



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

Annual Financial Report
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 June 30, 2017
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STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Official Roster
June 30, 2017

Name

Title

Board of Commissioners

Greg D'Amour	Chairman
Leanne Tooley	Vice-Chairman
Danny Mena	Commissioner
Earl Greer	Commissioner
Chris O'Rourke	Commissioner

Administrative Officials

Steven Rice	Executive Director
Teresa Castaneda	Senior Finance Specialist
Jessie Anglin	Section 8 Program Manager

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget
To the Executive Director and the Board of Commissioners
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Truth or Consequences, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Truth or Consequences Housing Authority, a Component Unit of the City of Truth or Consequences (the "Housing Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority as of June 30, 2017, and the changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Housing Authority are intended to present the financial position, and the changes in financial position of only that portion of the business-type activities that are attributable to the transactions of the Housing Authority. They do not purport to and do not present fairly the financial position of the City of Truth or Consequences as of June 30, 2017, and the changes in its financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 and GASB required supplementary pension schedules on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

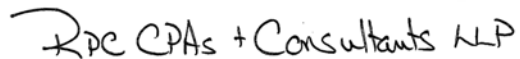
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "RPC CPAs + Consultants LLP". The signature is written in a cursive, slightly slanted style.

RPC CPAs + Consultants, LLP
Albuquerque, NM
November 29, 2017

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2017

As management of the Truth or Consequences (the Housing Authority), we offer the readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the Housing Authority and additional information provided.

Financial Highlights

- The assets and deferred outflows of the Housing Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,908,515 (*net position*). Of this amount, \$521,345 (*unrestricted net position*) may be used to meet the Housing Authority's ongoing obligations to residents and creditors.
- During the fiscal year the Housing Authority's total net position increased by \$103,639 as a result of revenues, expenditures, and changes in net position.
- As the end of the current year fiscal year, unrestricted net position of the Housing Authority was \$521,345 or 24.6% of the total Housing Authority operating expenses.

Housing Authority Financial Statements

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

The Housing Authority, as of June 30, 2017, owned 100 Public Housing and 52 Rural Development 515 residential apartment units that are leased to low-income families and individuals. In addition, housing assistance was being paid for an average of 190 units every month under the Federal Housing Choice Voucher programs for privately-owned existing rental housing. Within the City of Truth or Consequences, the Housing Authority manages an additional two apartment complexes consisting of 116 apartment units combined. The Housing Authority also manages five additional project based section 8 multi-family properties located throughout the State of New Mexico. These apartment complexes combined unit total is 246, with locations in Deming, Lordsburg, Carlsbad, Socorro, and Espanola.

In view of this mission, the Housing Authority's financial reporting objective under GASB 34 in FY 2017 focuses on the financial activities of the Housing Authority as a whole.

Overview of the Financial Statements

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

Financial Statements Used in Fiscal Year 2017

The Housing Authority is presenting its fiscal year 2017 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

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

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2017

Financial Statements Used in Fiscal Year 2017 (continued)

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

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

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

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

Housing Authority Programs

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

Through U.S. Department of Housing & Urban Development (HUD) Federal grants, the Housing Authority operates and manages three service coordinator grant programs, the Resident Opportunity and Supportive Service program and the Family Self Sufficiency program which is maintained in both the Section 8 and Low-Rent Public Housing programs. Additionally, the Housing Authority manages a Service Coordinator for Multi-Family (SCMF) program at the Casa del Rio apartment complex.

Individual program financial statements can be found at statements A-1 through A-3 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 24-42 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,906,786 at the close of the most recent fiscal year.

By far the largest portion of the Housing Authority's net position (82.0 percent) reflect its investment in capital assets (e.g., land, buildings, and dwelling and administrative equipment), less any related debt used to acquire those assets that is still outstanding.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Analysis (continued)

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

The Housing Authority had a balance of \$702 of restricted net position. This restriction is related to requirements of the Section 8 Housing Choice Voucher Program established by the US Department of Housing and Urban Development. This amount is restricted for the payment of housing assistance payments.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016
Assets		
Current assets	\$ 1,483,648	\$ 1,420,631
Restricted assets	188,446	220,487
Capital assets, net of accumulated depreciation	<u>3,234,708</u>	<u>3,207,552</u>
Total assets	<u>4,906,802</u>	<u>4,848,670</u>
Deferred outflows	<u>470,324</u>	<u>68,824</u>
Total assets and deferred outflows	<u>\$ 5,377,126</u>	<u>\$ 4,917,494</u>
Liabilities and Net Position		
Current liabilities (payable from current assets)	\$ 107,357	\$ 161,680
Current liabilities (payable from restricted assets)	100,654	132,628
Noncurrent liabilities	<u>2,133,177</u>	<u>1,678,679</u>
Total liabilities	<u>2,341,188</u>	<u>1,972,987</u>
Deferred inflows	<u>127,423</u>	<u>139,631</u>
Net investment in capital assets	2,384,665	2,321,909
Restricted	702	84,397
Unrestricted	<u>523,148</u>	<u>398,570</u>
Total net position	<u>2,908,515</u>	<u>2,804,876</u>
Total liabilities, deferred inflows, and net position	<u>\$ 5,377,126</u>	<u>\$ 4,917,494</u>

The remaining balance of *unrestricted net position* (\$521,419) may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position, both for the Housing Authority as a whole as well as for its individual programs. The same situation held true for the prior fiscal year.

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Analysis (continued)

There was an increase of \$122,776 (30.8 percent) in unrestricted net position reported by the Housing Authority as compared to the prior year. This was primarily due to increases in operating subsidy grants and miscellaneous income received by the Housing Authority.

There was an increase of \$64,558 in net investment in capital assets reported in connection with the Housing Authority's activities. The majority of this increase is attributable to ongoing utilization of capital assets (depreciation expense) being a smaller amount than the Housing Authority's additions to capital assets during the fiscal year.

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

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

	June 30, 2017	June 30, 2016
Operating revenues:		
Tenant rent and other tenant revenue	\$ 408,081	\$ 411,807
Administrative fee revenue	166,355	171,435
Subsidy grants	<u>1,602,169</u>	<u>1,476,916</u>
Total operating revenues	<u>2,176,605</u>	<u>2,060,158</u>
Operating expenses:		
Personnel services	555,850	391,315
Contractual services	145,677	138,279
Supplies	32,574	24,141
Maintenance and materials	51,379	50,244
Utilities	114,672	124,918
Insurance	40,060	36,807
Bad debt	2,168	15,529
Housing assistance payments	932,395	841,543
Depreciation	130,557	132,026
Miscellaneous	<u>108,887</u>	<u>80,906</u>
Total operating expenses	<u>2,114,219</u>	<u>1,835,708</u>
Operating (loss)	<u>62,386</u>	<u>224,450</u>
Non-operating revenues (expenses):		
Capital grants	101,786	148,336
Interest income	4,427	1,659
Interest expense	(92,747)	(56,441)
Miscellaneous income	<u>27,787</u>	<u>48</u>
Total non-operating revenues	<u>41,253</u>	<u>93,602</u>
Change in net position	103,639	318,052
Net position, beginning of year	<u>2,804,876</u>	<u>2,486,824</u>
Net position, end of year	<u>\$ 2,908,515</u>	<u>\$ 2,804,876</u>

Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Analysis (continued)

Total operating revenues increased \$116,447 (5.65 percent) during the year. Most of this increase is the increase in operating subsidy.

Capital Fund grant awards decreased \$46,550 (31.3 percent) from the prior year. These grants are on a reimbursement basis and there were less expenditures on these projects than in the prior year.

Increases in several categories of operating expenses reflect the decreases in ongoing residential tenant operations and maintenance. Operating expenses overall increased \$278,511 (15.2 percent) from the prior year. The majority of this increase occurred in housing assistance payments and utilities expenses.

Capital Assets and Debt Administration

Truth or Consequences Housing Authority's Capital Assets

	June 30, 2017	June 30, 2016
Land	\$ 637,536	\$ 637,536
Land improvements	608,006	593,934
Buildings and improvements	6,763,906	6,739,010
Dwelling equipment	315,495	315,495
Nondwelling equipment	469,025	437,904
Construction in progress	87,624	-
Accumulated depreciation	<u>(5,646,884)</u>	<u>(5,516,327)</u>
Capital assets, net	<u><u>\$ 3,234,708</u></u>	<u><u>\$ 3,207,552</u></u>

The Housing Authority's net investment in capital assets for its business type activities as of June 30, 2017, amounts to \$2,386,467 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, equipment and furnishings. The total increase in the Housing Authority's net investment in capital assets for the current fiscal year was 2.78 percent.

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

Ongoing tenant dwelling equipment replacements were completed with new equipment and related structural improvements and administrative equipment for both programs totaling \$157,713 were placed in service during the current fiscal year. Construction in progress additions in the current fiscal year were \$87,624.

Additional information on Housing Authority's capital assets can be found on page 33 of this report.

Long-term debt

At the end of the current fiscal year, Housing Authority had notes payable of \$848,241, noncurrent compensated absences outstanding in the amount of \$35,832, and a net pension liability of \$1,287,719.

Truth or Consequences Housing Authority
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Management's Discussion and Analysis
June 30, 2017

Economic Factors

The unemployment rate for Sierra County as of September 2017, reported by the New Mexico Department of Workforce Solutions, is 6.8%, which is slightly lower than 7.6% as reported last year.

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

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Net Position
 June 30, 2017

Exhibit A-1
 Page 1 of 2

ASSETS

Current assets

Cash and cash equivalents	\$	769,494
Investments		346,014
Accounts receivable - tenants, net		7,035
Notes receivable		322,878
Inventory		6,737
Prepaid expenses		31,490

<i>Total current assets</i>		1,483,648
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Non-current assets

Restricted cash and cash equivalents		188,446
Capital assets		8,881,592
Less: accumulated depreciation		(5,646,884)

<i>Total non-current assets</i>		3,423,154
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<i>Total assets</i>		4,906,802
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DEFERRED OUTFLOWS

Employer contributions subsequent to measurement date		74,420
Net difference between expected and actual investment earnings on pension plan investments		236,936
Difference between expected and actual experience		64,494
Changes in proportion and differences between employer contributions and proportionate share of contributions		18,962
Changes of assumptions		75,512

<i>Total deferred outflows</i>		470,324
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<i>Total assets and deferred outflows</i>	\$	5,377,126
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Net Position
 June 30, 2017

Exhibit A-1
 Page 2 of 2

LIABILITIES

Current liabilities

Accounts payable	\$	15,820
Accrued payroll		52,922
Current portion of loans payable		38,615

<i>Total current liabilities</i>		<u>107,357</u>
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Current liabilities (payable from restricted assets)

Tenant deposits		44,474
FSS deposits		56,180

<i>Total current liabilities (payable from restricted assets)</i>		<u>100,654</u>
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Non-current liabilities

Compensated absences		35,832
Loans payable		809,626
Net pension liability		1,287,719

<i>Total non-current liabilities</i>		<u>2,133,177</u>
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<i>Total liabilities</i>		<u>2,341,188</u>
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DEFERRED INFLOWS

Changes of assumptions		216
Difference between expected and actual experience		12,719
Changes in proportion and differences between employer contributions and proportionate share of contributions		114,488

<i>Total deferred inflows</i>		<u>127,423</u>
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NET POSITION

Net investment in capital assets		2,386,467
Restricted for:		
Section 8 housing		702
Unrestricted		521,346

<i>Total net position</i>		<u>2,908,515</u>
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<i>Total liabilities, deferred inflows, and net position</i>	\$	<u><u>5,377,126</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2017

Exhibit A-2

<i>Operating revenues</i>	
Rental revenue	\$ 389,310
Other tenant revenue	18,771
Management fees	166,355
Subsidy grants	<u>1,602,169</u>
<i>Total operating revenues</i>	<u>2,176,605</u>
<i>Operating expenses</i>	
Personnel services	555,850
Contractual services	145,677
Supplies	32,574
Maintenance and materials	51,379
Utilities	114,672
Insurance	40,060
Bad debt	2,168
Housing assistance payments	932,395
Depreciation	130,557
Miscellaneous	<u>108,887</u>
<i>Total operating expenses</i>	<u>2,114,219</u>
<i>Operating income</i>	<u>62,386</u>
<i>Non-operating revenues (expenses)</i>	
Interest income	4,427
Interest expense	(92,747)
Miscellaneous income	<u>27,787</u>
<i>Total non-operating revenues (expenses)</i>	<u>(60,533)</u>
<i>Total income (loss) before capital grants</i>	1,853
Capital grants	<u>101,786</u>
<i>Change in net position</i>	103,639
<i>Total net position - beginning of year</i>	<u>2,804,876</u>
<i>Total net position - end of year</i>	<u><u>\$ 2,908,515</u></u>

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

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Cash Flows
 For the Year Ended June 30, 2017

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from tenant rents and management charges	\$ 557,939
Cash payments to employees for services	(527,867)
Cash payments to suppliers for goods and services	(1,437,847)
Cash received from subsidy grants	1,616,907
<i>Net cash provided by operating activities</i>	209,132
<i>Cash flows from noncapital financing activities:</i>	
Miscellaneous income	27,787
Notes receivable issued to other entities	(101,071)
<i>Net cash used by noncapital financing activities</i>	(73,284)
<i>Cash flows from capital and related financing activities:</i>	
Capital grants	101,786
Acquisition of capital assets	(157,713)
Payments on notes payable	(37,402)
Interest expense	(92,747)
<i>Net cash used by capital and related financing activities</i>	(186,076)
<i>Cash flows from investing activities:</i>	
Conversion of investments to cash	149,639
Interest on cash deposits	3,498
<i>Net cash provided by investing activities</i>	153,137
<i>Net increase in cash and cash equivalents</i>	
	102,909
<i>Cash and cash equivalents - beginning of year</i>	855,031
<i>Cash and cash equivalents - end of year</i>	\$ 957,940
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 62,386
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	130,557
Bad debt expense	2,168
Noncash pension expense	82,290
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable - tenants	(1,321)
Accounts receivable - grants	25,521
Inventory	350
Prepaid expenses	(2,424)
Accounts payable	(10,129)
Accrued payroll expenses	(49,020)
FSS deposits	(35,706)
Accrued compensated absences	309
Tenant deposits	9,747
Deferred outflows - subsequent contributions	(5,596)
<i>Net cash provided by operating activities</i>	\$ 209,132

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

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

The Housing Authority has an elected Chairman, a three member council. The Housing Authority manages two (2) low rent public housing developments containing 100 total units, two rural development housing projects containing 53 total units, and administers Housing and Urban Development's (HUD) Housing Choice Vouchers Section 8 housing assistance program.

The reporting entity for the Housing Authority is based upon criteria established by the Governmental Accounting Standards Board (GASB). All functions of the Housing Authority for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and special financing relationships.

These financial statements represent the financial operations of the Housing Authority for the year ended June 30, 2017.

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

The following programs are maintained by the Housing Authority:

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

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

Capital Fund Projects – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing, and modernization of public housing developments and for management improvements. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program on the Financial Statements.

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

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

Financial Reporting Entity (continued)

Rural Rental Housing Loans and Rural Rental Housing Assistance – The housing complexes of Hacienda Orgullo and Puesta del Sol are rental units purchased through loan funds from the Rural Development Office of the United 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.

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.

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.

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Housing Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Housing Authority has no component units.

Basis of Accounting and Measurement Focus

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

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Truth or Consequences Housing Authority
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Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus (continued)

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) are segregated into net investment in capital assets; restricted; and unrestricted components.

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

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

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

Revenue Recognition

Dwelling rental revenues are recorded as rents become due. Rental payments received in advance are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Housing Authority has entered into contracts with U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grant revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Housing Authority's financial statements include depreciation on capital assets and the net pension liability and associated deferred outflows and deferred inflows.

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Truth or Consequences Housing Authority
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NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deposits and Investments

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

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

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

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized. HUD depository agreements with the Authority require 100% of the Authority's balances on deposit with any one institution to be collateralized. If the securities pledged are United States government securities, they are pledged at market value.

Accounts Receivable

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

Interprogram receivables and payables

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

Inventory

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

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NOTE 1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

Prepaid Expenses

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Land Improvements	40 years
Building and improvements	40 years
Dwelling equipment	5 years – 10 years
Non-dwelling equipment	5 years – 10 years

In the Financial Data Schedule, the Construction in Progress contains \$127,149 in capital assets in service which are recorded in depreciating categories on the financial statements and in Note 4.

Deferred Outflows of Resources

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

STATE OF NEW MEXICO
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June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

The Authority has recorded \$74,420 related to contributions subsequent to the measurement date, \$236,936 related to the net difference between expected and actual earnings on pension plan investments, \$64,494 related to the difference between expected and actual experience, \$18,962 related to changes in proportion and difference between employer contributions and proportional share of contributions, and \$75,512 related to the change of assumptions.

Deferred Inflows of Resources

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

These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. The Authority has recorded \$216 related to change of assumptions, \$12,719 related to the difference between expected and actual experience, and \$114,488 related to the changes in proportion and differences between employer contributions and proportionate share of contributions.

Compensated Absences

Housing Authority employees are entitled to be compensated for accrued vacation time off, which is reported as an expense and a liability of the program that will fund it. When an employee separates from employment with the Housing Authority in good standing, the employee is eligible to receive payment for accrued time remaining.

Net Position

Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

- **Net investment in capital assets** – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** – Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
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Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

Unrestricted and Restricted Resources

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

Budgets

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

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

Pensions

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.

New Accounting Standards Adopted

During the year ended June 30, 2017, the Housing Authority adopted GASB Statement No. 77 *Tax Abatement Disclosures* and GASB Statement No. 80 *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. These two Statements are required to be implemented as of June 30, 2017, if applicable. The implementation of these statements did not have a significant impact on the Housing Authority because they had no tax abatements for disclosure and they have no component units.

NOTE 2. Deposits and Investments

State Statutes authorize the investment of Housing Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Housing Authority properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Housing Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The only funds held in a non-interest bearing account are the funds in the rent account, from which excess funds are then transferred to an interest-bearing account on a monthly basis.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
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 Notes to Financial Statements
 June 30, 2017

NOTE 2. Deposits and Investments (continued)

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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

Custodial Credit Risk - Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2017, \$511,660 of the Housing Authority's bank balance of \$1,321,065 was exposed to custodial credit risk. Although the \$511,660 was uninsured, all of that amount was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name. None of the Housing Authority's deposits were uninsured and uncollateralized at June 30, 2017.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	BBVA Compass	First Savings Bank	Bank of the Southwest	Citizens Bank of	Total
Amount of deposits	\$ 761,660	\$ 95,611	\$ 117,780	\$ 346,014	\$ 1,321,065
FDIC coverage	(250,000)	(95,611)	(117,780)	(250,000)	(713,391)
Total uninsured public funds	<u>511,660</u>	<u>-</u>	<u>-</u>	<u>96,014</u>	<u>511,660</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	511,660	-	-	96,014	607,674
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (100% of uninsured public funds)	\$ 511,660	\$ -	\$ -	\$ 96,014	\$ 607,674
Pledged collateral	1,511,265	-	-	770,740	2,282,005
Over (under) collateralization	<u>\$ 999,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,726</u>	<u>\$ 999,605</u>

The collateral pledged for both deposits and investments is listed on Schedule III of this report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Notes to Financial Statements
 June 30, 2017

NOTE 2. Deposits and Investments (continued)

Reconciliation to Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 769,494
Restricted cash and cash equivalents per Exhibit A-1	188,446
Investments per Exhibit A-1	<u>346,014</u>
 Total cash and cash equivalents	 <u>1,303,954</u>
 Add: outstanding checks	 19,113
Less: deposits in transit	(1,455)
Less: undeposited funds	<u>(547)</u>
 Bank balance of deposits	 <u><u>\$ 1,321,065</u></u>

The Authority's investments as listed on Exhibit A-1 are in certificates of deposit with a maturity date greater than 90 days from year-end. These certificates of deposit are not subject to fair value measurement.

NOTE 3. Accounts Receivable

As of June 30, 2017, the Housing Authority had the following receivables:

Tenant receivables	\$ 7,816
Allowance for doubtful accounts - tenants	(781)
Notes receivable	<u>322,878</u>
 Total	 <u><u>\$ 329,913</u></u>

The Authority's notes receivable consist of two promissory notes from related entities which are owed to the Return to Owner Program. These notes were executed for the purpose of funding future tax credit properties for which the Authority plans to be a participating member. These notes are considered fully receivable.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
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NOTE 4. Capital Assets

The following summarizes changes in capital assets activity for the Authority during fiscal year 2017.

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 637,536	\$ -	\$ -	\$ 637,536
Construction in progress	-	87,624	-	87,624
Total capital assets not being depreciated	637,536	87,624	-	725,160
Capital assets being depreciated:				
Land improvements	593,934	14,072	-	608,006
Buildings and improvements	6,739,010	24,896	-	6,763,906
Dwelling equipment	315,495	-	-	315,495
Non-dwelling equipment	437,904	31,121	-	469,025
Total capital assets being depreciated	8,086,343	70,089	-	8,156,432
Accumulated depreciation:				
Land improvements	542,996	9,463	-	552,459
Buildings and improvements	4,269,260	98,273	-	4,367,533
Dwelling equipment	286,473	5,736	-	292,209
Non-dwelling equipment	417,598	17,085	-	434,683
Total accumulated depreciation	5,516,327	130,557	-	5,646,884
Total public housing program capital assets, net of depreciation	\$ 3,207,552	\$ 27,156	\$ -	\$ 3,234,708

Depreciation expense for the year ended June 30, 2017 totaled \$130,557 for the Authority.

In the Financial Data Schedule (Schedule V), the Construction in Progress category contains \$127,149 in capital assets in service which are recorded in depreciating categories on the financial statements.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
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NOTE 5. Long-Term Liabilities

The following summarizes changes in long-term liability activity during fiscal year 2017:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
USDA Loans Hacienda Orgullo #1	\$ 340,417	\$ -	\$ 22,633	\$ 317,784	\$ 22,806
USDA Loans Hacienda Orgullo #2	106,061	-	7,059	99,002	7,132
USDA Loan Puesta Del Sol	439,165	-	7,710	431,455	8,677
Compensated Absences	35,523	64,137	64,446	35,832	-
Total long-term debt	<u>\$ 7,248,287</u>	<u>\$ 64,137</u>	<u>\$ 101,848</u>	<u>\$ 884,073</u>	<u>\$ 38,615</u>

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

Compensated absences increased by \$309 and the balances are paid from the programs under which they are incurred.

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

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

The terms of each note payable are summarized below:

Description	Date of Issue	Maturity Date	Interest Rate	Subsidy Rate	Original Amount of Issue
USDA Loans Hacienda Orgullo #1	12/19/1981	8/19/2030	1.00%	10.750%	\$ 312,140
USDA Loans Hacienda Orgullo #2	12/19/1981	10/19/2030	1.00%	9.000%	1,000,000
USDA Loan Puesta Del Sol	12/1/1994	3/1/2034	1.00%	11.875%	495,788

Debt service requirements on long-term debt at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 38,615	\$ 87,513	\$ 126,128
2019	40,004	83,719	123,723
2020	41,532	79,759	121,291
2021	43,218	75,619	118,837
2022	45,079	71,279	116,358
2023-2027	261,158	282,562	543,720
2028-2032	285,147	131,980	417,127
2033-2037	93,488	10,506	103,994
	<u>\$ 848,241</u>	<u>\$ 822,937</u>	<u>\$ 1,671,178</u>

STATE OF NEW MEXICO
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 Notes to Financial Statements
 June 30, 2017

NOTE 6. Interprogram Receivables, Payables, and Transfers

The following interprogram receivables and payables have been reported on the Statement of Net Position - Detail.

Due From	Due to	
Puesta del Sol	Return to Owner	\$ 61,721
Return to Owner	Low Rent Public Housing Program	163,983
		\$ 225,704

NOTE 7. Contingent Liabilities

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

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction 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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

STATE OF NEW MEXICO
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NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

The PERA coverage option that applies to Truth or Consequences Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Truth or Consequences Housing Authority were \$74,420 and there were no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

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 preformed 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 Truth or Consequences Housing Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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 Municipal General Division, at June 30, 2017, Truth or Consequences Housing Authority reported a liability of \$1,287,719 for its proportionate share of the net pension liability. At June 30, 2017, Truth or Consequences Housing Authority’s proportion was 0.0806 percent, which changed from its proportion of 0.0982 percent as of June 30, 2016.

For the year ended June 30, 2017, Truth or Consequences Housing Authority recognized PERA Fund Municipal General Division pension expense of \$151,115.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Notes to Financial Statements
 June 30, 2017

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

At June 30, 2017, Truth or Consequences Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 75,512	\$ 216
Net difference between projected and actual earnings on pension plan investments	236,936	-
Changes in proportion and differences between Truth or Consequences Housing Authority's contributions and proportionate share of contributions	18,962	114,488
Truth or Consequences Housing Authority's difference between expected and actual experience	64,494	12,719
Truth or Consequences Housing Authority's contributions subsequent to the measurement date	<u>74,420</u>	<u>-</u>
Total	<u>\$ 470,324</u>	<u>\$ 127,423</u>

\$74,420 reported as deferred outflows of resources related to pensions resulting from Truth or Consequences Housing Authority's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (34,169)
2019	(34,169)
2020	(139,639)
2021	(60,504)

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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2015, actuarial valuation.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Notes to Financial Statements
 June 30, 2017

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.48% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.48 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.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
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 Notes to Financial Statements
 June 30, 2017

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Truth or Consequences Housing Authority's net pension liability in each PERA Fund Division that Truth or Consequences Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Truth or Consequences Housing Authority's proportionate share of the net pension liability	<u>\$ 1,919,872</u>	<u>\$ 1,287,719</u>	<u>\$ 763,377</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. As of June 30, 2017, amounts due to PERA from the Authority totaled \$6,332.

NOTE 9. 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 postemployment healthcare 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Financial Statements
June 30, 2017

NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 determined 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 not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, 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 contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$18,528, \$16,917, and \$17,646, respectively, which equal the required contributions for each year.

NOTE 10. Risk Management

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

NOTE 11. Concentrations

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

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Financial Statements
June 30, 2017

NOTE 12. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2017 which is the date on which the financial statements were available to be issued. There were no events noted as of this date.

NOTE 13. Capital Fund Closeouts

The Authority had no Capital Fund Program closeouts during the year ended June 30, 2017.

NOTE 14. Commitments

The Housing Authority has the following commitments at June 30, 2017 relating to contracts in place for the completion of Capital Fund Projects:

CFP 2015:	\$9,750
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NOTE 15. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Housing Authority expects this pronouncement to have a material effect on the financial statements as they participate in such a plan.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

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

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Financial Statements
June 30, 2017

NOTE 15. Subsequent Pronouncements (continued)

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

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

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date	Date	Date
	(As of and for	(As of and for	(As of and for
	the Year Ended	the Year Ended	the Year Ended
	June 30, 2016)	June 30, 2015)	June 30, 2014)
Truth or Consequences Housing Authority's proportion of the net pension liability	0.9228%	0.9820%	0.9820%
Truth or Consequences Housing Authority's proportionate share of the net pension liability	\$ 1,287,717	\$ 797,317	\$ 766,065
Truth or Consequences Housing Authority's covered-employee payroll	\$ 571,154	\$ 605,461	\$ 583,664
Truth or Consequences Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	225.46%	131.69%	131.25%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

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

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

STATE OF NEW MEXICO

Schedule II

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

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contributions	\$ 74,420	\$ 68,824	\$ 72,958
Contributions in relation to the contractually required contribution	<u>(74,420)</u>	<u>(68,824)</u>	<u>(72,958)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Truth or Consequences Housing Authority's covered-employee payroll	\$ 617,593	\$ 571,154	\$ 605,461
Contributions as a percentage of covered-employee payroll	12.05%	12.05%	12.05%

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

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

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Net Position - Detail
 June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Puesta del Sol Apartments
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 447,417	\$ 60,740	\$ 28,081
Investments	221,251	47,810	-
Accounts receivable - tenants	2,585	-	3,578
Notes receivable	-	-	-
Interprogram receivables	163,983	-	-
Inventory	3,641	-	548
Prepaid expenses	14,314	-	5,326
<i>Total current assets</i>	<u>853,191</u>	<u>108,550</u>	<u>37,533</u>
<i>Non-current assets</i>			
Restricted cash and cash equivalents	49,731	41,687	42,934
Capital assets	6,426,294	35,730	850,813
Less: accumulated depreciation	<u>(4,431,170)</u>	<u>(31,426)</u>	<u>(394,679)</u>
<i>Total non-current assets</i>	<u>2,044,855</u>	<u>45,991</u>	<u>499,068</u>
<i>Total assets</i>	<u>2,898,046</u>	<u>154,541</u>	<u>536,601</u>
DEFERRED OUTFLOWS			
Employer contributions subsequent to measurement date	29,478	15,216	1,608
Net difference between expected and actual investment earnings on pension plan investments	109,179	31,424	14,274
Difference between expected and actual experience	29,550	8,601	3,994
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,709	2,535	1,132
Change of assumptions	<u>34,679</u>	<u>10,094</u>	<u>4,511</u>
<i>Total deferred outflows</i>	<u>211,595</u>	<u>67,870</u>	<u>25,519</u>
<i>Total assets and deferred outflows</i>	<u>\$ 3,109,641</u>	<u>\$ 222,411</u>	<u>\$ 562,120</u>

See independent auditors' report.

Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 27,833	\$ 149,382	\$ 50,119	\$ 5,922	\$ 769,494
-	76,953	-	-	346,014
872	-	-	-	7,035
-	322,878	-	-	322,878
-	61,721	-	-	225,704
2,548	-	-	-	6,737
8,891	-	2,959	-	31,490
<u>40,144</u>	<u>610,934</u>	<u>53,078</u>	<u>5,922</u>	<u>1,709,352</u>
54,094	-	-	-	188,446
1,527,847	-	40,908	-	8,881,592
(768,920)	-	(20,689)	-	(5,646,884)
<u>813,021</u>	<u>-</u>	<u>20,219</u>	<u>-</u>	<u>3,423,154</u>
<u>853,165</u>	<u>610,934</u>	<u>73,297</u>	<u>5,922</u>	<u>5,132,506</u>
4,670	23,448	-	-	74,420
24,252	57,807	-	-	236,936
6,553	15,796	-	-	64,494
1,931	4,655	-	-	18,962
7,690	18,538	-	-	75,512
<u>45,096</u>	<u>120,244</u>	<u>-</u>	<u>-</u>	<u>470,324</u>
<u>\$ 898,261</u>	<u>\$ 731,178</u>	<u>\$ 73,297</u>	<u>\$ 5,922</u>	<u>\$ 5,602,830</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Net Position - Detail
 June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Puesta del Sol Apartments
LIABILITIES			
<i>Current liabilities</i>			
Accounts payable	\$ 12,509	\$ 401	\$ 1,644
Accrued payroll	52,922	-	-
Compensated absences	-	-	-
Interprogram payables	-	-	61,721
Current portion of loans payable	-	-	8,677
<i>Total current liabilities</i>	<u>65,431</u>	<u>401</u>	<u>72,042</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	35,238	-	1,400
FSS deposits	14,493	41,687	-
<i>Total current liabilities (payable from restricted assets)</i>	<u>49,731</u>	<u>41,687</u>	<u>1,400</u>
<i>Non-current liabilities</i>			
Compensated absences	11,142	11,183	1,516
Loans payable	-	-	422,778
Net pension liability	617,337	209,634	54,771
<i>Total non-current liabilities</i>	<u>628,479</u>	<u>220,817</u>	<u>479,065</u>
<i>Total liabilities</i>	<u>743,641</u>	<u>262,905</u>	<u>552,507</u>
DEFERRED INFLOWS			
Changes of assumptions	53	59	-
Difference between expected and actual experience	3,245	3,418	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,541	27,030	738
<i>Total deferred inflows</i>	<u>38,839</u>	<u>30,507</u>	<u>738</u>
NET POSITION			
Net investment in capital assets	1,995,124	4,304	24,679
Restricted for:			
Section 8 housing	-	702	-
Unrestricted	332,037	(76,007)	(15,804)
<i>Total net position</i>	<u>2,327,161</u>	<u>(71,001)</u>	<u>8,875</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 3,109,641</u>	<u>\$ 222,411</u>	<u>\$ 562,120</u>

See independent auditors' report.

Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 1,059	\$ 53	\$ 154	\$ -	\$ 15,820
-	-	-	-	52,922
-	-	-	-	-
-	163,983	-	-	225,704
29,938	-	-	-	38,615
<u>30,997</u>	<u>164,036</u>	<u>154</u>	<u>-</u>	<u>333,061</u>
7,836	-	-	-	44,474
-	-	-	-	56,180
<u>7,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,654</u>
2,595	9,396	-	-	35,832
386,848	-	-	-	809,626
103,977	302,000	-	-	1,287,719
<u>493,420</u>	<u>311,396</u>	<u>-</u>	<u>-</u>	<u>2,133,177</u>
<u>532,253</u>	<u>475,432</u>	<u>154</u>	<u>-</u>	<u>2,566,892</u>
7	97	-	-	216
426	5,630	-	-	12,719
<u>5,900</u>	<u>45,279</u>	<u>-</u>	<u>-</u>	<u>114,488</u>
<u>6,333</u>	<u>51,006</u>	<u>-</u>	<u>-</u>	<u>127,423</u>
342,141	-	20,219	-	2,386,467
-	-	-	-	702
17,534	204,740	52,924	5,922	521,346
<u>359,675</u>	<u>204,740</u>	<u>73,143</u>	<u>5,922</u>	<u>2,908,515</u>
<u>\$ 898,261</u>	<u>\$ 731,178</u>	<u>\$ 73,297</u>	<u>\$ 5,922</u>	<u>\$ 5,602,830</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Revenues, Expenses and Changes in Net Position - Detail
 For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Puesta del Sol Apartments
<i>Operating revenues</i>			
Rental revenue	\$ 240,465	\$ -	\$ 58,876
Other tenant revenue	13,037	-	4,071
Management fees	-	-	-
Subsidy grants	299,213	1,070,481	96,005
<i>Total operating revenues</i>	<u>552,715</u>	<u>1,070,481</u>	<u>158,952</u>
<i>Operating expenses</i>			
Personnel services	279,026	71,332	29,174
Contractual services	89,797	13,605	13,032
Supplies	11,170	147	8,812
Maintenance and materials	24,840	-	9,505
Utilities	81,460	-	16,622
Management Fees	-	-	11,632
Insurance	19,536	693	6,706
Bad debt	1,980	-	188
Housing assistance payments	-	932,395	-
Depreciation	63,211	2,718	23,120
Miscellaneous	52,379	33,103	5,201
<i>Total operating expenses</i>	<u>623,399</u>	<u>1,053,993</u>	<u>123,992</u>
<i>Operating income(loss)</i>	<u>(70,684)</u>	<u>16,488</u>	<u>34,960</u>
<i>Non-operating revenues (expenses)</i>			
Interest income	3,120	425	56
Interest expense	-	-	(52,352)
Miscellaneous income	12,998	12,437	543
<i>Total non-operating revenues (expenses)</i>	<u>16,118</u>	<u>12,862</u>	<u>(51,753)</u>
<i>Income (loss) before transfers and capital grants</i>	<u>(54,566)</u>	<u>29,350</u>	<u>(16,793)</u>
Capital grants	101,786	-	-
<i>Change in net position</i>	47,220	29,350	(16,793)
<i>Total net position - beginning of year</i>	<u>2,279,941</u>	<u>(100,351)</u>	<u>25,668</u>
<i>Total net position - end of year</i>	<u>\$ 2,327,161</u>	<u>\$ (71,001)</u>	<u>\$ 8,875</u>

See independent auditors' report.

Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 69,929	\$ -	\$ 20,040	\$ -	\$ 389,310
1,663	-	-	-	18,771
-	193,695	-	-	193,695
136,470	-	-	-	1,602,169
208,062	193,695	20,040	-	2,203,945
49,703	126,615	-	-	555,850
12,074	14,383	2,786	-	145,677
12,445	-	-	-	32,574
14,474	-	2,560	-	51,379
14,976	-	1,614	-	114,672
15,708	-	-	-	27,340
10,459	-	2,666	-	40,060
-	-	-	-	2,168
-	-	-	-	932,395
40,853	-	655	-	130,557
1,185	16,204	815	-	108,887
171,877	157,202	11,096	-	2,141,559
36,185	36,493	8,944	-	62,386
92	681	53	-	4,427
(40,395)	-	-	-	(92,747)
764	1,001	44	-	27,787
(39,539)	1,682	97	-	(60,533)
(3,354)	38,175	9,041	-	1,853
-	-	-	-	101,786
(3,354)	38,175	9,041	-	103,639
363,029	166,565	64,102	5,922	2,804,876
\$ 359,675	\$ 204,740	\$ 73,143	\$ 5,922	\$ 2,908,515

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Cash Flows - Detail
 For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Puesta del Sol Apartments
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents and management charges	\$ 239,785	\$ -	\$ 59,981
Cash payments to employees for services	(290,213)	(65,146)	(24,482)
Cash payments to suppliers for goods and services	(285,163)	(981,350)	(73,053)
Cash received from subsidy grants	312,265	1,059,698	99,585
<i>Net cash provided (used) by operating activities</i>	<u>(23,326)</u>	<u>13,202</u>	<u>62,031</u>
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income	12,998	12,437	543
Notes receivable issued to other entities	-	-	-
Interfund payments received (paid)	11,926	-	(100)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>24,924</u>	<u>12,437</u>	<u>443</u>
<i>Cash flows from capital and related financing activities:</i>			
Capital grants	101,786	-	-
Acquisition of capital assets	(149,702)	-	-
Payments on notes payable	-	-	(7,710)
Interest expense	-	-	(52,352)
<i>Net cash (used) by capital and related financing activities</i>	<u>(47,916)</u>	<u>-</u>	<u>(60,062)</u>
<i>Cash flows from investing activities:</i>			
Conversion of investments to cash	149,639	-	-
Interest on cash deposits	3,120	69	56
<i>Net cash provided (used) by investing activities</i>	<u>152,759</u>	<u>69</u>	<u>56</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	106,441	25,708	2,468
<i>Cash and cash equivalents - beginning of year</i>	<u>390,707</u>	<u>76,719</u>	<u>68,547</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 497,148</u>	<u>\$ 102,427</u>	<u>\$ 71,015</u>

See independent auditors' report.

Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 71,778	\$ 193,695	\$ 20,040	\$ -	\$ 585,279
(41,700)	(106,326)	-	-	(527,867)
(84,027)	(30,858)	(10,736)	-	(1,465,187)
145,359	-	-	-	1,616,907
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
91,410	56,511	9,304	-	209,132
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
764	1,001	44	-	27,787
-	(101,071)	-	-	(101,071)
(2,275)	(9,551)	-	-	-
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(1,511)	(109,621)	44	-	(73,284)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	101,786
(8,011)	-	-	-	(157,713)
(29,692)	-	-	-	(37,402)
(40,395)	-	-	-	(92,747)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(78,098)	-	-	-	(186,076)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	149,639
92	108	53	-	3,498
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
92	108	53	-	153,137
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
11,893	(53,002)	9,401	-	102,909
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
70,034	202,384	40,718	5,922	855,031
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 81,927	\$ 149,382	\$ 50,119	\$ 5,922	\$ 957,940
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See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Statement of Cash Flows - Detail
 For the Year Ended June 30, 2017

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	Puesta del Sol Apartments
	<u> </u>	<u> </u>	<u> </u>
<i>Reconciliation of operating (loss) income to net cash provided (used) by operating activities:</i>			
Operating (loss) income	\$ (70,684)	\$ 16,488	\$ 34,960
 Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:			
Depreciation	63,211	2,718	23,120
Bad debt expense	1,980	-	188
Noncash pension expense	37,793	11,000	4,913
 Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Accounts receivable - tenants	2,208	-	(2,926)
Accounts receivable - grants	13,052	-	3,580
Inventory	500	-	-
Prepaid expenses	(1,096)	-	(160)
Accounts payable	(5,385)	(1,407)	(1,383)
Accrued payroll expenses	(49,020)	-	-
FSS deposits	(24,923)	(10,783)	-
Other accrued expenses	-	-	-
Prepaid rent	-	-	-
Accrued compensated absences	2,610	(4,066)	113
Tenant deposits	8,998	-	(40)
Deferred outflows - subsequent contributions	(2,570)	(748)	(334)
	<u> </u>	<u> </u>	<u> </u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (23,326)</u>	<u>\$ 13,202</u>	<u>\$ 62,031</u>

See independent auditors' report.

Hacienda Orgullo Apartments	Return to Owner	ECDC Program	Home Program	Total
\$ 36,185	\$ 36,493	\$ 8,944	\$ -	\$ 62,386
40,853	-	655	-	130,557
-	-	-	-	2,168
8,380	20,204	-	-	82,290
(603)	-	-	-	(1,321)
8,889	-	-	-	25,521
(150)	-	-	-	350
(875)	-	(293)	-	(2,424)
(1,681)	(271)	(2)	-	(10,129)
-	-	-	-	(49,020)
-	-	-	-	(35,706)
-	-	-	-	-
-	-	-	-	-
193	1,459	-	-	309
789	-	-	-	9,747
(570)	(1,374)	-	-	(5,596)
<u>\$ 91,410</u>	<u>\$ 56,511</u>	<u>\$ 9,304</u>	<u>\$ -</u>	<u>\$ 209,132</u>

See independent auditors' report.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Schedule of Collateral Pledged By Depository
 For Public Funds
 June 30, 2017

Schedule III

Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017	Location of Safekeeper
BBVA Compass				
FNMA POOL # 676772 5.00%	11/1/2017	31391T2D9	\$ 7,683	First Financial Bank - El Paso, TX
FNMA POOL # 676775 6.00%	11/1/2032	31391T2G2	51,173	First Financial Bank - El Paso, TX
FNMA POOL # 676775 6.00%	11/1/2032	31391Y2G2	47,602	First Financial Bank - El Paso, TX
FNMA ARM #695982 3.143%	3/1/2033	31400SFX2	82,656	First Financial Bank - El Paso, TX
FNMA ARM #694287 3.332%	3/1/2033	31400QJ87	17,812	First Financial Bank - El Paso, TX
FNMA ARM #689984 3.185%	5/1/2033	31400KRD0	36,423	First Financial Bank - El Paso, TX
FHLMC ARM #848449 3.677%	5/1/2037	31300LL60	54,658	First Financial Bank - El Paso, TX
FHLMC ARM #848449 3.677%	5/1/2037	31300LL60	49,394	First Financial Bank - El Paso, TX
FHLMC ARM #2B0837 2.512%	10/1/2042	3128LL4W3	26,632	First Financial Bank - El Paso, TX
FHLMC ARM #848897 2.518%	10/1/2042	31300L3E3	15,773	First Financial Bank - El Paso, TX
FHLMC ARM #848897 2.518%	10/1/2042	31300L3E3	11,830	First Financial Bank - El Paso, TX
FNMA ARM #AP9497 2.106%	12/1/2042	3138MDRT1	180,621	First Financial Bank - El Paso, TX
FNMA ARM #AP9497 2.106%	12/1/2042	3138MDRT1	84,799	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.323%	1/1/2043	31300L6L4	45,395	First Financial Bank - El Paso, TX
FHLMC ARM #848892 2.328%	1/1/2043	31300L2Z7	28,500	First Financial Bank - El Paso, TX
FHLMC ARM #848957 2.306%	1/1/2043	31300L5S0	65,756	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.323%	1/1/2043	31300L6L4	45,395	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.323%	1/1/2043	31300L6L4	21,711	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.323%	2/1/2043	31300L6L4	37,500	First Financial Bank - El Paso, TX
FHLMC ARM #848975 2.323%	2/1/2043	31300L6L4	39,474	First Financial Bank - El Paso, TX
FHLMC ARM #2B1068 2.195%	2/1/2043	31326FFH6	32,846	First Financial Bank - El Paso, TX
FNMA ARM AQ2406 2.265%	3/1/2043	3138MHU84	114,770	First Financial Bank - El Paso, TX
FNMA ARM AQ2406 2.265%	3/1/2043	3138MHU84	68,862	First Financial Bank - El Paso, TX
FHLMC ARM #2B1182 1.82%	3/1/2043	31326FJ33	26,339	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.342%	3/1/2043	3138MHVC4	35,247	First Financial Bank - El Paso, TX
FNMA ARM #1Q2412 2.282%	3/1/2043	3138MHVE0	32,979	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.342%	3/1/2043	3138MHVC4	103,668	First Financial Bank - El Paso, TX
FNMA ARM #AQ2410 2.342%	3/1/2043	3138MHVC4	62,201	First Financial Bank - El Paso, TX
FNMA ARM #AL3383 1.926%	4/1/2043	3138EKXM2	83,566	First Financial Bank - El Paso, TX
Total BBVA Compass			<u>1,511,265</u>	
Citizens Bank of Las Cruces				
FHLB Letter of Credit	12/2/2022	N/A	<u>770,740</u>	Federal Home Loan Bank, Irving, TX
Total Citizen Bank of Las Cruces			<u>770,740</u>	
<i>Total Pledged Collateral</i>			<u><u>\$ 2,282,005</u></u>	

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Schedule of Deposit Accounts
 June 30, 2017

Schedule IV

<u>Bank Name/ Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding Items</u>	<u>Book Balance</u>
<i>BBVA Compass</i>				
ECDC- Operating	Checking	\$ 50,119	\$ -	\$ 50,119
Hacienda Orgullo Gen Operating	Checking	28,411	(578)	27,833
Public Housing PH Operating	Checking	494,647	(11,992)	482,655
IDA Match Funds	Money Market	5,983	-	5,983
Puesta De Sol Gen Operating	Checking	28,084	(551)	27,533
Return To Owner- Gen. Fund Operating	Checking	87,733	-	87,733
S8- Voucher	Checking	66,683	(5,942)	60,741
		<u>761,660</u>	<u>(19,063)</u>	<u>742,597</u>
<i>Total BBVA Compass</i>				
<i>First Savings Bank</i>				
Hacienda Orgullo - Security Deposit	NOW	7,660	-	7,660
Hacienda Orgullo - Reserve	Money Market	45,505	928	46,433
Puesta del Sol - Reserve	Money Market	40,991	527	41,518
Puesta del Sol - Security Deposit	NOW	1,455	(50)	1,405
		<u>95,611</u>	<u>1,405</u>	<u>97,016</u>
<i>Total First Savings Bank</i>				
<i>Bank of the Southwest</i>				
Hacienda Orgullo Tax & Insurance	NOW	1	-	1
Public Housing FSS Escrow	Savings	8,510	-	8,510
Puesta de Sol Tax & Insurance Savings	Savings	11	-	11
RTO- General Fund Operating	NOW	61,649	-	61,649
S8 FSS Escrow Vouchers	Savings	41,687	-	41,687
Home Reserve	Checking	5,922	-	5,922
		<u>117,780</u>	<u>-</u>	<u>117,780</u>
<i>Total Bank of the Southwest</i>				
<i>Citizens Bank of Las Cruces</i>				
Public Housing- LR OP Reserve	CD	32,064	-	32,064
Public Housing- T or C Op Reserve (CFP)	CD	85,799	-	85,799
Public Housing- T or C Op Reserve	CD	103,388	-	103,388
RTO #1	CD	76,953	-	76,953
S8 Voucher	CD	47,810	-	47,810
		<u>346,014</u>	<u>-</u>	<u>346,014</u>
<i>Total Citizens Bank of Las Cruces</i>				
Undeposited funds		<u>-</u>	<u>547</u>	<u>547</u>
	<i>Total deposits</i>	<u>\$ 1,321,065</u>	<u>\$ (17,111)</u>	<u>\$ 1,303,954</u>
Cash and cash equivalents per Exhibit A-1				\$ 769,494
Restricted cash and cash equivalents per Exhibit A-1				188,446
Investments per Exhibit A-1				<u>346,014</u>
	<i>Total cash, cash equivalents, and short term investments</i>			<u>\$ 1,303,954</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Financial Data Schedule
 June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
111	Cash - Unrestricted	\$ 447,417	\$ -	\$ 50,119	\$ 55,378
113	Cash - Other Restricted	14,493	-	-	87,952
114	Cash - Tenant Security Deposits	35,238	-	-	9,065
100	<i>Total Cash</i>	<u>497,148</u>	<u>-</u>	<u>50,119</u>	<u>152,395</u>
121	Accounts Receivable - PHA projects	-	-	-	-
125	Accounts Receivable - Miscellaneous	163,983	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	2,872	-	-	4,944
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(287)	-	-	(494)
120	<i>Total Receivables, Net of Allowance for Doubtful Accounts</i>	<u>166,568</u>	<u>-</u>	<u>-</u>	<u>4,450</u>
131	Investments - Unrestricted	221,251	-	-	-
130	<i>Total Investments</i>	<u>221,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	14,314	-	2,959	14,764
143	Inventories	3,641	-	-	3,096
150	<i>Total Current Assets</i>	<u>902,922</u>	<u>-</u>	<u>53,078</u>	<u>174,705</u>
161	Land	431,590	-	-	205,946
162	Buildings	4,610,074	-	6,551	2,022,079
163	Furniture, Equipment & Machinery - Dwellings	259,252	-	-	56,243
164	Furniture, Equipment & Machinery - Administration	385,925	-	16,342	20,771
165	Leasehold Improvements	524,680	-	18,015	73,621
166	Accumulated Depreciation	(4,431,170)	-	(20,689)	(1,163,599)
167	Construction in progress	214,773	-	-	-
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>1,995,124</u>	<u>-</u>	<u>20,219</u>	<u>1,215,061</u>
180	<i>Total Non-Current Assets</i>	<u>1,995,124</u>	<u>-</u>	<u>20,219</u>	<u>1,215,061</u>
190	<i>Total Assets</i>	<u>2,898,046</u>	<u>-</u>	<u>73,297</u>	<u>1,389,766</u>
200	Deferred Outflows of Resources	211,595	-	-	70,615
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 3,109,641</u>	<u>\$ -</u>	<u>\$ 73,297</u>	<u>\$ 1,460,381</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 108,550	\$ -	\$ 5,922	\$ 149,382	\$ 816,768
-	-	41,687	-	-	-	144,132
-	-	-	-	-	-	44,303
-	-	150,237	-	5,922	149,382	1,005,203
-	-	-	-	-	-	-
-	-	-	-	-	384,599	548,582
-	-	-	-	-	-	7,816
-	-	-	-	-	-	(781)
-	-	-	-	-	384,599	555,617
-	-	-	-	-	76,953	298,204
-	-	-	-	-	76,953	298,204
-	-	-	-	-	-	32,037
-	-	-	-	-	-	6,737
-	-	150,237	-	5,922	610,934	1,897,798
-	-	-	-	-	-	637,536
-	-	-	-	-	-	6,638,704
-	-	-	-	-	-	315,495
-	-	35,730	-	-	-	458,768
-	-	-	-	-	-	616,316
-	-	(31,426)	-	-	-	(5,646,884)
-	-	-	-	-	-	214,773
-	-	4,304	-	-	-	3,234,708
-	-	4,304	-	-	-	3,234,708
-	-	154,541	-	5,922	610,934	5,132,506
-	-	67,870	-	-	62,437	412,517
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,411</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 673,371</u>	<u>\$ 5,545,023</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Financial Data Schedule
 June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
312	Accounts Payable <= 90 Days	\$ 12,509	\$ -	\$ 154	\$ 2,703
321	Accrued Wage/Payroll Taxes Payable	52,922	-	-	-
322	Accrued Compensated Absences - Current Portion	11,142	-	-	4,111
341	Tenant Security Deposits	35,238	-	-	9,236
343	Current Portion of Long-term Debt - Capital Projects	-	-	-	38,615
345	Other Current Liabilities	14,493	-	-	61,721
310	<i>Total Current Liabilities</i>	<u>126,304</u>	<u>-</u>	<u>154</u>	<u>116,386</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	809,626
354	Accrued Compensated Absences - Non-Current	-	-	-	-
357	Accrued Pension and OPEB	617,337	-	-	158,748
350	<i>Total Non-Current Liabilities</i>	<u>617,337</u>	<u>-</u>	<u>-</u>	<u>968,374</u>
300	<i>Total Liabilities</i>	<u>743,641</u>	<u>-</u>	<u>154</u>	<u>1,084,760</u>
400	Deferred Inflows of Resources	38,839	-	-	7,071
508.1	Net investment in capital assets	1,995,124	-	20,219	366,820
511	Restricted Net Position	-	-	-	87,952
512.1	Unrestricted Net Position	332,037	-	52,924	(86,222)
513	<i>Total Equity/Net Position</i>	<u>2,327,161</u>	<u>-</u>	<u>73,143</u>	<u>368,550</u>
600	<i>Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position</i>	<u>\$ 3,109,641</u>	<u>\$ -</u>	<u>\$ 73,297</u>	<u>\$ 1,460,381</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 401	\$ -	\$ -	\$ 53	\$ 15,820
-	-	-	-	-	-	52,922
-	-	-	-	-	9,396	24,649
-	-	-	-	-	-	44,474
-	-	-	-	-	-	38,615
-	-	41,687	-	-	163,983	281,884
-	-	42,088	-	-	173,432	458,364
-	-	-	-	-	-	809,626
-	-	11,183	-	-	-	11,183
-	-	209,634	-	-	302,000	1,287,719
-	-	220,817	-	-	302,000	2,108,528
-	-	262,905	-	-	475,432	2,566,892
-	-	30,507	-	-	(6,801)	69,616
-	-	4,304	-	-	-	2,386,467
-	-	702	-	-	-	88,654
-	-	(76,007)	-	5,922	204,740	433,394
-	-	(71,001)	-	5,922	204,740	2,908,515
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,411</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 673,371</u>	<u>\$ 5,545,023</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Financial Data Schedule
 June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$ 240,465	\$ -	\$ 20,040	\$ -
70400	Tenant Revenue - Other	1,697	-	-	128,805
70500	<i>Total Tenant Revenue</i>	<u>242,162</u>	<u>-</u>	<u>20,040</u>	<u>128,805</u>
70600	HUD PHA Operating Grants	243,101	1,871	-	79,781
70610	Capital Grants	-	99,915	-	-
71100	Investment Income - Unrestricted	3,120	-	-	148
71400	Fraud Recovery	-	-	-	-
71500	Other Revenue	24,338	-	97	7,041
70000	<i>Total Revenue</i>	<u>512,721</u>	<u>101,786</u>	<u>20,137</u>	<u>215,775</u>
91100	Administrative Salaries	34,168	-	-	10,951
91200	Auditing Fees	11,202	-	1,500	5,164
91310	Book-keeping Fee	5,003	-	1,103	-
91400	Advertising and Marketing	4,396	-	-	461
91500	Employee Benefit Contributions - Administrative	21,357	-	-	23,528
91600	Office Expenses	29,294	-	-	2,498
91700	Legal Expense	2,282	-	-	40
91800	Travel	8,005	-	-	-
91900	Other Operating - Administrative	9,430	-	815	33,574
91000	<i>Total Operating - Administrative</i>	<u>125,137</u>	<u>-</u>	<u>3,418</u>	<u>76,216</u>
92100	Tenant Services - Salaries	38,756	-	-	-
92300	Employee Benefit Contributions - Tenant Services	21,850	-	-	-
92500	<i>Total Tenant Services</i>	<u>60,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
93100	Water	12,893	-	271	6,400
93200	Electricity	55,011	-	-	4,382
93300	Gas	4,144	-	876	3,095
93600	Sewer	-	-	-	9,569
93800	Other Utilities Expense	9,412	-	467	7,666
93000	<i>Total Utilities</i>	<u>81,460</u>	<u>-</u>	<u>1,614</u>	<u>31,112</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,505
-	-	-	-	-	-	130,502
-	-	-	-	-	-	391,007
152,694	56,112	995,962	74,519	-	-	1,604,040
-	-	-	-	-	-	99,915
-	-	425	-	-	681	4,374
-	-	622	-	-	-	622
-	-	11,815	-	-	194,696	237,987
152,694	56,112	1,008,824	74,519	-	195,377	2,337,945
-	-	34,326	7,048	-	75,986	162,479
-	-	6,456	-	-	1,500	25,822
-	-	4,956	-	-	1,103	12,165
-	-	-	-	-	-	4,857
-	-	24,958	5,000	-	50,629	125,472
-	-	15,375	-	-	2,757	49,924
-	-	-	-	-	1,000	3,322
-	-	4,818	-	-	197	13,020
-	-	10,243	-	-	100	54,162
-	-	101,132	12,048	-	133,272	451,223
-	-	-	-	-	-	38,756
-	-	-	-	-	-	21,850
-	-	-	-	-	-	60,606
-	-	-	-	-	-	19,564
-	-	-	-	-	-	59,393
-	-	-	-	-	-	8,115
-	-	-	-	-	-	9,569
-	-	-	-	-	-	17,545
-	-	-	-	-	-	114,186

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Financial Data Schedule
 June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ 69,224	\$ -	\$ -	\$ 27,027
94200	Ordinary Maintenance & Operation - Materials & Other	35,141	-	2,560	16,790
94300	Ordinary Maintenance & Operation Contracts	71,310	-	183	43,420
94500	Employee Benefit Contributions - Ordinary Maintenance	37,700	-	-	17,371
94000	<i>Total Maintenance</i>	<u>213,375</u>	<u>-</u>	<u>2,743</u>	<u>104,608</u>
96110	Property Insurance	19,536	-	2,666	13,349
96130	Workmen's Compensation	-	-	-	1,419
96140	All Other Insurance	-	-	-	2,397
96100	<i>Total Insurance Premiums</i>	<u>19,536</u>	<u>-</u>	<u>2,666</u>	<u>17,165</u>
96200	Other General Expenses	58,094	-	-	2,607
96400	Bad Debt - Tenant Rents	1,980	-	-	188
96000	<i>Total Other General</i>	<u>60,074</u>	<u>-</u>	<u>-</u>	<u>2,795</u>
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	92,747
96700	<i>Total Interest Expense and Amortization Cost</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,747</u>
96900	<i>Total Operating Expenses</i>	<u>560,188</u>	<u>-</u>	<u>10,441</u>	<u>324,643</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>(47,467)</u>	<u>101,786</u>	<u>9,696</u>	<u>(108,868)</u>
97300	Housing Assistance Payments	-	-	-	-
97400	Depreciation Expense	63,211	-	655	63,973
90000	<i>Total Expenses</i>	<u>\$ 623,399</u>	<u>\$ -</u>	<u>\$ 11,096</u>	<u>\$ 388,616</u>
10010	Operating Transfers In	\$ 57,983	\$ -	\$ -	\$ 152,694
10020	Operating Transfers Out	-	(1,871)	-	-
10100	<i>Total Other Financing Sources (Uses)</i>	<u>57,983</u>	<u>(1,871)</u>	<u>-</u>	<u>152,694</u>

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,251
-	-	-	-	-	-	54,491
-	-	-	-	-	-	114,913
-	-	-	-	-	-	55,071
-	-	-	-	-	-	320,726
-	-	-	-	-	-	35,551
-	-	-	-	-	-	1,419
-	-	693	-	-	-	3,090
-	-	693	-	-	-	40,060
-	-	5,007	-	-	23,930	89,638
-	-	-	-	-	-	2,168
-	-	5,007	-	-	23,930	91,806
-	-	-	-	-	-	92,747
-	-	-	-	-	-	92,747
-	-	106,832	12,048	-	157,202	1,171,354
152,694	56,112	901,992	62,471	-	38,175	1,166,591
-	-	870,373	62,022	-	-	932,395
-	-	2,718	-	-	-	130,557
\$ -	\$ -	\$ 979,923	\$ 74,070	\$ -	\$ 157,202	\$ 2,234,306
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,677
(152,694)	(56,112)	-	-	-	-	(210,677)
(152,694)	(56,112)	-	-	-	-	-

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Financial Data Schedule
 June 30, 2017

Line Item Number	Description	Low Rent Public Housing Program NM020000001 14.850	Capital Fund Program 14.872	Child Care and Development Block Grant 93.575	Rural Rental Housing Loans 10.415
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ (52,695)	\$ 99,915	\$ 9,041	\$ (20,147)
11030	Beginning Equity	<u>2,279,941</u>	<u>-</u>	<u>64,102</u>	<u>388,697</u>
11040-10	Correction of Equity classification	-	-	-	-
11040-20	Equity Transfers	<u>99,915</u>	<u>(99,915)</u>	<u>-</u>	<u>-</u>
	Ending Equity (deficit)	<u>\$ 2,327,161</u>	<u>\$ -</u>	<u>\$ 73,143</u>	<u>\$ 368,550</u>
11190	Unit Months Available	<u>1,200</u>	<u>-</u>	<u>12</u>	<u>636</u>
11210	Number of Unit Months Leased	<u>1,151</u>	<u>-</u>	<u>12</u>	<u>593</u>
11270	Excess Cash	<u>\$ 1,255,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11620	Building Purchases	99,915	-	-	-

See independent auditors' report.

Rural Rental Assistance Payments 10.427	Resident Opportunity and Supportive Services 14.870	Housing Choice Vouchers Program 14.871	Mainstream Vouchers Program 14.879	HOME Investment Partnerships Program 14.239	Business Activities 10.XXX	Total
\$ -	\$ -	\$ 28,901	\$ 449	\$ -	\$ 38,175	\$ 103,639
-	-	(100,351)	-	5,922	166,565	2,804,876
-	-	449	(449)	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,001)</u>	<u>\$ -</u>	<u>\$ 5,922</u>	<u>\$ 204,740</u>	<u>\$ 2,908,515</u>
<u>-</u>	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,888</u>
<u>-</u>	<u>-</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,796</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,719</u>
-	-	-	-	-	-	99,915

See independent auditors' report.

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COMPLIANCE SECTION



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

INDEPENDENT AUDITORS' REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget
Executive Director and the Board of Commissioners of
Truth or Consequences Housing Authority
A Component Unit of the City of Truth or Consequences
Truth or Consequences, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Truth or Consequences Housing Authority, a component unit of the City of Truth or Consequences (the "Housing Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

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

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

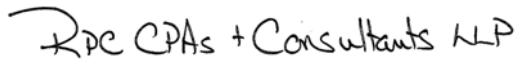
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 29, 2017

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FEDERAL FINANCIAL ASSISTANCE



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

INDEPENDENT AUDITORS' REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget
Executive Director and the Board of Commissioners of
Truth or Consequences Housing Authority
Truth or Consequences, New Mexico

Report on Compliance for the Major Federal Program

We have audited Truth or Consequences Housing Authority's (the "Housing Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Housing Authority's major federal program for the year ended June 30, 2017. The Housing Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

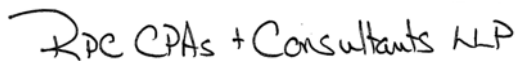
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item FA 2017-001 that we consider to be a significant deficiency.

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

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



RPC CPAs + Consultants, LLP
Albuquerque, NM
November 29, 2017

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of the City of Truth or Consequences
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant or State Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
<u>U.S. Department of Housing and Urban Development</u>					
<i>Direct Programs:</i>					
Public and Indian Housing	NM002000001	14.850	\$ 199,749	\$ -	\$ -
Section 8 Housing Choice Voucher Program (1)	N/A	14.871 *	995,962	-	-
Mainstream Voucher Program (1)	N/A	14.879 *	74,519	-	-
Total Housing Voucher Cluster			1,070,481	-	-
Public Housing Capital Fund	CFP 2015	14.872	75,019	-	-
Public Housing Capital Fund	CFP 2014	14.872	26,513	-	-
Public Housing Capital Fund	CFP 2013	14.872	254	-	-
Total Public Housing Capital Fund			101,786	-	-
Resident Opportunity and Supportive Services		14.870	99,464	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			1,471,480	-	-
<u>U.S. Department of Agriculture</u>					
<i>Direct Programs:</i>					
Rural Rental Housing Loans		10.415	965,424	\$ -	\$ -
Rural Rental Assistance		10.427	152,694	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			1,118,118	-	-
<i>Total Expenditures of Federal Awards</i>			\$ 2,589,598	\$ -	\$ -

* Major program
 (1) Housing Voucher Cluster

See independent auditors' report.

Notes to Schedule of Expenditures of Federal AwardsBasis of Presentation

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

Federally Funded Loans

The Authority has federally funded loans or loan guarantees in the amount of \$848,241 as of June 30, 2017.

10% de minimis Indirect Cost Rate

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

Federally Funded Insurance

The Authority has no federally funded insurance.

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

<i>Total federal awards expended per Schedule of Expenditures of Federal Awards</i>	\$ 2,589,598
<i>Less: Federally Insured Loan Balance</i>	(848,241)
<i>Total expenditures funded by other sources</i>	<u>565,524</u>
<i>Total expenditures (including capitalized expenditures)</i>	<u><u>\$ 2,306,881</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Housing Authority
 A Component Unit of City of Truth or Consequences
 Schedule of Findings and Questioned Costs
 June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

Federal Awards:

- | | | | | | | | |
|---|----------------|-------------------------|-----------------|-----------------|--|-------------------------|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None Noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="width: 20px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.871 & 14.879</td> <td></td> <td style="text-align: center;">Housing Voucher Cluster</td> </tr> </table> | CFDA
Number | | Federal Program | 14.871 & 14.879 | | Housing Voucher Cluster | |
| CFDA
Number | | Federal Program | | | | | |
| 14.871 & 14.879 | | Housing Voucher Cluster | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2015-001 Payment of Payroll Liabilities (Other Noncompliance) - Resolved
 FS 2015-002 Public Employee Retirement Board Reporting (Other Noncompliance) - Resolved
 FA 2014-002 Section 8 Housing Choice Vouchers - Resolved
 FA 2015-003 Rural Rental Housing Loans – Resolved

SECTION III – FINANCIAL STATEMENT FINDINGS

None Noted

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

None Noted

SECTION V – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2017-001 – Internal Controls over Eligibility and Special Tests and Provisions – Housing Voucher Cluster – Significant Deficiency

Federal Program Information:

Funding Agency:	U.S. Department of Housing and Urban Development
Title:	Housing Voucher Cluster
CFDA Numbers:	14.871 and 14.879
Federal Award Identification number	N/A
Award Year:	2016-17

Condition: The Authority's controls over eligibility and special tests and provisions were not operating effectively in the following instances:

- In 5 out of 40 files tested, there was no signature to document review of the Authority's rent reasonableness calculation.
- In 1 out of 40 files tested, there was no signature to document the review of the tenant's application by Authority personnel.
- In 2 out of 40 files tested, there was no documentation retained in the tenant file to document that non-major violations of HQS violations were cleared within the required time.
- In 2 out of 40 files tested, there was no documentation retained in the tenant file to document the rent reasonableness calculation performed.
- In 1 out of 40 files tested, there was no completed application retained within the tenant file.

Criteria: Per 2 CFR 200.303(a), an entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the entity is managing the Federal awards in compliance with statutes, regulations, and the terms and conditions of the award. 24 CFR 5.212 and 5.230 requires that the Authority devise their own application forms during the tenant application process. 24 CFR 982.158(f) (7) requires that the PHA maintain records to document the basis for the determination that rent to owner is a reasonable rent. Per the Authority's Administrative Plan, the Authority is responsible for the review of applications from interested applicants to determine whether they are eligible for the program. The monitoring aspect of proper internal control requires that evidence of such review should be documented.

Questioned costs: None

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

Cause: Conflicting guidance was provided to Authority staff from outside sources regarding the need for signatures on documents in tenant files.

Auditor's Recommendation: We recommend that Authority staff receive consistent training over the policies and procedures of the program, including review of documentation and document retention in tenant files. We also recommend that the Authority review all current files and document the current review of those documents with a signature if the prior review was not documented.

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
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Schedule of Findings and Questioned Costs
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Schedule VII
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SECTION V – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

FA 2017-001 – Internal Controls over Eligibility and Special Tests and Provisions – Housing Voucher Cluster – Significant Deficiency (Continued)

Management Response: The Truth or Consequences Housing Authority will continually strive to perform at the highest standards for responsible stewardship of taxpayer funding for all the programs that it manages. Planned staffing changes have availed the Housing Authority the opportunity to send the next HCV Program manager to HCV program certification training prior to taking over the program in the upcoming months. This individual has completed the initial certification training and within the next 12 months, this individual will complete further HCV program training with ongoing refresher courses in the future. Additionally, the Housing Authority will implement in house training to other support staff on a regular basis regarding complete and thorough review of intake documentation and verification e.g. applications. The Housing Authority will implement a thorough review of all current HCV files and document the review of each file within the next six (6) months, to be completed by upcoming fiscal year end.

STATE OF NEW MEXICO
Truth or Consequences Housing Authority
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Other Disclosures
June 30, 2017

OTHER DISCLOSURES

A. AUDITOR PREPARED FINANCIAL STATEMENTS

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of the Truth or Consequences Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.

B. EXIT CONFERENCE

The contents of the report for Truth or Consequences Housing Authority were discussed on November 29, 2017. The following individuals were in attendance:

Truth or Consequences Housing Authority

Greg D'Amour, Board Chairman

Steven Rice, Executive Director

Teresa Casteneda, Senior Finance Specialist

Jessie Anglin, Assistant Executive Director/HCV Program Manager

RPC CPAs + Consultants, LLP

Benjamin Martinez, CPA, Audit Manager