

**State of New Mexico
Tucumcari Housing Authority
A Department of the City of Tucumcari
Annual Financial Report
For the Year Ended June 30, 2018**



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STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
June 30, 2018

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari**

June 30, 2018

Official Roster

<u>Name</u>		<u>Title</u>
	<u>City Mayor and Commission</u>	
Ruth Ann Litchfield		Mayor
Robert Lumpkin		Mayor Pro-Term
Ralph Moya		Commissioner
Amy Gutierrez		Commissioner
Todd Duplantis		Commissioner
Tim Durkin		Resident Board
	<u>Administrative Officials</u>	
Britt Lusk		City Manager
Angelica Gray		City Clerk
Rachelle Arias		City Finance Director
Viki Riddle		Housing Authority Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
New Mexico State Auditor
Office of Management and Budget
Executive Director and the Board of Commissioners
Tucumcari Housing Authority
A Department of the City of Tucumcari
Tucumcari, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business type activities of Tucumcari Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2018, 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, 2018, 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 Tucumcari as of June 30, 2018, 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.

As discussed in Note 15 to the financial statements, the beginning balance of net position of the Housing Authority has been restated due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018. The restatement resulted in a decrease in the beginning balance of net position of the Housing Authority of \$194,539. Our opinion is not modified with respect to this matter.

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 5 through 9 and pension and OPEB schedules on pages 36 through 40 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 accompanying 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 financial data schedules as required by the U.S. Department of Housing and Urban Development, the Combining Financial Statements and Supporting Schedules 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 Schedule of Expenditures of Federal Awards, the financial data schedules, the Combining Financial Statements and Supporting Schedules 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 financial data schedules, the Combining Financial Statements and Supporting Schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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.



Albuquerque, New Mexico
December 14, 2018

Tucumcari Housing Authority
A Department of the City of Tucumcari
Management's Discussion and Analysis
June 30, 2018

As management of the Tucumcari Housing Authority (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, 2018. 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 \$2,268,013 (net position). Of this amount, \$477,770 (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 decreased by \$40,661 (unrestricted net position) as a result of revenues, expenditures, and changes in net position.
- At the end of the current fiscal year, unrestricted net position of the Housing Authority was \$477,770 or 47% 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 Tucumcari.

The Housing Authority, as of June 30, 2018, owned 90 Public Housing and 24 Rural Development 515 residential apartment units that are leased to low-income families and individuals. In addition, housing assistance was being paid for up to 75 units monthly but no more than 140 units under the Federal Housing Choice Voucher programs for privately-owned existing housing.

In view of this mission, the Housing Authority's financial reporting objective under GASB 34 in FY 2018 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 2018

The Housing Authority is presenting its fiscal year 2018 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.

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.

Tucumcari Housing Authority
A Department of the City of Tucumcari
Management's Discussion and Analysis
June 30, 2018

Financial Statements Used in Fiscal Year 2018 (continued)

Operating expenses include administration, tenant services, utilities, ordinary maintenance & operations, general, housing assistance payments and depreciation. Non-operating revenues and expenses include interest income, interest expense, capital grants, and miscellaneous revenue. 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.

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 three programs accounted for in its Low-Rent Public Housing and Housing Choice Vouchers Section 8 rental assistance programs. The Housing Authority operates one property 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.

Individual program financial statements can be found at pages 41-45.

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 14-35 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 \$2,268,013 at the close of the most recent fiscal year.

By far, the largest portion of the Housing Authority's net position (76.4 percent) reflects 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. 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 \$94,387 of restricted net position. For \$13,436, 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. The remaining \$80,951 of restricted net position is restricted for replacement reserves for the Authority's Rural Development property. The remaining balance of unrestricted net position (\$477,770) may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

Tucumcari Housing Authority
A Department of the City of Tucumcari
Management's Discussion and Analysis
June 30, 2018

Government-wide Financial Analysis (continued)

Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Current Assets	\$ 917,562	829,804
Restricted Assets	126,058	95,117
Capital Assets, net of accumulated depreciation	<u>2,304,480</u>	<u>2,495,637</u>
Total assets	<u>3,348,100</u>	<u>3,420,558</u>
Deferred outflows	<u>65,717</u>	<u>48,118</u>
Total assets and deferred outflows	<u>\$ 3,413,817</u>	<u>3,468,676</u>
Liabilities and Net Position		
Current liabilities (payable from current assets)	\$ 60,215	38,784
Current liabilities (payable from restricted assets)	13,628	12,885
Noncurrent liabilities	<u>1,006,547</u>	<u>898,551</u>
Total liabilities	<u>1,080,390</u>	<u>950,220</u>
Deferred inflows	<u>65,414</u>	<u>15,243</u>
Net investment in capital assets	1,695,856	1,869,434
Restricted	94,387	81,700
Unrestricted	<u>477,770</u>	<u>552,079</u>
Total net position	<u>2,268,013</u>	<u>2,503,213</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,413,817</u>	<u>3,468,676</u>

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.

There was a decrease of \$74,309 (13.45 percent) in unrestricted net position reported by the Housing Authority as compared to the prior year. This was primarily due to a decrease in operating grants and capital grants received by the Housing Authority.

There was a decrease of \$173,578 in net investment in capital assets reported in connection with the Housing Authority's activities. The majority of this decrease is attributable to ongoing utilization of capital assets (depreciation expense) being a larger amount than the Housing Authority's additions to capital assets during the fiscal year.

Tucumcari Housing Authority
A Department of the City of Tucumcari
Management's Discussion and Analysis
June 30, 2018

Government-wide Financial Analysis (continued)

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

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

	June 30, 2018	June 30, 2017
Operating Revenues:		
Tenant rent and other tenant revenue	\$ 206,197	210,367
Subsidy grants	785,088	856,190
Total operating revenue	<u>991,285</u>	<u>1,066,557</u>
Operating Expenses:		
Personnel services	218,880	250,445
Contractual services	68,453	40,814
Supplies	10,483	35,483
Maintenance and materials	29,270	36,294
Utilities	86,728	91,854
Insurance	29,674	29,673
Bad debt	167	9,801
Housing assistance payments	315,191	379,764
Depreciation	212,782	202,258
Miscellaneous	35,634	64,532
Total operating expenses	<u>1,007,262</u>	<u>1,140,918</u>
Operating loss	<u>(15,977)</u>	<u>(74,361)</u>
Non-operating revenues (expenses):		
Capital grants	28,667	105,994
Interest income	66	138
Interest expense	(53,971)	(55,448)
Fraud Recovery	540	-
Miscellaneous income	14	221
Total non-operating revenues (expenses)	<u>(24,684)</u>	<u>50,905</u>
Change in net position	(40,661)	(23,456)
Net position, beginning – as previously reported	2,503,213	2,526,669
GASB 75 implementation (Note 15)	(194,539)	-
Net position beginning as restated	<u>2,308,674</u>	<u>2,526,669</u>
Net position, end of year	<u>\$ 2,268,013</u>	<u>2,503,213</u>

Total operating revenues decreased by \$75,272 (7.06 percent) during the year. Most of this decrease is the decrease in operating subsidy.

Tucumcari Housing Authority
A Department of the City of Tucumcari
Management's Discussion and Analysis
June 30, 2018

Government-wide Financial Analysis (continued)

Capital Fund grant awards decreased \$77,327 (72.95 percent) over the prior year. These grants are on a reimbursement basis and there were less expenditures on these projects than in the prior year.

Decreases in several categories of operating expenses reflect the decreases in ongoing residential tenant operations and maintenance. Operating expenses overall decreased \$133,656 (11.71 percent) from the prior year. The majority of this decrease occurred in personnel expenses.

Capital Assets and Debt Administration

The Housing Authority's net investment in capital assets for its business type activities as of June 30, 2018, amounts to \$1,695,856 (net of accumulated depreciation and related debt). This investment in capital assets included land, land improvements, buildings and improvements, furniture, fixtures, & equipment. The total decrease in the Housing Authority's net investment in capital assets for the current fiscal year was 9.28 percent.

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

Ongoing tenant dwelling upgrades: Began replacement of roofs for one site plus one additional building with an estimated cost of \$67,000.

Tucumcari Housing Authority's Capital Assets

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 96,010	96,010
Land improvements	1,347,049	1,295,179
Buildings and improvements	3,636,024	3,768,306
Furniture, fixtures, & equipment	622,921	555,091
Accumulated depreciation	<u>(3,410,505)</u>	<u>(3,218,949)</u>
Capital assets, net	<u>\$ 2,304,480</u>	<u>2,495,637</u>

Additional information on Housing Authority's capital assets can be found on pages 22-23 of this report.

Long-term debt

At the end of the current fiscal year, Housing Authority had notes payable of \$608,624, compensated absences outstanding in the amount of \$2,741, a net pension liability of \$251,778, and a net OPEB liability of \$163,775. Additional information related to the Housing Authority's long-term debt can be found on pages 24-25 of this report.

Economic Factors

Rental occupancy rates of the Housing Authority's Low-Rent Public Housing Program remains at capacity and has remained stable with slight variations over the past five years.

Requests for Information

This financial report is designed to provide a general overview of Tucumcari Housing Authority's finances for all those with an interest in the 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, 323 East Smith Street, Tucumcari, New Mexico 88401.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Position
June 30, 2018

Assets

Current assets

Cash and cash equivalents	\$ 896,745
Accounts receivable - tenants, net	9,443
Inventory	6,200
Prepaid expenses	5,174
	<hr/>
<i>Total current assets</i>	<i>917,562</i>

Non-current assets:

Restricted cash and cash equivalents	126,058
Capital assets	5,714,985
Less: accumulated depreciation	<u>(3,410,505)</u>
<i>Total non-current assets</i>	<i><u>2,430,538</u></i>
<i>Total assets</i>	<i><u>3,348,100</u></i>

Deferred Outflows

Pension deferred outflows	62,543
OPEB deferred outflows	<u>3,174</u>
<i>Total deferred outflows</i>	<i><u>65,717</u></i>
<i>Total assets and deferred outflows</i>	<i>\$ <u><u>3,413,817</u></u></i>

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Position
June 30, 2018

Liabilities

Current liabilities

Accounts payable	\$ 31,689
Accrued payroll	7,594
Accrued interest	391
Unearned revenue - prepaid fees	170
Compensated absences	1,371
Current portion of long term debt	19,000

Total current liabilities 60,215

Current liabilities (payable from restricted assets)

Tenant deposits	13,628
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Total current liabilities (payable from restricted assets) 13,628

Non-current liabilities

Compensated absences	1,370
Notes payable	589,624
Net pension liability	251,778
Net OPEB liability	163,775

Total non-current liabilities 1,006,547

Total liabilities 1,080,390

Deferred Inflows

Pension deferred inflows	28,139
OPEB deferred inflows	37,275

Total deferred inflows 65,414

Net Position

Net investment in capital assets	1,695,856
Restricted for:	
Section 8 housing	13,436
Replacement Reserve	80,951
Unrestricted	477,770

Total net position 2,268,013

Total liabilities, deferred inflows, and net position \$ 3,413,817

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

<i>Operating revenues</i>	
Rental revenue	\$ 196,519
Other tenant revenue	9,678
Subsidy grants	<u>785,088</u>
<i>Total operating revenues</i>	<u>991,285</u>
<i>Operating expenses</i>	
Personnel services	218,880
Contractual services	68,453
Supplies	10,483
Maintenance and materials	29,270
Utilities	86,728
Insurance	29,674
Bad debt	167
Housing assistance payments	315,191
Depreciation	212,782
Miscellaneous	<u>35,634</u>
<i>Total operating expenses</i>	<u>1,007,262</u>
<i>Operating loss</i>	<u>(15,977)</u>
<i>Non-operating revenues (expenses)</i>	
Interest income	66
Interest expense	(53,971)
Fraud recovery	540
Miscellaneous income	<u>14</u>
<i>Total non-operating revenues (expenses)</i>	<u>(53,351)</u>
<i>Total income (loss) before capital grants</i>	(69,328)
Capital Grants	<u>28,667</u>
<i>Change in net position</i>	(40,661)
<i>Total net position- beginning as previously reported</i>	2,503,213
<i>GASB 75 implementation (note 15)</i>	(194,539)
<i>Total net position - beginning as restated</i>	<u>2,308,674</u>
<i>Total net position - end of year</i>	<u>\$ 2,268,013</u>

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:

Cash received from tenant rents and charges	\$ 201,399
Cash payments to employees for services	(222,168)
Cash payments to suppliers for goods and services	(587,067)
Cash received from subsidy grants	785,088
<i>Net cash provided by operating activities</i>	<u>177,252</u>

Cash flows from noncapital financing activities:

Fraud recovery	540
Miscellaneous income	14
<i>Net cash used by noncapital financing activities</i>	<u>554</u>

Cash flows from capital and related financing activities:

Capital grants	28,667
Acquisition of capital assets	(21,625)
Payments on loan payable	(17,579)
Interest expense	(54,099)
<i>Net cash used by capital and related financing activities</i>	<u>(64,636)</u>

Cash flows from investing activities

Interest on cash deposits	66
<i>Net cash provided by investing activities</i>	<u>66</u>

Net increase in cash and cash equivalents

113,236

Cash and cash equivalents - beginning of year

909,567

Cash and cash equivalents - end of year

\$ 1,022,803

Reconciliation of operating income to net cash provided by operating activities:

Operating loss	\$ (15,977)
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	212,782
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Change in assets, deferred outflows, and liabilities

Accounts receivable	(5,793)
Inventory	434
Prepaid expenses	(104)
Accounts payable	24,836
Accrued payroll expenses	422
Accrued compensated absences	(3,710)
Tenant deposits	724
Pension/OPEB and related accounts	<u>(36,362)</u>

Net cash provided by operating activities

\$ 177,252

See the accompanying notes to the financial statements.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Financial Reporting Entity

Tucumcari Housing Authority (the "Housing Authority") is a public housing authority that provides affordable housing to low-income and disadvantaged families of the City of Tucumcari, New Mexico. The programs are primarily funded with federal grants and tenant rents. The City of Tucumcari agreed to operate and maintain the Authority in accordance with the requirements of HUD. The Authority is department of the City of Tucumcari, New Mexico.

The City's Board of Commissioners also serves at the Housing Authority's governing body. The Housing Authority manages a low rent public housing developments containing 90 total units, one rural development housing projects containing 24 total units, and administers Housing and Urban Development's (HUD) Housing Choice Vouchers Section 8 housing assistance program for 140 vouchers.

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, 2018.

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.

Rural Rental Housing Loans and Rural Rental Housing Assistance – The housing complexes of this program are rental units purchased through loan funds from the Rural Development Office of the United States 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.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies (continued)

Financial Reporting Entity (continued)

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.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus (continued)

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.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

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	5-20 years
Building and improvements	10-40 years
Furniture, fixtures, & equipment	3 years – 15 years

In the Financial Data Schedule, the Construction in Progress contains \$3,666 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 four types of items that qualify for reporting in this category. The items are contributions subsequent to measurement date, 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.

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, the net difference between expected and actual earnings on pension plan investments, 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.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.”

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.

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 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’s. 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA’s fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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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, 2018.

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.

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, 2018, \$558,378 of the Housing Authority's bank balance of \$1,034,076 was exposed to custodial credit risk. Although the \$558,378 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, 2018.

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.

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NOTE 2. Deposits and Investments (continued)

	First National Bank of New Mexico	New Mexico Bank and Trust	Wells Fargo Bank – S8	Wells Fargo Bank- Chaparral	Total
Amount of deposits	\$ 8,490	80,951	808,378	136,257	1,034,076
FDIC Coverage	(8,490)	(80,951)	(250,000)	(136,257)	(475,698)
Total uninsured public funds	-	-	558,378	-	558,378
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	-	-	558,378	-	558,378
Uninsured and uncollateralized	-	-	-	-	-
Collateral requirement (50% of uninsured public funds)	-	-	279,189	-	279,189
Pledged collateral	-	-	588,422	-	588,722
Over (Under) collateralized	\$ -	-	279,189	-	279,189

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

Reconciliation to the 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 Statement of Net Position	\$ 896,745
Restricted cash and cash equivalents per Statement of Net Position	126,058
Total cash and cash equivalents	1,022,803
Add: outstanding checks	11,618
Less: deposits in transit	(126)
Less: petty cash	(219)
Bank balance of deposits	\$ 1,034,076

NOTE 3. Accounts Receivable

As of June 30, 2018, the Housing Authority had the following receivables:

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
Tenant receivables	\$ 10,472	8,704	18	19,194
Allowance for doubtful accounts – tenants	(1,047)	(8,704)	-	(9,751)
Total	\$ 9,425	-	18	9,443

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NOTE 4. Capital Assets

The following summarizes changes in capital assets activity for each program of the Authority during fiscal year 2018:

	Balance		Deletions &	Balance
	June 30, 2017	Additions	Transfers	June 30, 2018
Public Housing Program				
Capital assets not being depreciated:				
Construction in Progress	\$ -	3,666	-	3,666
Land	68,890	-	-	68,890
Total capital assets not being depreciated	68,890	3,666	-	72,556
Capital assets being depreciated:				
Land Improvements	1,295,179	15,010	36,860	1,347,049
Buildings and improvements	2,792,085	572	(132,854)	2,659,803
Furniture, fixtures, and equipment	491,432	-	74,768	566,200
Total capital assets being depreciated	4,578,696	15,582	(21,226)	4,573,052
Accumulated depreciation:				
Land Improvements	(1,084,029)	(55,403)	(191,911)	(1,331,343)
Buildings and improvements	(1,256,636)	(90,989)	194,005	(1,153,620)
Furniture, fixtures, and equipment	(428,206)	(34,165)	19,132	(443,239)
Total accumulated depreciation	(2,768,871)	(180,557)	21,226	(2,928,202)
Total public housing program capital assets, net of depreciation	\$ 1,878,715	(161,309)	-	1,717,406

In the Financial Data Schedule, the Construction in Progress category for the Low Rent Housing Program contains \$3,666 in capital assets in service which are recorded in depreciating categories on the financial statements.

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NOTE 4. Capital Assets (continued)

The following summarizes changes in capital assets activity for each program of the Authority during fiscal year 2018:

	Balance June 30, 2017	Additions	Deletions & Transfers	Balance June 30, 2018
Section 8 Housing Choice Vouchers				
Capital assets being depreciated:				
Non-dwelling equipment	\$ 9,315	-	-	9,315
Total capital assets being depreciated	9,315	-	-	9,315
Accumulated depreciation:				
Non-dwelling equipment	(5,469)	(1,863)	-	(7,332)
Total accumulated depreciation	(5,469)	(1,863)	-	(7,332)
Capital assets being depreciated, Section 8	\$ 3,846	(1,863)	-	1,983
USDA FmHA Rural Housing				
Capital assets not being depreciated:				
Land	\$ 27,120	-	-	27,120
Total capital assets not being depreciated	27,120	-	-	27,120
Capital assets being depreciated				
Buildings and improvements	976,221	-	-	976,221
Furniture, fixtures, and equipment	54,344	2,377	-	56,721
Total Capital assets being depreciated	1,030,565	2,377	-	1,032,942
Accumulated depreciation:				
Buildings and improvements	(390,265)	(30,199)	-	(420,464)
Furniture, fixtures, and equipment	(54,344)	(163)	-	(54,507)
Total accumulated depreciation	(444,609)	(30,362)	-	(474,971)
Total USDA – FmHA Rural Housing capital assets, net of depreciation	\$ 613,076	(27,985)	-	585,091

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NOTE 5. Long-Term Liabilities

The following summarizes changes in long-term liability activity during fiscal year 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
USDA loan – FmHA	\$ 626,203	-	(17,579)	608,624	19,000
Compensated absences	6,451	9,365	(13,075)	2,741	1,371
Total Long-Term Debt	\$ 632,654	9,365	(30,654)	611,365	20,371

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

Loan Payable

On December 31, 2000, the City of Tucumcari purchased a 24 unit apartment complex (Chaparral Apartments) from a private owner. Tucumcari Housing Authority manages the units on behalf of the City.

At purchase, certain agreements including a Section 515, Rural Housing Rental Assistance agreement and a mortgage were assumed by the City. The debt is owed to the Farmers Home Administration (FmHA), a division of the United States Department of Agriculture.

The Rental Assistance Agreement is similar in many respects to the subsidized rental program administered by the U.S. Department of Housing and Urban Development, in that, it is primarily directed toward providing housing to qualified low income citizens. The agreement binds the federal government to provide the difference between the approved shelter cost for the project and the monthly tenant contribution as calculated and certified for each tenant household in accordance with government regulations. Additionally, the units are subject to an Interest Credit and Rental Assistance Agreement, which provides for additional subsidy for mortgage payments of \$4,047 monthly.

Both of these agreements require the City to adhere to all USDA regulations. Violation of any terms, conditions or program regulations permit the U.S. Government, at its option, to suspend or terminate the agreement.

Additionally, the U.S. Government may suspend, terminate or modify the agreement, at its option, should it determine that a subsidy is no longer required for the benefit of the tenants.

Subsidy budgets for Rural Housing Projects are approved and awarded by the FmHA for five year periods.

The loan and subsidy agreements require monthly contributions to a reserve account, which may only be used to ensure mortgage payments are made timely, or, with the permission of FmHA, make renovation or betterments to the units.

No money was transferred during the year ended June 30, 2018 from the reserve account for improvements. Monthly payments of \$665 were made into the reserve account during the year.

At June 30, 2018 the outstanding indebtedness owed to FmHA was \$608,624. Total principal and interest installments of \$5,973 are due monthly (including the \$4,047 debt service subsidy payment). The effective interest over the term of the loan (because of the debt service subsidy payment) is approximately 1%. Principal payments during the year were \$17,579.

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NOTE 5. Long-Term Liabilities (continued)

The terms of the Authority's loan payable is summarized below:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Subsidy Rate</u>	<u>Original Amount of Issue</u>	<u>Balance June 30, 2018</u>
USDA loan – FmHA	5/27/1999	5/27/2034	1.00%	8.875%	\$ 798,877	608,624

Debt service requirements on long-term debt at June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 19,000	52,498	71,498
2020	21,107	50,750	71,857
2021	22,833	48,844	71,677
2022	24,914	46,764	71,678
2023	27,183	44,494	71,677
2024-2028	177,890	180,497	358,387
2029-2033	275,085	83,303	358,388
2034	40,612	1,193	41,805
	<u>\$ 608,624</u>	<u>508,343</u>	<u>1,116,967</u>

Compensated absences decreased by \$3,710 and the balances are paid from the programs under which they are incurred.

NOTE 6. Noncash Revenue and Expense

During the year ended June 30, 2018, the Tucumcari Housing Authority recognized revenue and expenses, each in the amount of \$48,560, in relation to its Interest Credit and Rental Assistance Agreement. Payments were made on the Authority's behalf, though not received or made by the Authority. As such, the Authority recognizes both non cash revenue and expenses in this amount.

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.

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

Plan Description. The Public Employees Retirement Fund (PERA) 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, unless specifically excluded.

Benefits Provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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

Contributions. See PERA's compressive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
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June 30, 2018

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

For PERA Fund Division Municipal General, at June 30, 2018, the Housing reported a liability of \$251,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Housing's proportion of the net pension liability was based on a projection of the Housing's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Housing's proportion was 0.01317%, which was a decrease of 0.01277% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Housing recognized pension expense of \$29,421. At June 30, 2018, the Housing reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,897	12,901
Changes in assumptions	11,616	2,603
Net difference between projected and actual earnings on pension plan investments	20,666	-
Changes in proportion and differences between Housing's contributions and proportionate share of contributions	5,207	12,635
Housing's contributions subsequent to the measurement date	<u>15,157</u>	<u>-</u>
Total	\$ <u>62,543</u>	<u>28,139</u>

\$15,157 reported as deferred outflows of resources related to pensions resulting from Housing's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 6,086
2020	19,515
2021	(337)
2022	(6,017)
2023	-
Total:	\$ <u>19,247</u>

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefits	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Includes inflation at	2.25% annual rate first 9 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Housing’s proportionate share of the net pension liability to changes in the discount rate. The following presents the *Housing’s* proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the *Housing’s* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(6.51%)	Discount Rate	(8.51%)
		(7.51%)	
PERA Fund Municipal General Division			
Tucumcari Housing Authority’s proportionate share of the net pension liability	\$ 294,788	251,778	133,042

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

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

Plan description. Employees of the Housing are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms. At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u><u>160,035</u></u>
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u><u>97,349</u></u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Housing were \$68,354 for the year ended June 30, 2018.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Housing reported a liability of \$163,775 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Housing’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Housing’s proportion was 0.00361 percent. For the year ended June 30, 2018, the Housing recognized OPEB expense of \$6,511. At June 30, 2018 the Housing reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	6,285
Changes of assumptions	-	28,634
Net difference between projected and actual earnings on OPEB plan investments	-	2,356
Contributions made after the measurement date	<u>3,174</u>	<u>-</u>
Total	<u>\$ 3,174</u>	<u>37,275</u>

Deferred outflows of resources totaling \$3,174 represent housing’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (7,925)
2020	(7,925)
2021	(7,925)
2022	(7,925)
2023	<u>(5,575)</u>
Total	<u>\$ (37,275)</u>

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

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

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Housing, as well as what the Housing’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
Housing’s proportionate share of the OPEB liability	\$ 198,657	163,775	136,408

The following presents the net OPEB liability of the Housing, as well as what the Housing’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend</u> <u>Rate</u>	<u>1% Increase</u>
	\$ 139,302	163,775	182,858

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

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. As a Department of the City of Tucumcari, the Housing Authority participates in the New Mexico Self-Insurer’s Fund risk pool.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurer’s Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage is expected to be continued.

At June 30, 2018, no unpaid claims have been filed which exceed the policy limits and to the best of management’s knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against City of Tucumcari.

New Mexico Self-Insurer’s Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and prior fiscal year.

STATE OF NEW MEXICO
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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.

NOTE 12. Subsequent Events

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2018 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. Commitments

The Housing Authority had no commitments at June 30, 2018.

NOTE 14. Capital Fund Closeouts

The Authority had the following Capital Fund Program closeouts during the year ended June 30, 2018.

Statement of Actual Modernization Costs
 Capital Fund Program
 Annual Contributions Contract NM02P033501-16

1. The Actual Modernization Costs for the project are as follows:

Funds approved	\$	117,370
Funds expended		117,370
Excess (deficiency) of funds approved	\$	<u>-</u>
HUD grants	\$	117,370
Funds expended		117,370
Excess (deficiency) of funds expended	\$	<u>-</u>

2. The distribution of costs shown on the Final Statement of Modernization Costs dated June 27, 2018, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.
4. There are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.
5. The time in which such liens could be filed has expired.

NOTE 15. GASB 75 implementation

The Housing Authority's net position as of July 1, 2017 was decreased by \$194,539 reflecting the cumulative retrospective effect of the adoption of GASB Statement No. 75 and was recorded as a prior period adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
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*

Fiscal Measurement	<u>2018 2017</u>	<u>2017 2016</u>	<u>2016 2015</u>	<u>2015 2014</u>
Tucumcari Housing Authority's proportion of the net pension liability	0.0048%	0.01815%	0.01351%	0.00430%
Tucumcari Housing Authority's proportionate share of the net pension liability	\$ 251,778	289,948	182,574	44,920
Tucumcari Housing Authority's covered-employee payroll	190,529	157,366	153,217	134,841
Tucumcari Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.15%	184.25%	119.16%	33.31%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Tucumcari Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	Fiscal Measurement	<u>2018 2017</u>	<u>2017 2016</u>	<u>2016 2015</u>	<u>2015 2014</u>
Statutory required contribution	\$	15,157	13,893	14,399	14,019
Contributions in relation to the contractually required contribution		<u>(15,157)</u>	<u>(13,893)</u>	<u>(14,399)</u>	<u>(14,019)</u>
Annual contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Tucumcari Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
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Schedule of Employer's Proportionate Share of the Net OPEB Liability of NMRHC Fund
New Mexico Retiree Health Care (NMRHC) Plan
Last 10 Fiscal Years*

	Fiscal Measurement	2018 2017
Tucumcari Housing Authority's proportion of the net OPEB liability		0.3610%
Tucumcari Housing Authority's proportionate share of the net OPEB liability	\$	163,775
Tucumcari Housing Authority's covered-employee payroll		150,547
Tucumcari Housing Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		108.79%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

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

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

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Employer Contributions
New Mexico Retiree Health Care (NMRHC) Plan
Last 10 Fiscal Years*

	Fiscal Measurement	2018 2017
Contractually required contribution	\$	11,477
Contributions in relation to the contractually required contribution		<u>5,760</u>
Contribution deficiency (excess)	\$	<u><u>17,237</u></u>
Tucumcari Housing Authority's covered-employee payroll		150,547
Contribution as a percentage of covered-employee payroll		3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Tucumcari Housing Authority I will present information for available years.

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

**STATE OF NEW MEXICO
Tucumcari Housing Authority
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Notes to Required Supplementary Information
June 30, 2018**

Changes of benefit terms.

The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. <https://www.saonm.org>.

Changes of assumptions.

The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

*Refer to the RHCA Report for OPEB related notes.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Position - Detail
June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 637,945	123,828	134,972	896,745
Accounts receivable - tenants, net	9,425	-	18	9,443
Inventory	6,200	-	-	6,200
Prepaid expenses	5,174	-	-	5,174
<i>Total current assets</i>	<u>658,744</u>	<u>123,828</u>	<u>134,990</u>	<u>917,562</u>
<i>Non-current assets</i>				
Restricted cash and cash equivalents	31,671	13,436	80,951	126,058
Capital assets	4,645,608	9,315	1,060,062	5,714,985
Less: accumulated depreciation	(2,928,202)	(7,332)	(474,971)	(3,410,505)
<i>Total non-current assets</i>	<u>1,749,077</u>	<u>15,419</u>	<u>666,042</u>	<u>2,430,538</u>
<i>Total assets</i>	<u>2,407,821</u>	<u>139,247</u>	<u>801,032</u>	<u>3,348,100</u>
Deferred Outflows				
Pension deferred outflows	53,118	9,425	-	62,543
OPEB deferred outflows	2,696	478	-	3,174
<i>Total deferred outflows</i>	<u>55,814</u>	<u>9,903</u>	<u>-</u>	<u>65,717</u>
<i>Total assets and deferred outflows</i>	<u><u>2,463,635</u></u>	<u><u>149,150</u></u>	<u><u>801,032</u></u>	<u><u>3,413,817</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Net Position - Detail
June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
Liabilities				
<i>Current liabilities</i>				
Accounts payable	\$ 13,386	-	18,303	31,689
Accrued payroll	6,405	-	1,189	7,594
Accrued interest	-	-	391	391
Unearned revenue - prepaid fees	-	-	170	170
Compensated absences	1,371	-	-	1,371
Current portion of long term debt	-	-	19,000	19,000
<i>Total current liabilities</i>	<u>21,162</u>	<u>-</u>	<u>39,053</u>	<u>60,215</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	9,297	-	4,331	13,628
<i>Total current liabilities (payable from restricted assets)</i>	<u>9,297</u>	<u>-</u>	<u>4,331</u>	<u>13,628</u>
<i>Non-current liabilities</i>				
Compensated absences	1,370	-	-	1,370
Notes payable	-	-	589,624	589,624
Net pension liability	213,835	37,943	-	251,778
Net OPEB liability	139,133	24,642	-	163,775
<i>Total non-current liabilities</i>	<u>354,338</u>	<u>62,585</u>	<u>589,624</u>	<u>1,006,547</u>
<i>Total liabilities</i>	<u>384,797</u>	<u>62,585</u>	<u>633,008</u>	<u>1,080,390</u>
Deferred Inflows				
Pension deferred inflows	23,898	4,241	-	28,139
OPEB deferred inflows	31,666	5,609	-	37,275
<i>Total deferred inflows</i>	<u>55,564</u>	<u>9,850</u>	<u>-</u>	<u>65,414</u>
Net Position				
Net investment in capital assets	1,717,406	1,983	(23,533)	1,695,856
Restricted for:				
Section 8 housing	-	13,436	-	13,436
Repair and replacement	-	-	80,951	80,951
Unrestricted	305,868	61,296	110,606	477,770
<i>Total net position</i>	<u>2,023,274</u>	<u>76,715</u>	<u>168,024</u>	<u>2,268,013</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>2,463,635</u>	<u>149,150</u>	<u>801,032</u>	<u>3,413,817</u>

See independent auditors' report.

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Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
<i>Operating revenues</i>				
Rental revenue	\$ 154,369	-	42,150	196,519
Other tenant revenue	8,387	-	1,291	9,678
Subsidy grants	283,595	355,187	146,306	785,088
<i>Total operating revenues</i>	<u>446,351</u>	<u>355,187</u>	<u>189,747</u>	<u>991,285</u>
<i>Operating expenses</i>				
Personnel services	122,386	65,267	31,227	218,880
Contractual services	37,885	5,300	25,268	68,453
Supplies	4,569	1,200	4,714	10,483
Maintenance and materials	25,799	-	3,471	29,270
Utilities	79,509	-	7,219	86,728
Insurance	28,978	696	-	29,674
Bad debt	-	-	167	167
Housing assistance payments	-	315,191	-	315,191
Depreciation	180,557	1,863	30,362	212,782
Miscellaneous	23,520	4,160	7,954	35,634
<i>Total operating expenses</i>	<u>503,203</u>	<u>393,677</u>	<u>110,382</u>	<u>1,007,262</u>
<i>Operating income (loss)</i>	<u>(56,852)</u>	<u>(38,490)</u>	<u>79,365</u>	<u>(15,977)</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	5	14	47	66
Interest expense	-	-	(53,971)	(53,971)
Fraud recovery	-	540	-	540
Miscellaneous income	-	-	14	14
<i>Total non-operating revenues (expenses)</i>	<u>5</u>	<u>554</u>	<u>(53,910)</u>	<u>(53,351)</u>
<i>Total income (loss) before capital grants</i>	<u>(56,847)</u>	<u>(37,936)</u>	<u>25,455</u>	<u>(69,328)</u>
Capital grants	28,667	-	-	28,667
<i>Change in net position</i>	<u>(28,180)</u>	<u>(37,936)</u>	<u>25,455</u>	<u>(40,661)</u>
<i>Total net position- beginning as previously reported</i>	2,216,722	143,922	142,569	2,503,213
<i>GASB 75 implementation (note 15)</i>	(165,268)	(29,271)	-	(194,539)
<i>Total net position - beginning as restated</i>	<u>2,051,454</u>	<u>114,651</u>	<u>142,569</u>	<u>2,308,674</u>
<i>Total net position - end of year</i>	<u>\$ 2,023,274</u>	<u>76,715</u>	<u>168,024</u>	<u>2,268,013</u>

See independent auditors' report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows - Detail
For the Year Ended June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
<i>Cash flows from operating activities:</i>				
Cash received from tenant rents and charges	\$ 157,926	-	43,473	201,399
Cash payments to employees for services	(125,021)	(65,267)	(31,880)	(222,168)
Cash payments to suppliers for goods and services	(260,826)	(294,183)	(32,058)	(587,067)
Cash received from subsidy grants	283,595	355,187	146,306	785,088
<i>Net cash provided by operating activities</i>	<u>55,674</u>	<u>(4,263)</u>	<u>125,841</u>	<u>177,252</u>
<i>Cash flows from noncapital financing activities:</i>				
Fraud recovery	-	540	-	540
Miscellaneous income	-	-	14	14
<i>Net cash used by noncapital financing activities</i>	<u>-</u>	<u>540</u>	<u>14</u>	<u>554</u>
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	28,667	-	-	28,667
Acquisition of capital assets	(19,248)	-	(2,377)	(21,625)
Payments on loan payable	-	-	(17,579)	(17,579)
Interest expense	-	-	(54,099)	(54,099)
<i>Net cash used by capital and related financing activities</i>	<u>9,419</u>	<u>-</u>	<u>(74,055)</u>	<u>(64,636)</u>
<i>Cash flows from investing activities</i>				
Interest on cash deposits	5	14	47	66
<i>Net cash provided by investing activities</i>	<u>5</u>	<u>14</u>	<u>47</u>	<u>66</u>
<i>Net increase in cash and cash equivalents</i>	65,098	(3,709)	51,847	113,236
Cash and cash equivalents - beginning of year	604,518	140,973	164,076	909,567
Cash and cash equivalents - end of year	<u>\$ 669,616</u>	<u>137,264</u>	<u>215,923</u>	<u>1,022,803</u>

See independent auditors' report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Statement of Cash Flows - Detail
For the Year Ended June 30, 2018

	Low Rent Public Housing Program	Section 8 Housing Choice Vouchers Program	USDA FmHA Rural Housing Program	Total
<i>Reconciliation of operating (loss) income to net cash provided (used) by operating activities:</i>				
Operating (loss) income	\$ (56,852)	(38,490)	79,365	(15,977)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:				
Depreciation	180,557	1,863	30,362	212,782
Noncash pension expense	(68,726)	32,364	-	(36,362)
Changes in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	(5,825)	-	32	(5,793)
Inventory	434	-	-	434
Prepaid expenses	(104)	-	-	(104)
Accounts payable	7,830	-	17,006	24,836
Accrued payroll expenses	1,075	-	(653)	422
Accrued compensated absences	(3,710)	-	-	(3,710)
Tenant deposits	995	-	(271)	724
<i>Net cash provided (used) by operating activities</i>	<u>\$ 55,674</u>	<u>(4,263)</u>	<u>125,841</u>	<u>177,252</u>

See independent auditors' report.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2018

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2018</u>
Wells Fargo Bank, N.A.	FGPC 3.500%	10/1/2033	3132LMHH2	\$ 588,422
Total Wells Fargo Bank, N.A.				\$ <u>588,422</u>

Name and location of safekeeper for above pledged collateral:
 Bank of New York Mellon - New York, NY

See independent auditors' report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Deposit Accounts
June 30, 2018

<u>Bank Name/ Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding Items</u>	<u>Book Balance</u>
<i>First National Bank, New Mexico</i>				
Security Deposit Account	Checking	\$ 8,490	126	8,616
<i>Total First National Bank, New Mexico</i>		<u>8,490</u>	<u>126</u>	<u>8,616</u>
<i>New Mexico Bank & Trust</i>				
Reserve Account	Checking	75,847	-	75,847
Security Deposits Account	Checking	5,104	-	5,104
<i>Total New Mexico Bank & Trust</i>		<u>80,951</u>	<u>-</u>	<u>80,951</u>
<i>Wells Fargo Bank</i>				
General Fund Operating Account	Checking	643,363	(6,019)	637,344
Operational Account	Checking	136,257	(1,285)	134,972
CIAP Operating Account	Checking	382	-	382
Section 8 General Fund Account	Checking	141,578	(4,314)	137,264
Certificate of Deposit Account	CD	23,055	-	23,055
<i>Total Wells Fargo Bank</i>		<u>944,635</u>	<u>(11,618)</u>	<u>933,017</u>
Petty Cash		-	219	219
<i>Total deposits</i>		<u>1,034,076</u>	<u>(11,273)</u>	<u>1,022,803</u>
Cash and cash equivalents per Statement of Net Position				\$ 896,745
Restricted cash and cash equivalents per Statement of Net Position				<u>126,058</u>
Total cash and cash equivalents				<u>\$ 1,022,803</u>

See independent auditors' report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Component Unit of the City of Tucumcari
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program NM033000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
111	Cash - Unrestricted	\$ 637,945	-	134,972
113	Cash - Other Restricted	-	-	75,847
114	Cash - Tenant Security Deposits	8,616	-	5,104
100	<i>Total Cash</i>	<u>646,561</u>	<u>-</u>	<u>215,923</u>
125	Accounts Receivable - Miscellaneous	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	10,472	-	18
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
126.2	Allowance for Doubtful Accounts - Other	(1,047)	-	-
120	<i>Total Receivables, Net of Allowance for Doubtful Accounts</i>	<u>9,425</u>	<u>-</u>	<u>18</u>
131	Investments - Unrestricted	23,055	-	-
130	<i>Total Investments</i>	<u>23,055</u>	<u>-</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	5,174	-	-
143	Inventories	6,200	-	-
143.1	Allowance for Obsolete Inventories	-	-	-
150	<i>Total Current Assets</i>	<u>690,415</u>	<u>-</u>	<u>215,941</u>
161	Land	68,890	-	27,120
162	Buildings	2,659,803	-	976,221
163	Furniture, Equipment & Machinery - Dwellings	1,347,049	-	56,721
164	Furniture, Equipment & Machinery - Administration	388,453	-	-
165	Leasehold Improvements	177,747	-	-
166	Accumulated Depreciation	(2,928,202)	-	(474,971)
167	Construction in progress	3,666	-	-
160	<i>Total Capital Assets, Net of Accumulated Depreciation</i>	<u>1,717,406</u>	<u>-</u>	<u>585,091</u>
180	<i>Total Non-Current Assets</i>	<u>1,717,406</u>	<u>-</u>	<u>585,091</u>
190	<i>Total Assets</i>	<u>2,407,821</u>	<u>-</u>	<u>801,032</u>
200	Deferred Outflows of Resources	55,814	-	-
290	<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 2,463,635</u>	<u>-</u>	<u>801,032</u>

See independent auditor's report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
-	123,828	896,745
-	13,436	89,283
-	-	13,720
-	137,264	999,748
-	8,704	8,704
-	-	10,490
-	-	-
-	(8,704)	(9,751)
-	-	9,443
-	-	23,055
-	-	23,055
-	-	5,174
-	-	6,200
-	-	-
-	137,264	1,043,620
-	-	96,010
-	-	3,636,024
-	-	1,403,770
-	9,315	397,768
-	-	177,747
-	(7,332)	(3,410,505)
-	-	3,666
-	1,983	2,304,480
-	1,983	2,304,480
-	139,247	3,348,100
-	9,903	65,717
-	149,150	3,413,817

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Component Unit of the City of Tucumcari
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program NM033000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
312	Accounts Payable <= 90 Days	\$ 13,386	-	18,303
321	Accrued Wage/Payroll Taxes Payable	6,405	-	1,189
322	Accrued Compensated Absences - Current Portion	2,741	-	-
325	Accrued Interest Payable	-	-	391
341	Tenant Security Deposits	9,297	-	4,331
342	Unearned Revenues	-	-	170
343	Current Portion of Long-term Debt - Capital Projects	-	-	19,000
345	Other Current Liabilities	-	-	-
310	<i>Total Current Liabilities</i>	<u>31,829</u>	<u>-</u>	<u>43,384</u>
351	Long-term Debt Net of Current - Capital Projects/ Mortgage Revenue	-	-	589,624
357	Accrued Pension and OPEB	352,968	-	-
350	<i>Total Non-Current Liabilities</i>	<u>352,968</u>	<u>-</u>	<u>589,624</u>
300	<i>Total Liabilities</i>	<u>384,797</u>	<u>-</u>	<u>633,008</u>
400	Deferred Inflows of Resources	55,564	-	-
508.1	Net investment in capital assets	1,717,406	-	(23,533)
512.1	Restricted Net Position	-	-	80,951
512.1	Unrestricted Net Position	305,868	-	110,606
513	Total Equity/Net Position	<u>2,023,274</u>	<u>-</u>	<u>168,024</u>
600	<i>Total Liabilities, Deferred Inflows of Resources, and Equity/Net Position</i>	<u>\$ 2,463,635</u>	<u>-</u>	<u>801,032</u>

See independent auditor's report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
-	-	31,689
-	-	7,594
-	-	2,741
-	-	391
-	-	13,628
-	-	170
-	-	19,000
-	-	-
-	-	75,213
-	-	589,624
-	62,585	415,553
-	62,585	1,005,177
-	62,585	1,080,390
-	9,850	65,414
-	1,983	1,695,856
-	13,436	94,387
-	61,296	477,770
-	76,715	2,268,013
-	149,150	3,413,817

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Component Unit of the City of Tucumcari
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program NM033000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
70300	Net Tenant Rental Revenue	\$ 154,369	-	42,150
70400	Tenant Revenue - Other	8,387	-	1,291
70500	<i>Total Tenant Revenue</i>	<u>162,756</u>	<u>-</u>	<u>43,441</u>
70600	HUD PHA Operating Grants	283,595	-	48,560
70610	Capital Grants	-	28,667	-
70800	Other Governmental Grants	-	-	-
71100	Investment Income - Unrestricted	5	-	47
71400	Fraud Recovery	-	-	-
71500	Other Revenue	-	-	14
70000	<i>Total Revenue</i>	<u>446,356</u>	<u>28,667</u>	<u>92,062</u>
91100	Administrative Salaries	81,574	-	11,677
91200	Auditing Fees	10,599	-	5,483
91300	Bookkeeping Fee	5,117	-	-
91400	Advertising and Marketing	-	-	52
91500	Employee Benefit Contributions - Administrative	41,533	-	4,902
91600	Office Expenses	23,744	-	4,755
91700	Legal Expense	-	-	439
91800	Travel	1,279	-	380
91900	Other Operating - Administrative	-	-	3,257
91000	<i>Total Operating - Administrative</i>	<u>163,846</u>	<u>-</u>	<u>30,945</u>
93100	Water	36,651	-	1,085
93200	Electricity	6,155	-	1,536
93300	Gas	23,410	-	-
93600	Sewer	-	-	1,070
93800	Other Utilities Expense	2,149	-	3,258
93000	<i>Total Utilities</i>	<u>68,365</u>	<u>-</u>	<u>6,949</u>

See independent auditor's report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
-	-	196,519
-	-	9,678
-	-	206,197
-	355,187	687,342
-	-	28,667
97,746	-	97,746
-	14	66
-	540	540
-	-	14
97,746	355,741	1,020,572
-	21,840	115,091
-	3,000	19,082
-	2,300	7,417
-	-	52
-	-	46,435
-	7,356	35,855
-	5,360	5,799
-	-	1,659
-	36,071	39,328
-	75,927	270,718
-	-	37,736
-	-	7,691
-	-	23,410
-	-	1,070
-	-	5,407
-	-	75,314

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Component Unit of the City of Tucumcari
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program NM033000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
94100	Ordinary Maintenance & Operation - Labor	\$ -	-	12,141
94200	Ordinary Maintenance & Operation - Materials and Other	18,799	-	8,505
94300	Ordinary Maintenance & Operation - Contracts	25,313	-	9,073
94500	Employee Benefit Contributions - Ordinary Maintenance	16,698	-	11,693
94000	<i>Total Maintenance</i>	<u>60,810</u>	<u>-</u>	<u>41,412</u>
96110	Property Insurance	14,235	-	-
96120	Liability Insurance	6,099	-	-
96130	Workman's Compensation	5,014	-	547
96140	All other Insurance	3,630	-	-
96100	<i>Total Insurance Premiums</i>	<u>28,978</u>	<u>-</u>	<u>547</u>
96200	Other General Expenses	-	-	-
96400	Bad Debt - Tenant Rents	647	-	167
96000	<i>Total Other General</i>	<u>647</u>	<u>-</u>	<u>167</u>
96720	Interest on Notes Payable (Short and Long Term)	-	-	53,971
96700	<i>Total Interest Expense and Amortization Cost</i>	<u>-</u>	<u>-</u>	<u>53,971</u>
96900	<i>Total Operating Expenses</i>	<u>322,646</u>	<u>-</u>	<u>133,991</u>
97000	<i>Excess Operating Revenue Over Operating Expenses</i>	<u>123,710</u>	<u>28,667</u>	<u>(41,929)</u>
97300	Housing Assistance Payments	-	-	-
97400	Depreciation Expense	180,557	-	30,362
90000	<i>Total Expenses</i>	<u>\$ 503,203</u>	<u>-</u>	<u>164,353</u>
10010	Operating Transfers In	25,000	-	97,746
10020	Operating Transfers Out	(25,000)	-	-
10100	<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>97,746</u>

See independent auditor's report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
-	-	12,141
-	-	27,304
-	-	34,386
-	-	28,391
-	-	102,222
-	696	14,931
-	-	6,099
-	-	5,561
-	-	3,630
-	696	30,221
-	-	-
-	-	814
-	-	814
-	-	53,971
-	-	53,971
-	76,623	533,260
<u>97,746</u>	<u>279,118</u>	<u>487,312</u>
-	315,191	315,191
-	1,863	212,782
-	<u>393,677</u>	<u>1,061,233</u>
-	-	122,746
<u>(97,746)</u>	-	<u>(122,746)</u>
<u>(97,746)</u>	-	<u>-</u>

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Component Unit of the City of Tucumcari
Financial Data Schedule
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program NM033000001 14.850	Capital Fund Program 14.872	Rural Rental Housing Loans 10.415
10000	Excess (deficiency) of Operating Revenue Over (under) Expenses	\$ (56,847)	28,667	25,455
94300	Beginning Equity	\$ 2,216,722	-	142,569
11040-10	Prior period adjustment	(165,268)		
11040-20	Equity Transfers	28,667	(28,667)	-
	Ending Equity (deficit)	\$ 2,023,274	-	168,024
11190	Unit Months Available	1,080	-	636
11210	Number of Unit Months Leased	1,035	-	593
11270	Excess Cash	\$ 614,347	-	-
11620	Building Purchases	3,666	-	-

See independent auditor's report.

Rural Rental Assistance Payments 10.427	Housing Choice Vouchers Program 14.871	Total
-	(37,936)	(40,661)
-	143,922	2,503,213
	(29,271)	(194,539)
-	-	-
-	76,715	2,268,013
-	2,040	3,756
-	2,040	3,668
-	-	614,347
-	-	3,666

COMPLIANCE SECTION

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

Mr. Wayne Johnson
New Mexico State Auditor
Office of Management and Budget
Executive Director and the Board of Commissioners
Tucumcari Housing Authority
A Department of the City of Tucumcari
Tucumcari, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tucumcari Housing Authority (the Housing Authority) as of and for the year ended June 30, 2018, 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 December 14, 2018.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

The Housing Authority's Response to Finding

The Housing Authority's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Housing Authority'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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
December 14, 2018

FEDERAL FINANCIAL ASSISTANCE

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Wayne Johnson
New Mexico State Auditor
Office of Management and Budget
Executive Director and the Board of Commissioners
Tucumcari Housing Authority
A Department of the City of Tucumcari
Tucumcari, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Tucumcari 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, 2018. 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 Each 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 each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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



Albuquerque, New Mexico
December 14, 2018

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Grant or State Number	Federal CFDA Number	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Housing and Urban Development					
<i>Direct Programs:</i>					
Public and Indian Housing	NM002000001	14.850	\$ 283,595	-	-
Section * Housing Choice Voucher Program (1)	N/A	14.871	355,187	-	-
Public Housing Capital Fund	CFP 2017	14.872	18,291	-	-
Public Housing Capital Fund	CFP 2016	14.872	10,376	-	-
Total Public Housing Capital Fund			<u>28,667</u>	-	-
<i>Total U.S. Department of Housing and Urban Development - Direct Programs</i>			<u>667,449</u>	-	-
U.S. Department of Agriculture					
<i>Direct Programs:</i>					
Rural Rental Housing Loans - Loan Balance		10.415	* 624,735	-	-
Rural Rental Housing Loans - Interest Subsidy		10.415	* 48,560	-	-
Rural Rental Assistance		10.427	97,746	-	-
<i>Total U.S. Department of Agriculture</i>			<u>771,041</u>	-	-
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,438,490</u>	-	-

* Denotes Major Program

(1) Denotes Housing Voucher Cluster

See independent auditor's report.

STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Tucumcari 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).

2. Federally Funded Loans

The Authority has federally funded loans or loan guarantees in the amount of \$608,624 as of June 30, 2018.

3. 10% de Minimus Indirect Cost Rate

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

4. Federally Funded Insurance

The Authority has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,438,490
Less: Federally Insured Loan Balance	(608,624)
Total expenditures funded by other sources	<u>177,396</u>
Total expenditures	<u>\$ 1,007,262</u>

**STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

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? | 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? | None noted |
| 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 Section 2 CFR section 200.516(a)? | None noted |

4. Identification of major programs:

CFDA Number	Federal Program
10.415	Rural Rental Housing Loans

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

SECTION IV – Compliance and Other Matters

2018-001 Late Submission of Data Collection Form (Other Non-Compliance)

Condition: The Housing Authority did not submit its annual data collection form for the year ended June 30, 2017 to the Federal Audit Clearinghouse in a timely manner. The data collection form, which has a due date of March 31, 2018, was not submitted until July 17, 2018.

Criteria: 2 CFR Section 200.512(b) provides for a form, referred to as the data collection form, to be prepared at the completion of each audit and submitted to the Federal Audit Clearinghouse. The form provides key information about the nonfederal entity, the federal awards it administers, whether the audit was completed in accordance with the Uniform Guidance, and the audit results. 2 CFR Section 200.512(a) states that the reporting package must be submitted the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

Cause: The audit report as of and for the year ended June 30, 2017 was not completed timely, resulting in the delay in the submission of the data collection form.

Effect: The Housing Authority was not in compliant with the requirement of 2 CFR Section 200.512. As a result, the Housing Authority does not qualify as low-risk auditee in accordance with the Uniform Guidance.

Recommendation: We recommend that the Housing Authority pursues activities necessary for the timely submission of the data collection form.

Management response: Tucumcari Housing Authority (THA) is a department of the City of Tucumcari, funded solely by HUD and requires a separate audit. The City of Tucumcari changed software during FY17, causing some inconsistencies which delayed their audit. THA has no control over the City audit and information required to complete the Housing Authority was not available, therefore causing a late submission. The Housing Authority plans to have this corrected for the fiscal year 2018 submission.

SECTION V – PRIOR YEAR AUDIT FINDINGS

NM 2017-001 – Late Audit Report – Other Noncompliance - Resolved

**STATE OF NEW MEXICO
Tucumcari Housing Authority
A Department of the City of Tucumcari
Exit Meeting
June 30, 2018**

Exit Conference

An exit conference was held on December 13, 2018, in a closed session. In attendance were the following:

Tucumcari Housing Authority

Ruth Ann Litchfield, Mayor
Angelica Gray, City Clerk
Rachelle Arias, City Finance Director
Viki Riddle, Executive Director
Britt Lusk, City Manager

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, Partner

Financial Statement Preparation

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements and footnotes of the Tucumcari 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.