,358
Tenant services	23,519		
Utilities	89,818		13,001
Repairs and maintenance	136,487	6,563	33,282
General	23,575	17,749	4,793
Depreciation	61,028	4,573	22,091
	<hr/>	<hr/>	<hr/>
Total operating expenses	\$ 553,175	\$ 117,841	\$ 104,525
Operating income (loss)	<hr/> <u>\$ (312,091)</u>	<hr/> <u>\$ (117,841)</u>	<hr/> <u>\$ (45,758)</u>
Nonoperating revenue (expense):			
Intergovernmental grants-Federal	\$ 511,323	\$ 924,795	\$ 85,544
Housing assistance payments		(841,543)	
Interest expense			(51,873)
Loss on disposition of assets			
Other nonoperating revenue	981	159	55
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	\$ 512,304	\$ 83,411	\$ 33,726
Change in net position	<hr/> <u>\$ 200,213</u>	<hr/> <u>\$ (34,430)</u>	<hr/> <u>\$ (12,032)</u>
Net position, beginning of year, as originally stated	\$ 1,900,838	\$ (65,921)	\$ 37,700
Restatement	178,890		
	<hr/>	<hr/>	<hr/>
Net position, beginning of year, as restated	\$ 2,079,728	\$ (65,921)	\$ 37,700
Change in net position	<hr/> <u>200,213</u>	<hr/> <u>(34,430)</u>	<hr/> <u>(12,032)</u>
Net position, end of year	<hr/> <u>\$ 2,279,941</u>	<hr/> <u>\$ (100,351)</u>	<hr/> <u>\$ 25,668</u>

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

<u>Hacienda Orgullo Apartments</u>	<u>Return To Owner</u>	<u>Other Funds</u>	<u>Total</u>
\$ 71,845 1,180	\$ - 190,281	\$ - 20,133	\$ 368,269 4,607 210,414
<u>\$ 73,025</u>	<u>\$ 190,281</u>	<u>\$ 20,133</u>	<u>\$ 583,290</u>
\$ 32,730 20,170 49,561 8,318 41,787	\$ 45,149 8,972	\$ 5,307 1,158 447 2,600 2,548	\$ 422,248 23,519 124,147 226,340 66,007 132,027
<u>\$ 152,566</u>	<u>\$ 54,121</u>	<u>\$ 12,060</u>	<u>\$ 994,288</u>
<u>\$ (79,541)</u>	<u>\$ 136,160</u>	<u>\$ 8,073</u>	<u>\$ (410,998)</u>
\$ 103,590 (4,568) 63	\$ - 382	\$ - 19	\$ 1,625,252 (841,543) (56,441) - 1,659
<u>\$ 99,085</u>	<u>\$ 382</u>	<u>\$ 19</u>	<u>\$ 728,927</u>
<u>\$ 19,544</u>	<u>\$ 136,542</u>	<u>\$ 8,092</u>	<u>\$ 317,929</u>
\$ 343,485	\$ 208,913 (178,890)	\$ 61,932	\$ 2,486,947 -
\$ 343,485 19,544	\$ 30,023 136,542	\$ 61,932 8,092	\$ 2,486,947 317,929
<u>\$ 363,029</u>	<u>\$ 166,565</u>	<u>\$ 70,024</u>	<u>\$ 2,804,876</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, 2016

	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>
Cash flows from operating activities:		
Receipts from tenants and fees	\$ 233,920	\$ -
Payments to vendors	(362,353)	(54,143)
Payments to employees	(164,938)	(59,468)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (293,371)</u>	<u>\$ (113,611)</u>
Cash flows from noncapital and related financing activities:		
Intergovernmental grants	\$ 527,738	\$ 924,795
Housing assistance payments		(841,543)
Loans to others		
Interfund loans	2,980	
Other nonoperating revenues	981	159
	<u> </u>	<u> </u>
Net cash provided (used) by noncapital and related financing activities	<u>\$ 531,699</u>	<u>\$ 83,411</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (108,538)	\$ -
Sale of fixed assets		
Interest paid on capital debt		
Principal payments on capital debt		
	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	<u>\$ (108,538)</u>	<u>\$ -</u>
Net increase (decrease) in cash	\$ 129,790	\$ (30,200)
Cash, beginning of year	<u>631,806</u>	<u>154,373</u>
Cash, end of year	<u><u>\$ 761,596</u></u>	<u><u>\$ 124,173</u></u>

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

<u>Puesta Del Sol Apartments</u>	<u>Hacienda Orgullo Apartments</u>	<u>Return To Owner</u>	<u>Other Funds</u>	<u>Total</u>
\$ 61,480 (69,524) (24,105)	\$ 70,906 (89,969) (37,543)	\$ 190,281 (16,609) (46,066)	\$ 20,133 (12,316)	\$ 576,720 (604,914) (332,120)
<u>\$ (32,149)</u>	<u>\$ (56,606)</u>	<u>\$ 127,606</u>	<u>\$ 7,817</u>	<u>\$ (360,314)</u>
\$ 87,430 120 55	\$ 103,371 (5,225) 63	\$ - 2,124 382	\$ - 19	\$ 1,643,334 (841,543) - (1) 1,659
<u>\$ 87,605</u>	<u>\$ 98,209</u>	<u>\$ 2,506</u>	<u>\$ 19</u>	<u>\$ 803,449</u>
\$ (32,698) (52,599) (6,851)	\$ (56,376) (4,633) (29,387)	\$ -	\$ -	\$ (197,612) - (57,232) (36,238)
<u>\$ (92,148)</u>	<u>\$ (90,396)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (291,082)</u>
\$ (36,692) 105,239	\$ (48,793) 118,828	\$ 130,112 148,652	\$ 7,836 38,804	\$ 152,053 1,197,702
<u>\$ 68,547</u>	<u>\$ 70,035</u>	<u>\$ 278,764</u>	<u>\$ 46,640</u>	<u>\$ 1,349,755</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, 2016

	Low Rent Public Housing	Housing Choice Vouchers
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (312,091)	\$ (117,841)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	61,028	4,573
(Increase) decrease in:		
Accounts receivable	(2,404)	
Prepaid expenses	(13,218)	
Inventory	(1,905)	
Deferred outflows of resources	(53,874)	(11,836)
Increase(decrease) in:		
Accounts payable	4,327	1,560
Accrued expenses	31,721	3,827
Unearned revenue		
Tenant deposits	(4,760)	
Compensated absences	(2,195)	6,106
	<u>\$ (293,371)</u>	<u>\$ (113,611)</u>
Net cash provided (used) by operating activities	<u>\$ (293,371)</u>	<u>\$ (113,611)</u>

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

<u>Puesta Del Sol Apartments</u>	<u>Hacienda Argullo Apartments</u>	<u>Return To Owner</u>	<u>Other Funds</u>	<u>Total</u>
\$ (45,758)	\$ (79,541)	\$ 136,160	\$ 8,073	\$ (410,998)
22,091	41,787		2,548	132,027
3,219	(269)			546
(5,166)	(8,016)		(2,666)	(29,066)
(486)	(1,341)			(3,732)
(4,327)	(6,743)	(8,248)		(85,028)
(1,078)	(415)	88	(138)	4,344
				35,548
	(622)			(622)
(506)	(1,228)			(6,494)
(138)	(218)	(394)		3,161
<u>\$ (32,149)</u>	<u>\$ (56,606)</u>	<u>\$ 127,606</u>	<u>\$ 7,817</u>	<u>\$ (360,314)</u>

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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.

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.

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.

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.

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 has deferred outflows related to pensions as discussed in Note 7.

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 deferred inflows of resources related to pensions as discussed in Note 7.

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 allocates indirect costs based on program allocation percentages developed internally.

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, 2016.

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, 2016, \$.00 of the Authority's bank balance of \$1,289,492 was exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 911,964	\$ 911,964
Collateral held by the pledging bank's agent in Authority's name	377,528	437,791
Uninsured	<u>-0-</u>	<u>-0-</u>
	<u>\$ 1,289,492</u>	<u>\$ 1,349,755</u>

Note 3 Accounts Receivables

Due from tenants	\$ 8,635
Less allowance for doubtful accounts	<u>(753)</u>
Net tenant receivables	\$ 7,882

Due from other governments	<u>247,328</u>
Net receivables	<u>\$ 255,210</u>

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 637,536	\$ -0-	\$ -0-	\$ 637,536
Construction in progress	<u>6,320</u>	<u>-0-</u>	<u>(6,320)</u>	<u>-0-</u>
Total assets not being depreciated	<u>\$ 643,856</u>	<u>\$ -0-</u>	<u>\$ (6,320)</u>	<u>\$ 637,536</u>
Other capital assets:				
Furniture and fixtures	\$ 805,119	\$ -0-	\$ (15,929)	\$ 789,190
Buildings	6,413,820	32,698	-0-	6,446,518
Improvements	<u>679,401</u>	<u>171,234</u>	<u>-0-</u>	<u>850,635</u>
Total other assets	<u>\$ 7,898,340</u>	<u>\$ 203,932</u>	<u>\$ (15,929)</u>	<u>\$ 8,086,343</u>
Less accumulated depreciation for:				
Furniture and fixtures	\$ (675,849)	\$ (14,384)	\$ 16,949	\$ (673,284)
Buildings	(4,182,249)	(105,909)	-0-	(4,288,158)
Improvements	<u>(542,132)</u>	<u>(12,753)</u>	<u>-0-</u>	<u>(554,885)</u>
Total accumulated depreciation	<u>\$ (5,400,230)</u>	<u>\$ (133,046)</u>	<u>\$ 16,949</u>	<u>\$ (5,516,327)</u>
Other capital assets (net)	<u>\$ 2,498,110</u>	<u>\$ 70,886</u>	<u>\$ 1,020</u>	<u>\$ 2,570,016</u>
Capital assets, net	<u>\$ 3,141,966</u>	<u>\$ 70,886</u>	<u>\$ (5,300)</u>	<u>\$ 3,207,552</u>

Note 5 Accrued Expenses

Accrued expenses consist of the following at June 30, 2016:

Accrued payroll	\$ 95,928
Accrued resident expenses	<u>6,014</u>
	<u>\$ 101,942</u>

Accrued resident expenses 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, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-Type Activities:					
Notes Payable:					
Hacienda Orgullo Apts.	\$ 475,865	\$	\$ 29,387	\$ 446,478	\$ 29,692
Puesta del Sol Apts.	<u>446,016</u>	<u> </u>	<u>6,851</u>	<u>439,165</u>	<u>7,710</u>
	<u>\$ 921,881</u>	<u>\$ -0-</u>	<u>\$ 36,238</u>	<u>\$ 885,643</u>	<u>\$ 37,402</u>
Compensated absences	<u>\$ 32,362</u>	<u>\$ 70,248</u>	<u>\$ 67,087</u>	<u>\$ 35,523</u>	<u>\$ -0-</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	\$ 340,417
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>106,061</u>
	\$ 446,478
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>439,165</u>
	<u>\$ 885,643</u>

The annual debt service requirements to maturity are as follows:

Due in year ending June 30:	<u>Principal</u>	<u>Interest</u>
2017	\$ 37,402	\$ 56,068
2018	38,667	54,803
2019	40,056	53,414
2020	41,585	51,885
2021	43,271	50,199
2022-2026	248,625	218,725
2027-2031	297,172	138,694
2032-2036	<u>138,865</u>	<u>24,579</u>
	<u>\$ 885,643</u>	<u>\$ 648,367</u>

Note 7 Pension Plan – Public Employees Retirement Association

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State, General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits Provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions – The contribution requirements of defined benefit plan members and the Truth or Consequences Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to The Authority are the Municipal General. Statutorily required contributions to the pension plan from the Authority were \$68,824 and employer paid member benefits that were “picked up” by the employer were \$-0- for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority’s proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division – Municipal General, at June 30, 2016, the Authority reported a liability of \$797,317 for its proportionate share of the net pension liability. At June 30, 2015, the Authority’s proportion was .0782 percent, which is a .02% reduction from its proportion measured as of June 30, 2014, of .0982%

For the year ended June 30, 2016, the Authority recognized PERA Fund Division Municipal General Pension expense of \$(16,204). At June 30, 2016, the Authority reported

PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 17,661
Changes of assumptions	-	311
Net difference between projected and actual earnings on pension plan investments	-	2,522
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	-	119,137
The Authority's contributions subsequent to the measurement date	<u>68,824</u>	<u>-</u>
Total	<u>\$ 68,824</u>	<u>\$ 139,631</u>

\$68,824 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (50,902)
2018	(50,902)
2019	(50,902)
2020	<u>13,075</u>

Actuarial Assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date

June 30, 2014

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority’s net pension liability in each PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
PERA Fund Division Municipal General			
The Authority’s proportionate share of the net pension liability	\$ <u>1,357,514</u>	\$ <u>797,317</u>	\$ <u>331,551</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>

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, 2015**, 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, 2016, 2015 and 2014 were \$16,917, \$17,646, and \$19,455, 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.

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.

Note 12 Inter-fund Activity

Inter-fund balances at June 30, 2016 consisted of the following:

	<u>Inter-Fund Payables</u>			
	<u>Hacienda Orgullo</u>	<u>Puesta del Sol</u>	<u>Return To Owner</u>	<u>Total</u>
<u>Inter-fund Receivable</u>				
Low Rent Public Housing	\$	\$	\$ 175,909	\$ 175,909
Return to Owner	<u>2,275</u>	<u>61,184</u>	<u>-0-</u>	<u>64,096</u>
	<u>\$ 2,275</u>	<u>\$ 61,184</u>	<u>\$ 175,909</u>	<u>\$ 240,005</u>

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

Note 13 Concentrations

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

Note 14 Restricted Net Position

The Authority reports \$84,397 in restricted net position, of which \$81,062 is restricted by enabling legislation.

Note 15 Evaluation of Subsequent Events

The Authority has evaluated subsequent events through November 24, 2016, the date which the financial statements were available to be issued.

Note 16 Restatement

During the year ended June 30, 2016, the Authority reached a settlement with the U.S. Department of Housing and Urban Development in the dispute over the Authority's cost allocation plan. This settlement requires the Authority to reimburse the Low Rent Public Housing Fund \$178,890 over the next 5 years from available funds. The Authority has recorded this liability in the Return to Owner Fund, and as a receivable in the Low Rent Housing Fund, and is considered a correction of prior period error.

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, 2016

	ECDC Program	Home Program	Total
ASSETS			
Current assets:			
Cash	\$ 40,718	\$ 5,922	\$ 46,640
Accounts receivable			-
Prepaid expenses	2,666		2,666
Interfund receivable			-
Total current assets	\$ 43,384	\$ 5,922	\$ 49,306
Noncurrent assets:			
Capital assets, net	20,874		20,874
Total assets	\$ 64,258	\$ 5,922	\$ 70,180
Deferred outflows of resources:			
Related to pensions	\$ -	\$ -	\$ -
LIABILITIES			
Current:			
Accounts payable	\$ 156		\$ 156
Interfund payable			-
Total current liabilities	\$ 156	\$ -	\$ 156
Noncurrent liabilities:			
Net pension liability	\$ -	\$ -	\$ -
Compensated absences			-
Total noncurrent liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ 156	\$ -	\$ 156
Deferred inflows of resources:			
Related to pensions	\$ -	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 20,874	\$ -	\$ 20,874
Unrestricted	43,228	5,922	49,150
Total net position	\$ 64,102	\$ 5,922	\$ 70,024

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, 2016

	<u>ECDC Program</u>	<u>Home Program</u>	<u>Total</u>
Operating revenues:			
Other tenant revenue	\$ -	\$ -	\$ -
Charges for services	<u>20,133</u>	<u>-</u>	<u>20,133</u>
Total operating revenues	<u>\$ 20,133</u>	<u>\$ -</u>	<u>\$ 20,133</u>
Operating expenses:			
Administrative	\$ 5,210	\$ 97	\$ 5,307
Utilities	1,158		1,158
Repairs and maintenance	447		447
General	2,600		2,600
Depreciation	<u>2,548</u>	<u>-</u>	<u>2,548</u>
Total operating expenses	<u>\$ 11,963</u>	<u>\$ 97</u>	<u>\$ 12,060</u>
Operating income (loss)	<u>\$ 8,170</u>	<u>\$ (97)</u>	<u>\$ 8,073</u>
Nonoperating revenue (expense):			
Other nonoperating revenue	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 19</u>
Total nonoperating revenues (expenses)	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 19</u>
Change in net position	<u>\$ 8,180</u>	<u>\$ (88)</u>	<u>\$ 8,092</u>
Net position, beginning of year, as originally reported	\$ 55,922	\$ 6,010	\$ 61,932
Restatement	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	\$ 55,922	\$ 6,010	\$ 61,932
Change in net position	<u>8,180</u>	<u>(88)</u>	<u>8,092</u>
Net position, end of year	<u>\$ 64,102</u>	<u>\$ 5,922</u>	<u>\$ 70,024</u>

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Non-Major Enterprise Funds
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

	ECDC Program	Home Program	Total
Cash flows from operating activities:			
Receipts from tenants and fees	\$ 20,133	\$ -	\$ 20,133
Payments to vendors	(12,219)	(97)	(12,316)
Payments to employees			-
Net cash provided (used) by operating activities	\$ 7,914	\$ (97)	\$ 7,817
Cash flows from noncapital and related financing activities:			
Other nonoperating revenues	\$ 10	\$ 9	\$ 19
Loans to others			-
Intercompany loans			-
Repayment of intercompany borrowings			-
Net cash provided (used) by noncapital and related financing activities	\$ 10	\$ 9	\$ 19
Cash flows from capital and related financing activities:			
Intergovernmental grants	\$ -	\$ -	\$ -
Purchase of capital assets			-
Net cash provided (used) by capital and related financing activities	\$ -	\$ -	\$ -
Net increase (decrease) in cash	\$ 7,924	\$ (88)	\$ 7,836
Cash, beginning of year	32,794	6,010	38,804
Cash, end of year	\$ 40,718	\$ 5,922	\$ 46,640

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, 2016

	<u>ECDC Program</u>	<u>Home Program</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 8,170	\$ (97)	\$ 8,073
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	2,548		2,548
(Increase) decrease in:			-
Accounts receivable			-
Prepaid expenses	(2,666)		(2,666)
Inventory			-
Deferred outflows related to pensions			-
Increase(decrease) in:			
Accounts payable	(138)		(138)
Accrued expenses			-
Tenant deposits			-
Compensated absences			-
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 7,914</u>	<u>\$ (97)</u>	<u>\$ 7,817</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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 224,000	\$ 224,000	\$ 240,830	\$ 16,830
Other tenant revenue	10,330	10,330	254	(10,076)
Total operating revenues	\$ 234,330	\$ 234,330	\$ 241,084	\$ 6,754
Operating expenses:				
Administrative	\$ 111,890	\$ 111,890	\$ 218,748	\$ (106,858)
Tenant services	62,800	62,800	23,519	39,281
Utilities	89,860	89,860	89,818	42
Repairs and maintenance	138,530	138,530	136,487	2,043
General	85,620	85,620	23,575	62,045
Depreciation			61,028	(61,028)
Total operating expenses	\$ 488,700	\$ 488,700	\$ 553,175	\$ (64,475)
Operating income (loss)	\$ (254,370)	\$ (254,370)	\$ (312,091)	\$ (57,721)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 222,000	\$ 222,000	\$ 511,323	\$ 289,323
Loss on sale of assets				
Other nonoperating revenue	50	50	981	931
Total nonoperating revenues (expenses)	\$ 222,050	\$ 222,050	\$ 512,304	\$ 290,254
Change in net position	\$ (32,320)	\$ (32,320)	\$ 200,213	\$ 232,533

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues:				
Other tenant revenue	\$ -	\$ -	\$ -	\$ -
Total operating revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating expenses:				
Administrative	\$ 89,170	\$ 89,170	\$ 88,956	\$ 214
Tenant services				-
Repairs and maintenance	6,600	6,600	6,563	37
General	29,600	29,600	17,749	11,851
Depreciation			4,573	(4,573)
Total operating expenses	<u>\$ 125,370</u>	<u>\$ 125,370</u>	<u>\$ 117,841</u>	<u>\$ 7,529</u>
Operating income (loss)	<u>\$ (125,370)</u>	<u>\$ (125,370)</u>	<u>\$ (117,841)</u>	<u>\$ 7,529</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 904,067	\$ 904,067	\$ 924,795	\$ 20,728
Housing assistance payments	(840,130)	(840,130)	(841,543)	(1,413)
Other nonoperating revenue	<u>20</u>	<u>20</u>	<u>159</u>	<u>139</u>
Total nonoperating revenues (expenses)	<u>\$ 63,957</u>	<u>\$ 63,957</u>	<u>\$ 83,411</u>	<u>\$ 19,454</u>
Change in net position	<u><u>\$ (61,413)</u></u>	<u><u>\$ (61,413)</u></u>	<u><u>\$ (34,430)</u></u>	<u><u>\$ 26,983</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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 75,264	\$ 75,264	\$ 71,845	\$ (3,419)
Other tenant revenue	1,050	1,050	1,180	130
Total operating revenues	\$ 76,314	\$ 76,314	\$ 73,025	\$ (3,289)
Operating expenses:				
Administrative	\$ 55,588	\$ 55,588	\$ 32,730	\$ 22,858
Utilities	21,050	21,050	20,170	880
Repairs and maintenance	51,350	51,350	49,561	1,789
General	14,800	14,800	8,318	6,482
Depreciation			41,787	(41,787)
Total operating expenses	\$ 142,788	\$ 142,788	\$ 152,566	\$ (9,778)
Operating income (loss)	\$ (66,474)	\$ (66,474)	\$ (79,541)	\$ (13,067)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 112,896	\$ 112,896	\$ 103,590	\$ (9,306)
Interest expense			(4,568)	(4,568)
Other nonoperating revenue	50	50	63	13
Total nonoperating revenues (expenses)	\$ 112,946	\$ 112,946	\$ 99,085	\$ (13,861)
Change in net position	\$ 46,472	\$ 46,472	\$ 19,544	\$ (26,928)

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 49,670	\$ 49,670	\$ 55,594	\$ 5,924
Other tenant revenue	2,270	2,270	3,173	903
Total operating revenues	<u>\$ 51,940</u>	<u>\$ 51,940</u>	<u>\$ 58,767</u>	<u>\$ 6,827</u>
Operating expenses:				
Administrative	\$ 36,780	\$ 36,780	\$ 31,358	\$ 5,422
Utilities	13,700	13,700	13,001	699
Repairs and maintenance	37,500	37,500	33,282	4,218
General	7,420	7,420	4,793	2,627
Depreciation			22,091	(22,091)
Total operating expenses	<u>\$ 95,400</u>	<u>\$ 95,400</u>	<u>\$ 104,525</u>	<u>\$ (9,125)</u>
Operating income (loss)	<u>\$ (43,460)</u>	<u>\$ (43,460)</u>	<u>\$ (45,758)</u>	<u>\$ (2,298)</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 74,506	\$ 74,506	\$ 85,544	\$ 11,038
Interest expense			(51,873)	(51,873)
Other nonoperating revenue	50	50	55	5
Total nonoperating revenues (expenses)	<u>\$ 74,556</u>	<u>\$ 74,556</u>	<u>\$ 33,726</u>	<u>\$ (40,830)</u>
Change in net position	<u><u>\$ 31,096</u></u>	<u><u>\$ 31,096</u></u>	<u><u>\$ (12,032)</u></u>	<u><u>\$ (43,128)</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
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION)(PERA) PLAN
LAST 10 FISCAL YEARS*

	2016	2015
Truth or Consequences Housing Authority's proportion of the net pension liability	.0782%	.0982%
Truth or Consequences Housing Authority's proportionate share of the net pension liability	\$ 797,317	\$ 766,065
Truth or Consequences Housing Authority's covered employee payroll	\$ 675,189	\$ 566,656
Truth or Consequences Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118%	135%
Plan fiduciary net position as a percentage of the total pension liability	77%	81%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, The Truth or Consequences Housing Authority will present information for those years for which information is available.

Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN-PERA FUND DIVISION MUNICIPAL GENERAL
***LAST 10 FISCAL YEARS**

	2016	2015
Contractually required contributions	\$ 68,824	\$ 68,282
Contributions in relation to contractually required contribution	(68,824)	(68,282)
Contribution deficiency (excess)	\$ -	\$ -
Truth or Consequences Housing Authority's covered-employee payroll	\$ 675,189	\$ 566,656
Contributions as a percentage of covered-employee payroll	10.20%	12.05%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Truth or Consequences Housing Authority will present information for those years for which information is available.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

Change in benefit terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

Changes of valuation – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf.

The Summary of Key Findings for the PERA Fund (on page 2 of the report) states “The return on the actuarial value of assets was 7.64% compared to the expected return of 7.75%. The total increase to the unfunded actuarial accrued liability is \$410 million and results in a decrease to the funded ratio from 75.8% to 74.9%.” For details about the actuarial assumptions, see Appendix B on page 53 of the report.

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, 2016 and 2015

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2016	2015	2016	2015
ASSETS				
Current assets:				
Cash	\$ 17,315	\$ 39,616	\$ 28,383	\$ 37,664
Accounts receivable (net)	9,158	8,670	4,420	9,525
Prepaid expenses	8,016		5,166	
Inventory	2,398	1,057	548	62
Total current assets	\$ 36,887	\$ 49,343	\$ 38,517	\$ 47,251
Noncurrent assets:				
Restricted:				
Cash	\$ 52,720	\$ 79,212	\$ 40,164	\$ 67,575
Capital assets, net	791,768	777,179	479,254	468,647
Total noncurrent assets	\$ 844,488	\$ 856,391	\$ 519,418	\$ 536,222
Total assets	\$ 881,375	\$ 905,734	\$ 557,935	\$ 583,473
Deferred outflows of resources:				
Related to pensions	\$ 4,100	\$ 7,614	\$ 1,274	\$ 3,530
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,740	\$ 3,155	\$ 3,027	\$ 4,105
Accrued expenses		65		726
Interfund payable	2,275	7,500	61,821	61,701
Unearned revenue		622		
Current portion of long-term debt	29,692	29,396	7,710	6,851
Tenant deposits (payable from restricted assets)	7,047	8,275	1,440	1,946
Total current liabilities	\$ 41,754	\$ 49,013	\$ 73,998	\$ 75,329

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, 2016 and 2015

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2016	2015	2016	2015
Noncurrent liabilities:				
Notes payable	\$ 416,786	\$ 446,469	\$ 431,455	\$ 439,165
Net pension liability	54,034	51,556	25,493	23,901
Compensated absences	2,402	2,620	1,403	1,541
Total noncurrent liabilities	\$ 473,222	\$ 500,645	\$ 458,351	\$ 464,607
Total liabilities	\$ 514,976	\$ 549,658	\$ 532,349	\$ 539,936
Deferred inflows of resources:				
Related to pensions	\$ 7,470	\$ 20,205	\$ 1,192	\$ 9,367
NET POSITION				
Net investment in capital assets	\$ 345,290	\$ 301,314	\$ 40,089	\$ 22,631
Restricted for repair and replacement	42,359	67,571	38,703	65,608
Restricted for taxes and insurance payments	6	5	21	21
Restricted for tenant use	3,308	3,361		
Unrestricted	(27,934)	(28,766)	(53,145)	(50,560)
Total net position	\$ 363,029	\$ 343,485	\$ 25,668	\$ 37,700

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, 2016 and 2015

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2016	2015	2016	2015
Operating revenues:				
Tenant rent	\$ 71,845	\$ 73,317	\$ 55,594	\$ 55,569
Other tenant revenue	1,180	388	3,173	2,610
Total operating revenues	\$ 73,025	\$ 73,705	\$ 58,767	\$ 58,179
Operating expenses:				
Administrative	\$ 32,730	\$ 46,896	\$ 31,358	\$ 25,744
Utilities	20,170	17,419	13,001	11,734
Repairs and maintenance	49,561	41,271	33,282	24,353
General	8,318	13,557	4,793	4,319
Depreciation	41,787	39,510	22,091	23,795
Total operating expenses	\$ 152,566	\$ 158,653	\$ 104,525	\$ 89,945
Operating income (loss)	\$ (79,541)	\$ (84,948)	\$ (45,758)	\$ (31,766)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 103,590	\$ 101,344	\$ 85,544	\$ 99,882
Interest expense	(4,568)	(4,981)	(51,873)	(54,089)
Other nonoperating revenue	63	61	55	65
Total nonoperating revenues (expenses)	\$ 99,085	\$ 96,424	\$ 33,726	\$ 45,858
Change in net position	\$ 19,544	\$ 11,476	\$ (12,032)	\$ 14,092
Net position, beginning of year, as originally state	\$ 343,485	\$ 398,288	\$ 37,700	\$ 54,335
Restatement		(66,279)		(30,727)
Net position, beginning of year as restated	\$ 343,485	\$ 332,009	\$ 37,700	\$ 23,608
Change in net position	19,544	11,476	(12,032)	14,092
Net position, end of year	\$ 363,029	\$ 343,485	\$ 25,668	\$ 37,700

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, 2016 and 2015

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2016	2015	2016	2015
Cash flows from operating activities:				
Receipts from tenants and fees	\$ 70,906	\$ 74,745	\$ 61,480	\$ 53,927
Payments to vendors	(89,969)	(91,306)	(69,524)	(50,612)
Payments to employees	(37,543)	(29,081)	(24,105)	(15,085)
Net cash provided (used) by operating activities	<u>\$ (56,606)</u>	<u>\$ (45,642)</u>	<u>\$ (32,149)</u>	<u>\$ (11,770)</u>
Cash flows from noncapital and related financing activities:				
Intergovernmental grants	\$ 103,371	\$ 101,368	\$ 87,430	\$ 99,332
Interfund loans	(5,225)		120	(7,499)
Other nonoperating revenues	63	61	55	65
Net cash provided (used) by noncapital and related financing activities	<u>\$ 98,209</u>	<u>\$ 101,429</u>	<u>\$ 87,605</u>	<u>\$ 91,898</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (56,376)	\$ -	\$ (32,698)	\$ -
Principal payments on capital debt	(29,387)	(29,104)	(6,851)	(6,087)
Interest paid on capital debt	(4,633)	(4,916)	(52,599)	(53,363)
Net cash provided (used) by capital and related financing activities	<u>\$ (90,396)</u>	<u>\$ (34,020)</u>	<u>\$ (92,148)</u>	<u>\$ (59,450)</u>
Net increase (decrease) in cash	\$ (48,793)	\$ 21,767	\$ (36,692)	\$ 20,678
Cash, beginning of year	<u>118,828</u>	<u>97,061</u>	<u>105,239</u>	<u>84,561</u>
Cash, end of year	<u><u>\$ 70,035</u></u>	<u><u>\$ 118,828</u></u>	<u><u>\$ 68,547</u></u>	<u><u>\$ 105,239</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, 2016 and 2015

	Hacienda Orgullo Apartments		Puesta Del Sol Apartments	
	2016	2015	2016	2015
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (79,541)	\$ (84,948)	\$ (45,758)	\$ (31,766)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	41,787	39,510	22,091	23,795
(Increase) decrease in:				
Accounts receivable	(269)	424	3,219	(4,098)
Prepaid expenses	(8,016)	4,618	(5,166)	2,776
Inventory	(1,341)	3	(486)	
Deferred outflows of resources	(6,743)	(2,132)	(4,327)	(989)
Increase (decrease) in:				
Accounts payable	(415)	(3,390)	(1,078)	380
Accrued expenses		(90)		
Unearned revenue	(622)			
Tenant deposits	(1,228)	616	(506)	(154)
Compensated absences	(218)	(253)	(138)	(1,714)
	<u>\$ (56,606)</u>	<u>\$ (45,642)</u>	<u>\$ (32,149)</u>	<u>\$ (11,770)</u>
Net cash provided (used) by operating activities	<u>\$ (56,606)</u>	<u>\$ (45,642)</u>	<u>\$ (32,149)</u>	<u>\$ (11,770)</u>

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
June 30, 2016

	Type of Account	Bank Balance	Reconciled Balance
<u>Bank of the Southwest</u>			
RTO	Checking	\$ 61,617	\$ 61,617
Home Reserve	Savings	5,922	5,922
Puesta Tax/Ins	Savings	21	21
Hacienda Tax/Ins	Checking	6	6
Hacienda Resident	Checking	3,308	3,308
PH FSS Escrow	Savings	46,112	55,136
FSS Escrow	Savings	35,392	39,112
		<u>\$ 152,378</u>	<u>\$ 165,122</u>
<u>Compass Bank</u>			
Hacienda	Checking	\$ 33,073	\$ 16,751
Puesta	Checking	35,966	27,848
ECDC	Checking	43,818	40,718
Voucher	Checking	54,098	21,583
IDA Match	Checking	6,016	6,016
Low Rent	Checking	232,138	345,578
		<u>\$ 405,109</u>	<u>\$ 458,494</u>
<u>Citizens Bank</u>			
Hacienda Reserve	Checking	\$ 42,359	\$ 42,359
Puesta Reserve	Checking	38,703	38,703
RTO	Checking	146,633	140,767
Tor C Housing Authority	CD	76,380	76,380
T or C Housing Authority	CD	102,638	102,638
T or C Housing Authority	CD	31,826	31,826
T or C Housing Authority	CD	236,426	236,426
T or C Housing Authority	CD	47,454	47,454
		<u>\$ 722,419</u>	<u>\$ 716,553</u>
<u>First Savings Bank</u>			
Hacienda Security	Checking	\$ 7,611	\$ 7,611
Puesta Security	Checking	1,975	1,975
		<u>\$ 9,586</u>	<u>\$ 9,586</u>
		<u>\$ 1,289,492</u>	<u>\$ 1,349,755</u>

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2016

	Bank of the Southwest	Compass Bank	Citizens Bank	First Savings Bank	Total
Checking, Savings and CD's	\$ 152,378	\$ 405,109	\$ 722,419	\$ 9,586	\$ 1,289,492
Total on deposit	\$ 152,378	\$ 405,109	\$ 722,419	\$ 9,586	\$ 1,289,492
Less FDIC insurance	(152,378)	(250,000)	(500,000)	(9,586)	(911,964)
Total uninsured public funds	<u>\$ -</u>	<u>\$ 155,109</u>	<u>\$ 222,419</u>	<u>\$ -</u>	<u>\$ 377,528</u>
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -	\$ 77,555	\$ 111,210	\$ -	\$ 188,764
Total collateralization requirement	<u>\$ -</u>	<u>\$ 77,555</u>	<u>\$ 111,210</u>	<u>\$ -</u>	<u>\$ 188,764</u>
Pledged securities:					
FNMA 31391T2D9 11/01/2017	\$ -	\$ 30,204		\$ -	\$ 30,204
FNMA 31391T2G2 11/01/2032		118,566			118,566
FNMA 31400SFX2 03/1/2033		108,412			108,412
FNMA 31400QJ87 03/01/2033		25,583			25,583
FNMA 31400KRD0 05/01/2033		38,354			38,354
FHLMC 31300LL60 05/01/2037		146,003			146,003
FHLMC 3128LL4W3 10/01/2042		34,774			34,774
FHLMC 31300L3E3 10/01/2042		34,690			34,690
FHLMC 31300L6L4 01/01/2043		242,446			242,446
FHLMC 31300L2Z7 01/01/2043		39,734			39,734
FHLMC 31300L5S0 01/01/2043		97,433			97,433
FHLMC 31300 31326FFH6 02/01/2043		45,279			45,279
FHLMC 31326FJ33 03/01/2043		34,611			34,611
FNMA 3138MHVC4 03/01/2043		43,623			43,623
FNMA 3138MHVE0 03/01/2043		38,412			38,412
GMNA 36200KGJ0 12/15/2046		69,735			69,735
FHLB 373379EE5 6/14/2019			509,041		509,041
FHLB 31337OSZ2 09/18/2017			509,175		509,175
Total pledged securities	<u>\$ -</u>	<u>\$ 1,147,859</u>	<u>\$ 1,018,216</u>	<u>\$ -</u>	<u>\$ 2,166,075</u>
Pledged securities over (under) requirement	<u>\$ -</u>	<u>\$ 1,070,304</u>	<u>\$ 907,006</u>	<u>\$ -</u>	<u>\$ 1,977,310</u>

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.

Housing Authority of the City of Truth or Consequences (NM020)

Truth or Consequences, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	93.575 Child Care and Development Block Grant	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$587,589	\$40,718	\$45,698			\$33,273		\$5,922	\$278,764	\$991,964	\$991,964
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted	\$45,432		\$84,397			\$52,470				\$182,299	\$182,299
114 Cash - Tenant Security Deposits	\$26,240		\$8,487							\$34,727	\$34,727
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$659,261	\$40,718	\$138,582	\$0	\$0	\$85,743	\$0	\$5,922	\$278,764	\$1,208,990	\$1,208,990
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects											
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous	\$0								\$221,807	\$221,807	\$221,807
126 Accounts Receivable - Tenants	\$20,578		\$13,578							\$34,156	\$34,156
126.1 Allowance for Doubtful Accounts - Tenants	-\$753		\$0							-\$753	-\$753
126.2 Allowance for Doubtful Accounts - Other	\$0								\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery											
128.1 Allowance for Doubtful Accounts - Fraud											
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$19,825	\$0	\$13,578	\$0	\$0	\$0	\$0	\$0	\$221,807	\$255,210	\$255,210
131 Investments - Unrestricted	\$102,335					\$38,430				\$140,765	\$140,765
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$13,218	\$2,666	\$13,182							\$29,066	\$29,066
143 Inventories	\$4,141		\$2,946							\$7,087	\$7,087
143.1 Allowance for Obsolete Inventories	\$0		\$0							\$0	\$0
144 Inter Program Due From	\$175,909								\$64,096	\$240,005	\$240,005
145 Assets Held for Sale											
150 Total Current Assets	\$974,689	\$43,384	\$168,288	\$0	\$0	\$124,173	\$0	\$5,922	\$564,667	\$1,881,123	\$1,881,123
161 Land	\$431,590		\$205,946							\$637,536	\$637,536
162 Buildings	\$4,603,985	\$6,551	\$2,022,079							\$6,632,615	\$6,632,615
163 Furniture, Equipment & Machinery - Dwellings	\$259,252		\$56,243							\$315,495	\$315,495
164 Furniture, Equipment & Machinery - Administration	\$354,804	\$16,342	\$48,661			\$35,730				\$455,537	\$455,537
165 Leasehold Improvements	\$512,104	\$18,015	\$37,719							\$567,838	\$567,838
166 Accumulated Depreciation	-\$4,367,959	-\$20,034	-\$1,099,626			-\$28,708				-\$5,516,327	-\$5,516,327
167 Construction in Progress	\$114,858									\$114,858	\$114,858
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,908,634	\$20,874	\$1,271,022	\$0	\$0	\$7,022	\$0	\$0	\$0	\$3,207,552	\$3,207,552
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$1,908,634	\$20,874	\$1,271,022	\$0	\$0	\$7,022	\$0	\$0	\$0	\$3,207,552	\$3,207,552

Housing Authority of the City of Truth or Consequences (NM020)
 Truth or Consequences, NM
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

200	Deferred Outflow of Resources	\$26,908		\$5,374			\$14,468		\$22,074	\$68,824	\$68,824	
290	Total Assets and Deferred Outflow of Resources	\$2,910,231	\$64,258	\$1,444,684	\$0	\$0	\$145,663	\$0	\$5,922	\$586,741	\$5,157,499	\$5,157,499
311	Bank Overdraft											
312	Accounts Payable <= 90 Days	\$17,894	\$156	\$5,767			\$1,808		\$324	\$25,949	\$25,949	
313	Accounts Payable >90 Days Past Due											
321	Accrued Wage/Payroll Taxes Payable	\$101,942								\$101,942	\$101,942	
322	Accrued Compensated Absences - Current Portion											
324	Accrued Contingency Liability											
325	Accrued Interest Payable											
331	Accounts Payable - HUD PHA Programs											
332	Account Payable - PHA Projects											
333	Accounts Payable - Other Government											
341	Tenant Security Deposits	\$26,240		\$8,487						\$34,727	\$34,727	
342	Unearned Revenue											
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$37,402						\$37,402	\$37,402	
344	Current Portion of Long-term Debt - Operating Borrowings											
345	Other Current Liabilities	\$39,416					\$52,470			\$91,886	\$91,886	
346	Accrued Liabilities - Other											
347	Inter Program - Due To			\$64,096					\$175,909	\$240,005	\$240,005	
348	Loan Liability - Current											
310	Total Current Liabilities	\$185,492	\$156	\$115,752	\$0	\$0	\$54,278	\$0	\$0	\$176,233	\$531,911	\$531,911
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$848,241						\$848,241	\$848,241	
352	Long-term Debt, Net of Current - Operating Borrowings											
353	Non-current Liabilities - Other											
354	Accrued Compensated Absences - Non Current	\$8,532		\$3,805			\$15,249		\$7,937	\$35,523	\$35,523	
355	Loan Liability - Non Current											
356	FASB 5 Liabilities											
357	Accrued Pension and OPEB Liabilities	\$392,109		\$79,527			\$144,080		\$181,601	\$797,317	\$797,317	
350	Total Non-Current Liabilities	\$400,641	\$0	\$931,573	\$0	\$0	\$159,329	\$0	\$0	\$189,538	\$1,681,081	\$1,681,081
300	Total Liabilities	\$586,133	\$156	\$1,047,325	\$0	\$0	\$213,607	\$0	\$0	\$365,771	\$2,212,992	\$2,212,992
400	Deferred Inflow of Resources	\$44,157		\$8,662			\$32,407		\$54,405	\$139,631	\$139,631	
508.4	Net Investment in Capital Assets	\$1,908,634	\$20,874	\$385,379			\$7,022			\$2,321,909	\$2,321,909	
511.4	Restricted Net Position			\$84,397			\$0			\$84,397	\$84,397	
512.4	Unrestricted Net Position	\$371,307	\$43,228	\$81,079	\$0	\$0	\$-107,373	\$0	\$5,922	\$398,570	\$398,570	
513	Total Equity - Net Assets / Position	\$2,279,941	\$64,102	\$388,697	\$0	\$0	\$-100,351	\$0	\$5,922	\$166,565	\$2,804,876	\$2,804,876
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,910,231	\$64,258	\$1,444,684	\$0	\$0	\$145,663	\$0	\$5,922	\$586,741	\$5,157,499	\$5,157,499

Housing Authority of the City of Truth or Consequences (NM020)
Truth or Consequences, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	Project Total	93.575 Child Care and Development Block Grant	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	14.239 HOME Investment Partnerships Program	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue	\$240,830		\$127,439							\$368,269	\$368,269
70400 Tenant Revenue - Other	\$254		\$4,353							\$4,607	\$4,607
70500 Total Tenant Revenue	\$241,084		\$131,792	\$0	\$0	\$0	\$0	\$0	\$0	\$372,876	\$372,876
70600 HUD PHA Operating Grants	\$237,948				\$164,837	\$844,203	\$80,592			\$1,327,580	\$1,327,580
70610 Capital Grants	\$108,538									\$108,538	\$108,538
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue											
70800 Other Government Grants				\$189,134						\$189,134	\$189,134
71100 Investment Income - Unrestricted	\$981	\$10	\$118			\$159			\$382	\$1,650	\$1,650
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery											
71500 Other Revenue								\$9	\$190,281	\$190,290	\$190,290
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	\$588,551	\$20,143	\$131,910	\$189,134	\$164,837	\$844,362	\$80,592	\$9	\$190,663	\$2,210,201	\$2,210,201
91100 Administrative Salaries	\$42,488		\$17,556			\$33,890	\$19,848		\$29,290	\$143,072	\$143,072
91200 Auditing Fees	\$13,365		\$4,860			\$6,075				\$24,300	\$24,300
91300 Management Fee											
91310 Book-keeping Fee	\$6,552	\$3,714				\$8,065			\$3,714	\$22,045	\$22,045
91400 Advertising and Marketing	\$2,864		\$2,169							\$5,033	\$5,033
91500 Employee Benefit contributions - Administrative	\$28,165		\$16,124			\$22,994			\$17,220	\$84,503	\$84,503
91600 Office Expenses	\$28,458	\$1,496	\$2,770						\$3,761	\$36,485	\$36,485
91700 Legal Expense	\$7,004		\$351							\$7,355	\$7,355
91800 Travel	\$6,706					\$120			\$136	\$6,962	\$6,962
91810 Allocated Overhead											
91900 Other	\$59,157		\$15,521			\$15,686		\$97		\$90,461	\$90,461
91000 Total Operating - Administrative	\$194,759	\$5,210	\$59,351	\$0	\$0	\$86,830	\$19,848	\$97	\$54,121	\$420,216	\$420,216
92000 Asset Management Fee											
92100 Tenant Services - Salaries	\$23,519									\$23,519	\$23,519
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other											
92500 Total Tenant Services	\$23,519	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,519	\$23,519
93100 Water	\$13,884	\$240	\$6,691							\$20,815	\$20,815
93200 Electricity	\$62,106		\$8,700							\$70,806	\$70,806

Housing Authority of the City of Truth or Consequences (NM020)
Truth or Consequences, NM

Entity Wide Revenue and Expense Summary

93300 Gas	\$5,049	\$856	\$4,197							\$10,102	\$10,102
93400 Fuel											
93500 Labor											
93600 Sewer	\$8,779	\$62	\$8,778							\$17,619	\$17,619
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense			\$4,805							\$4,805	\$4,805
93000 Total Utilities	\$89,818	\$1,158	\$33,171	\$0	\$0	\$0	\$0	\$0	\$0	\$124,147	\$124,147
94100 Ordinary Maintenance and Operations - Labor	\$56,024		\$32,666							\$98,690	\$98,690
94200 Ordinary Maintenance and Operations - Materials and Other	\$14,090	\$13	\$7,217							\$21,320	\$21,320
94300 Ordinary Maintenance and Operations Contracts	\$56,374	\$434	\$42,960							\$99,768	\$99,768
94500 Employee Benefit Contributions - Ordinary Maintenance	\$23,988									\$23,988	\$23,988
94000 Total Maintenance	\$160,476	\$447	\$82,843	\$0	\$0	\$0	\$0	\$0	\$0	\$243,766	\$243,766
95100 Protective Services - Labor											
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$11,350	\$2,600	\$13,023							\$26,973	\$26,973
96120 Liability Insurance						\$6,590				\$6,590	\$6,590
96130 Workmen's Compensation			\$1,453							\$1,453	\$1,453
96140 All Other Insurance			\$68							\$68	\$68
96100 Total Insurance Premiums	\$11,350	\$2,600	\$14,544	\$0	\$0	\$6,590	\$0	\$0	\$0	\$35,084	\$35,084
96200 Other General Expenses											
96210 Compensated Absences											
96300 Payments in Lieu of Taxes											
96400 Bad debt - Tenant Rents	\$12,225		\$3,304							\$15,529	\$15,529
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense											
96000 Total Other General Expenses	\$12,225	\$0	\$3,304	\$0	\$0	\$0	\$0	\$0	\$0	\$15,529	\$15,529
96710 Interest of Mortgage (or Bonds) Payable			\$56,441							\$56,441	\$56,441
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$56,441	\$0	\$0	\$0	\$0	\$0	\$0	\$56,441	\$56,441
96900 Total Operating Expenses	\$492,147	\$9,415	\$249,654	\$0	\$0	\$93,420	\$19,848	\$97	\$54,121	\$918,702	\$918,702
97000 Excess of Operating Revenue over Operating Expenses	\$96,404	\$10,728	-\$117,744	\$189,134	\$164,837	\$750,942	\$60,744	-\$88	\$136,542	\$1,291,499	\$1,291,499
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments						\$784,249	\$57,294			\$841,543	\$841,543
97350 HAP Portability-In											
97400 Depreciation Expense	\$61,028	\$2,548	\$63,878			\$4,573				\$132,027	\$132,027
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											

Housing Authority of the City of Truth or Consequences (NM020)
Truth or Consequences, NM

Entity Wide Revenue and Expense Summary

97800 Dwelling Units Rent Expense												
90000 Total Expenses	\$553,175	\$11,963	\$313,532	\$0	\$0	\$882,242	\$77,142	\$97	\$54,121	\$1,892,272	\$1,892,272	
10010 Operating Transfer In	\$203,767		\$189,134							\$392,901	\$392,901	
10020 Operating transfer Out	-\$38,930			-\$189,134	-\$164,837					-\$392,901	-\$392,901	
10030 Operating Transfers from/to Primary Government												
10040 Operating Transfers from/to Component Unit												
10050 Proceeds from Notes, Loans and Bonds												
10060 Proceeds from Property Sales												
10070 Extraordinary Items, Net Gain/Loss												
10080 Special Items (Net Gain/Loss)												
10091 Inter Project Excess Cash Transfer In												
10092 Inter Project Excess Cash Transfer Out												
10093 Transfers between Program and Project - In												
10094 Transfers between Project and Program - Out												
10100 Total Other financing Sources (Uses)	\$164,837	\$0	\$189,134	-\$189,134	-\$164,837	\$0	\$0	\$0	\$0	\$0	\$0	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$200,213	\$8,180	\$7,512	\$0	\$0	-\$37,880	\$3,450	-\$88	\$136,542	\$317,929	\$317,929	
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
11030 Beginning Equity	\$1,900,838	\$55,922	\$381,185	\$0	\$0	-\$65,921	\$0	\$6,010	\$208,913	\$2,486,947	\$2,486,947	
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$178,890		\$0			\$3,450	-\$3,450		-\$178,890	\$0	\$0	
11050 Changes in Compensated Absence Balance												
11060 Changes in Contingent Liability Balance												
11070 Changes in Unrecognized Pension Transition Liability												
11080 Changes in Special Term/Severance Benefits Liability												
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents												
11100 Changes in Allowance for Doubtful Accounts - Other												
11170 Administrative Fee Equity						-\$58,541				-\$58,541	-\$58,541	
11180 Housing Assistance Payments Equity						-\$41,810				-\$41,810	-\$41,810	
11190 Unit Months Available	1200	12	636			2040			0	3888	3888	
11210 Number of Unit Months Leased	1134	12	548			1856			0	3550	3550	
11270 Excess Cash	\$685,394									\$685,394	\$685,394	
11610 Land Purchases	\$0									\$0	\$0	
11620 Building Purchases	\$100,075									\$100,075	\$100,075	
11630 Furniture & Equipment - Dwelling Purchases	\$0									\$0	\$0	
11640 Furniture & Equipment - Administrative Purchases	\$0									\$0	\$0	
11650 Leasehold Improvements Purchases	\$8,463									\$8,463	\$8,463	
11660 Infrastructure Purchases	\$0									\$0	\$0	
13510 CFFP Debt Service Payments	\$0									\$0	\$0	
13901 Replacement Housing Factor Funds	\$0									\$0	\$0	

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, 2016

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</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	\$ -	\$ 199,018
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ -	\$ 844,203
Mainstram Vouchers	14.879	N/A		<u>80,592</u>
Total Housing Voucher Cluster			<u>\$ -</u>	<u>\$ 924,795</u>
Resident Opportunity and Supportive Services	14.870	N/A	\$ -	\$ 164,837
Public Housing Capital Fund	14.872	N/A		<u>147,468</u>
Total U.S. Department of Housing and Urban Development			<u>\$ -</u>	<u>\$ 1,436,118</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct programs:				
Rural Rental Housing Loans	10.415	N/A	\$ -	\$ 966,053
Rural Rental Assistance	10.427	N/A		<u>144,962</u>
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 1,111,015</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,547,133</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, 2016

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Truth or Consequences Housing Authority, under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Truth or Consequences Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Truth or Consequences Housing Authority.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 Indirect Costs

The Truth or Consequences Housing Authority has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 Loan and Loan Guarantees

Included in the total expenditures of federal awards for Rural Rental Housing Loans, CFDA No. 10.415, are the following amounts:

Debt service subsidies	\$ 44,172
Loans outstanding at July 1, 2015	<u>921,881</u>
Total	<u>\$966,053</u>

The loan total outstanding at June 30, 2016, was \$885,643.

Truth or Consequences Housing Authority
 Schedule of Vendor Information for Purchses Exceeding \$60,000 (Excluding GRT)
 For the Year Ended June 30, 2016
 Prepared by Steven Rice, Executive Director November 22, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract ?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>Is procurement attributable to a Component Unit, Name of Component Unit</i>
6176	Truth or Consequences Housing Authority	Other Agencies	Vista del Cerro Roofing Project 2015	Competitive (RFP or RFB)	Western Enterprises Inc.	Winner	\$134,771.25	\$124,971.25	PO Box 2346, Las Cruces, NM	Yes	No	Re-roofing 10 Apt. Bldgs (single units & duplexes)	

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

Findings – Financial Statement Audit

Current Status

2015-001 The Authority did not make payroll tax payments timely	Repeated as Finding 2016-001
2015-002 The Authority did not report to PERA correctly	Repeated as Finding 2016-002

Findings – Major Federal Award Programs

2014-002 Section 8 Housing Choice Vouchers, CFDA No. 14.871, Grant No. NM020, for year ended June 30, 2015.

This was an “other compliance” finding indicating that the Authority did not have all the documentation required by the U.S. Department of Housing and Urban Development in some tenant files.

Our current year review noted some of the same issues with tenant files, and the finding is repeated for the year ended June 30, 2016, as Finding 2016-003.

2015-003 Rural Rental Housing Loans, CFDA No. 10.415, Loan No. 001, Project No. 01 4, for Year Ended June 30, 2015

This was an “other noncompliance” finding indicating that the Authority had not made all required transfers to the repair and replacement reserve as required by the loan agreement.

Our current year review noted that, in one instance, the required annual transfers were short by \$525. The prior year finding is revised and repeated as Finding 2016-004.

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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

Timothy Keller, 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, 2016, 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 24, 2016.

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 2015-001 and 2015-002.

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 24, 2016

Stone, McGee & Co.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, 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 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, 2016. 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 federal statutes, regulations, and the term and conditions of its federal awards 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 The audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2014-002 and 2015-003. 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 subjected 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stone, McGee & Co. CPAs

Silver City, New Mexico
November 24, 2016

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, 2016

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Truth or Consequences Housing Authority were prepared in accordance with generally accepted accounting principles.
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 the Uniform Guidance*.
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 2 CFR section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: Rural Rental Housing Loans, CFDA No. 10.415.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The Truth or Consequences Housing Authority was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2015-001 Payment of Payroll Liabilities (Other Noncompliance)

Condition – In a test of all payroll reporting transactions, we noted several instances where payroll withholding tax deposits were not paid timely, or in correct amounts; state withholding was not paid timely, resulting in \$136 in penalties; state unemployment reports were not filed timely, resulting in penalties and interest of

\$1,199; and reports and payments to the Public Employee Retirement System and the Retiree Health Care Board were not timely.

There was a corrective action plan in place, but personnel charged with implementation of the plan were not knowledgeable in the payroll reporting requirements and did not communicate problems to the Executive Director. This appears to have been a pervasive problem prior to discovery.

Criteria – Federal and New Mexico regulations specify the timing of reporting and payments of the various payroll withholdings and charges. Noncompliance with those regulations subjects the Authority to penalties and interest.

Effect – Federal and New Mexico regulations have been violated, and the Authority has incurred penalties and interest on the late payments.

Cause – The Authority hired a new finance director, who was not adequately trained to meet the payroll reporting deadlines.

Recommendation – We recommend that the Authority calendar each payroll reporting and payment requirement, and utilize that calendar to ensure timely reporting and payment of payroll liabilities.

Agency Response – The Executive Director has taken an active role in payroll reporting, and new personnel have been hired that are knowledgeable in payroll reporting. It is believed that the lack of proper payroll reporting has been addressed, and current personnel now know the payroll reporting requirements. Calendars have been created, and are being used by current personnel to ensure that payroll reporting and liability payments are timely.

2015-002 Public Employee Retirement Board Reporting (Other Noncompliance)

Condition – The Authority pays a portion of its employees' retirement contributions. However, the Authority has not reported the amounts paid on the employees behalf to the Public Employees Retirement Board (PERA), but has listed these amounts as employee contributions.

The Authority enacted a corrective action plan, but as per instruction from the PERA, amendments to prior reports was not made, but prospective reporting will be accurate. This appears to have been a pervasive problem prior to correction late in the fiscal year.

Criteria – PERA requires reporting of contributions made on employees' behalf separately, so that amounts actually paid by employees and employers can be identified.

Effect – Reporting employer contributions as employee contributions could cause a misstatement of pension expense in the Authority's financial statements, due to the fact that actual employer contributions are required to determine pension expense at the PERA level.

Cause – The Authority was unaware that this distinction was required, until it was brought to their attention late in the 2016 fiscal year.

Recommendation – We recommend that the Authority report the actual amounts paid by employees and the employer on its monthly reports to PERA.

Agency Response – The PERA reports are currently being filed showing actual employee and employer contributions. The accounting assistant is preparing the reports and the Executive Director is reviewing them prior to submission.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Other Noncompliance)

20014-002 Section 8 Housing Choice Vouchers-CFDA No. 14.871, Grant No. NM020, Grant period-Year ended June 30, 2016

Condition – In a review of 40 applicant files, we noted the following:

- 2 files did not contain citizenship declarations
- 2 files did not contain the fingerprint/ background check
- 8 files did not contain complete contact information
- 4 files did not contain the violence against women lease addendum
- 2 files did not contain the lead based paint assurances
- 2 files did not contain the Drug Violation addendum.

The Authority's corrective action plan was put into place during the 2014-15 fiscal year, but due to lack of time availability, not all files were reviewed. This appears to be isolated cases in old files that have not yet been updated.

Criteria – Federal regulations require that citizenship declarations, fingerprint/background checks, contact information, lead based paint assurances, Drug Violation assurances, and violence against women lease addendums 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 updates were completed for those files scheduled to be updated, but due to lack of employee availability, not all files were reviewed.

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. However, the Executive Director will oversee the review of all files, in conjunction with available employees, to ensure that the files contain the necessary information. It is expected that this review will be completed by June 30, 2017.

DEPARTMENT OF AGRICULTURE (Other Noncompliance)

2015-003 Rural Rental Housing Loans, CFDA No. 10.415, Loan No. 001, Project No. 01 7, For Year Ended June 30, 2016

Condition – The Authority did not make the required transfers to its reserve account as required by the loan agreement. The transfers were \$525 less than those required.

The Authority’s corrective action plan was instituted, but one month’s transfer was overlooked. This appears to be an isolated instance.

Criteria – The Authority’s loan agreements require that \$6,300 be transferred into a reserve and replacement account annually.

Effect – The loan agreement has been breached, and, in the extreme, could accelerate the loan to “immediately due” status.

Cause – Significant unplanned personnel turnover in the Authority’s accounting department created a void which caused the transfer not to be made in one month during the year.

Recommendation – We recommend that the Authority make up the required transfer, and make future monthly transfers as required.

Agency Response – The Executive Director will track the monthly transfers. The make-up transfer has already been made, and the monthly review of transfers has already been instituted.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.’s, with significant input from Authority personnel, who have reviewed and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed November 10, 2016. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Greg D’Amour	Board Chairman	T or C Housing Authority
Steven Rice	Executive Director	T or C Housing Authority
Teresa Casteneda	Finance Assistant	T or C Housing Authority
Mike Stone	Shareholder	Stone, McGee & Co., CPAs
Kay Stone	Shareholder	Stone, McGee & Co., CPAs