

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2014**



**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**JUNE 30, 2014**

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# ALBUQUERQUE HOUSING AUTHORITY

Empowering people in our community through affordable housing and self-sufficiency opportunities

## ALBUQUERQUE HOUSING AUTHORITY BOARD OF COMMISSIONERS and TOP MANAGEMENT

Name
Janet M. McHard, CPA, CFE, CFFA, CFF Chairperson
Roxanne Rivera-Wiest Vice-Chairperson
Rebecca Chavez Resident Commissioner
Stephen J. Vogel Commissioner at Large
D. Todd Clarke Commissioner at Large
Linda Bridge Executive Director and Secretary to the Board
Andrew Estocin Deputy Director
Barbara D'Onofrio Director of Finance



## REPORT OF INDEPENDENT AUDITORS

Albuquerque Housing Authority Fund,  
The Honorable Richard J. Berry, Mayor and  
City Council Members of the City of Albuquerque  
Mr. Tim Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying fund financial statements of the Albuquerque Housing Authority Fund, an enterprise fund of the City of Albuquerque, New Mexico as of and for the year ended June 30, 2014 and the related notes to the 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.

#### ***Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

Albuquerque Housing Authority Fund,  
The Honorable Richard J. Berry, Mayor and  
City Council Members of the City of Albuquerque  
Mr. Tim Keller, New Mexico State Auditor

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Albuquerque Housing Authority Fund of the City of Albuquerque as of June 30, 2014, and the respective changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1, the financial statements present only the Albuquerque Housing Authority Fund of the City of Albuquerque, New Mexico and do not, present fairly the financial position of the City of Albuquerque, New Mexico as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the Albuquerque Housing Authority's Fund, of the City of Albuquerque's financial statements, the Schedule of Deposits and Investments and Schedule of Pledged Collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Albuquerque Housing Authority Fund,  
The Honorable Richard J. Berry, Mayor and  
City Council Members of the City of Albuquerque  
Mr. Tim Keller, New Mexico State Auditor

The Schedule of Deposits and Investments and Schedule of Pledged Collateral are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Deposits and Investments and Schedule of Pledged Collateral are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and to meet the requirements of the United States Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015 on our consideration of the City'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 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 City's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
February 2, 2015

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**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

Current assets

Cash and cash equivalents - Unrestricted	\$ 12,189,250
Grants and accounts receivable, net of allowance for uncollectable accounts of \$22,058	141,630
Prepaid expenses	15,227
Inventories of supplies	<u>198,820</u>

Total current assets 12,544,927

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	8,186,651
Escrow deposits	<u>277,918</u>

Total restricted assets: 8,464,569

Capital assets:

Non-depreciable assets

Land	3,767,389
Construction work-in-progress	<u>2,416,494</u>

Total non-depreciable assets 6,183,883

Depreciable assets

Buildings and improvements	52,402,982
Machinery and equipment	1,670,881
Less accumulated depreciation	<u>(50,757,816)</u>

Total capital assets, net of depreciation 9,499,930

Total noncurrent assets 17,964,499

Total assets 30,509,426

**ALBUQUERQUE HOUSING AUTHORITY FUND  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
STATEMENT OF NET POSITION - CONTINUED  
JUNE 30, 2014**

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 210,351
Accrued vacation and sick leave pay	7,194
Due to other funds	1,231,232
Other	47,770
Payable from restricted assets:	
Current portion - capital leases and notes payable	<u>106,180</u>
Total current liabilities	<u>1,602,727</u>

Noncurrent liabilities

Payable from restricted assets:	
Tenant security deposits	205,504
Long term debt, excluding current portion:	
Accrued vacation and sick pay	141,886
Note payable	<u>190,165</u>
Total noncurrent liabilities	<u>537,555</u>
Total liabilities	<u>2,140,282</u>

**NET POSITION**

Net investment in capital assets	9,203,585
Restricted for housing projects	9,783,784
Unrestricted	<u>9,381,775</u>
Total net position	<u>\$ 28,369,144</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**JUNE 30, 2014**

**OPERATING REVENUES:**

Tenant revenues \$ 2,161,546

**OPERATING EXPENSES:**

Salaries and fringe benefits 3,579,569

Depreciation 971,493

Fuels, repairs and maintenance 1,151,159

Contractual services 1,231,809

Utilities 1,034,606

Other operating expenses 1,999,902

Bad debt expense 66,169

Professional services 113,716

Total operating expenses 10,148,423

Operating loss (7,986,877)

**NON-OPERATING REVENUES (EXPENSES):**

Interest on investments 13,029

Federal housing grants 28,030,249

Housing assistance payments (22,345,113)

Interest expense (14,475)

Transfers In 850,000

Other 124,663

Total nonoperating revenues (expenses) 6,658,353

Change in net position (1,328,524)

Net position, July 1, 29,697,668

Net position, June 30 \$ 28,369,144

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2014**

<b>Cash flows from operating activities:</b>	
Cash received from customers	2,778,002
Cash paid to employees for services	(3,627,062)
Cash paid to suppliers and others	(5,811,390)
Cash paid to other funds goods and services	<u>(1,021,971)</u>
<b>Net cash used by operating activities</b>	<u>(7,682,421)</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating grants received	28,030,249
Housing assistance payments	(22,345,113)
Other revenue	124,663
Transfers-in from other funds	<u>850,000</u>
<b>Net cash provided by noncapital financing activities</b>	<u>6,659,799</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from loans	190,165
Principal paid on capital lease	(81,279)
Interest paid on capital lease	(30,571)
Acquisition and construction of capital assets	<u>(800,768)</u>
<b>Net cash used by capital and related financing activities</b>	<u>(722,453)</u>
<b>Cash flows from investing activities:</b>	
Interest and dividends on investments	<u>13,029</u>
<b>Net cash provided by investing activities</b>	<u>13,029</u>
Net decrease in cash and cash equivalents	(1,732,046)
Cash and cash equivalents, July 1	<u>22,385,865</u>
Cash and cash equivalents, June 30	<u>\$ 20,653,819</u>

The accompanying notes are an integral part of these financial statements

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**JUNE 30, 2014**

<b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	<u>\$ (7,986,877)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	971,493
Bad debt expense	66,169
Change in assets and liabilities:	
Grants and accounts receivable	662,998
Inventories of supplies	(47,032)
Prepaid expenses	(15,227)
Accounts payable	(217,939)
Accrued payroll and vacation and sick leave pay	(47,493)
Due to other funds	(1,021,971)
Tenant security deposits	(46,542)
Total adjustments	<u>304,456</u>
<b>Net cash used by operating activities</b>	<u><b>\$ (7,682,421)</b></u>

The accompanying notes are an integral part of these financial statements

**ALBUQUERQUE HOUSING AUTHORITY FUND  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014**

**I. Summary of significant accounting policies**

**A. Reporting entity**

The City of Albuquerque, New Mexico (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members elected from districts. As a governmental entity, the City is not subject to Federal or State income taxes.

The accompanying financial statements present only the financial position and the results of operations of the Albuquerque Housing Authority Fund (the Fund), which is an enterprise fund of the City, and are not intended to present fairly the financial position and result of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Fund on a separate fund basis. Where applicable, the Fund's share of the balance/activity is included (see notes II.A., II.G., and II.H.).

The accounting policies of the Fund as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units. The more significant of these accounting policies are summarized below.

**B. Basis of presentation**

The Fund accounts for all activities in connection with the operation of Albuquerque Housing Authority Fund. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. The principal operating revenues, such as tenant revenues, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include federal housing grants, investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

**C. Measurement focus and basis of accounting**

The Fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America. As a fund of the City of Albuquerque, the Authority follows applicable pronouncements of the Governmental Accounting Standards Board (GASB).

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
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**D. Assets, liabilities, and net position**

**1. Cash and cash equivalents**

The investment in the State of New Mexico local government investment pool (LGIP) is valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10. I through 6-10-10. P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

The following categories of investments are specifically authorized by the City's policy:

Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.

U.S. Treasury Obligations - bills, notes, and bonds.

Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.

Municipal Bonds - rated in any of the three highest major ratings categories by one or more nationally recognized rating agencies.

The following categories of deposits are specifically authorized by the policy:

Checking accounts - at insured financial institutions.

Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).

**2. Receivables**

All accounts receivable, except for restricted accounts receivable, are shown net of allowance for uncollectible accounts. The allowance for uncollectible accounts is based on management's assessment of the collectibility of specific accounts, aging of accounts receivable, historical experience and other currently available evidence.

**3. Restricted assets**

Restricted assets arise principally from tenant security deposits and investments.

**4. Inventories of supplies**

Inventories of supplies are valued at average cost and recorded as an expense when inventory items are consumed.



**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
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**5. Capital assets**

Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the time received. State of New Mexico Administrative Code requires state and local governmental agencies to capitalize fixed assets costing in excess of \$5,000. Currently, the City defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 50 years
Machinery and equipment	3 - 13 years

**6. Accrued vacation and sick leave pay**

Subject to specific limits, employees accumulate vacation pay that is payable upon termination or retirement. For proprietary funds, vacation costs are recognized as a liability when incurred.

City employees also accumulate specified amounts of sick leave that are payable to the employee upon termination or retirement. For proprietary funds, accumulated sick leave pay is recognized when vested or taken whichever occurs first.

**7. Unearned revenue**

Unearned revenue is reported a liability payable from restricted assets for revenues collected in advance, and as a current liability for customer deposits received. There is no unearned revenue reported as of June 30, 2014.

**8. Long-term obligations**

Long-term obligations used to finance the Fund's capital acquisitions are recorded in the Fund's Statement of Net position. These obligations are liquidated with revenue of the Fund.

**9. Net position**

The net position of the Fund is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

*Net investment in capital assets* – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

*Restricted net position* – Restricted net position results from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

*Unrestricted net position* – This category reflects net position of the fund, not restricted for any project or other purpose.

**10. Statement of cash flows**

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the Fund are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits. Non-pooled investments with original maturities of

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three months or more are deducted from cash and cash equivalents and changes therein are reported as cash flows from investing activities.

**11. Estimated amounts reported in financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**12. Interfund Transactions**

Transactions that would be recorded as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

**13. New accounting pronouncements**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2014:

- GASB Statement No. 67, *Financial Reporting for Pension Plans*.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date.

Except as discussed in the following paragraph, the City believes that the above listed GASB pronouncements will not have a significant financial impact to the City.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the City's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the City's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the City's proportionate share of PERA's net pension liability, and to recognize pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions, for its proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

**14. Budgets**

An annual budget, which is not legally adopted, for the Albuquerque Housing Authority Fund is prepared in accordance with the U.S. Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget.

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
**AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**II. Detailed notes**

**A. Cash and cash equivalents**

The Albuquerque Housing Authority Fund cash and investments are included in the City's cash and investment pool. A separate accounting of the Albuquerque Housing Authority Fund's share of specific securities is not determined. Refer to the City's Comprehensive Annual Financial Report notes for further disclosure.

The total cash and cash equivalents of Albuquerque Housing Authority Fund at June 30, 2014, consist of the following:

(In thousands of dollars)

Deposits and investments:	
<u>Deposits</u>	
Bank accounts at book balances	\$ 12,467
Escrow deposits	130
Total deposits	<u>12,597</u>
<u>Investments</u>	
State of New Mexico local government investment pool	8,057
Total investments	<u>8,057</u>
Total deposits and investments	<u>\$ 20,654</u>
As reported in the statement of net position:	
Current cash and cash equivalents:	
Cash and cash equivalents	\$ 12,189
Total current cash and cash equivalents	<u>12,189</u>
Restricted noncurrent cash and cash equivalents:	
Cash and cash equivalents	8,187
Escrow deposits	278
Total noncurrent cash and cash equivalents	<u>8,465</u>
Total cash and cash equivalents	<u>\$ 20,654</u>

Custodial credit risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's funds may not be returned to it. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014, none of the City's bank balances of \$209,862,000 was exposed to custodial credit risk.

Custodial credit risk – Investments - Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City's name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting. The City's investment in the New Mexico State Treasurers Office (STO) Local Government Investment Pool (LGIP) represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific investments and is not subject to custodial credit risk.

Credit risk - Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the City will not be able to recover the value of its principal. As a home rule city, the City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The City's Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. As part of the City's allocation evaluation, these guidelines are reviewed periodically, considering the probability of market and default risk in various investment sectors. The City's investment

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policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) certificates of deposit with local banks be fully insured by the FDIC. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. At June 30, 2014, the City's internal investment pool held investments in fully-collateralized overnight repurchase agreements (repos), a fully-insured money market account, U.S. Treasury obligations, U.S. Government agency notes and a local government obligation.

In 2009, the City's internal investment pool liquidated its position in the STO LGIP. However, at June 30, 2014, the City continued to hold \$134,524 in the STO's "Reserve Contingency Fund" which represented the maximum potential loss from assets previously held in the LGIP's Primary Money Market Fund. The City does not expect any further recoveries from the reserve and has accrued the remaining balance as a loss. The City's Housing Authority Fund continued to hold a non-pooled position in the STO LGIP Fund of \$8,053,079 and a balance in the Reserve Contingency Fund of \$3,886. The State of New Mexico's LGIP is rated AAAM by Standard and Poor.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. The following general policies and constraints shall apply: With the exception of collateralized repos, U.S. Treasury securities, and authorized pools (comprising the "liquidity segment" of the portfolio), no more than 50% of the residual investment portfolio (the "core segment") will be invested in a single issue or at a single maturity. At June 30, 2014, the City's core segment is invested in debt securities issued by four Government Sponsored Entities (GSEs): the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation. These investments comprise 9%, 47%, 18% and 25% respectively, of the core segment residual. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. At June 30, 2014, liquidity and core segment maturities are allocated as follows: 0-12 months – 0%; 1-2 years – 73%; 3-5 years – 27%. Holdings in the STO LGIP represent less than 1% of the total portfolio.

Summarized information concerning the GSE investments is as follows:

U.S. Agency Investments (summarized by GSE)	Wtd. Avg. Days to Maturity	Weighted Average Days to Call	Standard & Poor's Rating	Moody's Rating
Federal Home Loan Banks	711	24	AA+	Aaa
Federal National Mortgage Association	853	30	AA+	Aaa
Federal Farm Credit Bank	1,201	40	AA+	Aaa
Federal Home Loan Mortgage	797	40	AA+	Aaa

Repo holdings (collateral) consisted of U.S. Agency securities permitted under Section 6-10-10 N.M.S.A. 1978, and by the City's investment policy.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City's investment policy limits the City's exposure to interest rate risk by requiring that no less than 80% of the funds invested in the core segment of the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities between three and five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase. The weighted average maturity of the investments in the internal investment pool's core segment at June 30, 2014, was 997 days. The weighted average days to call of the core segment was 34 days.

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**B. Capital assets**

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Assets not being depreciated:				
Land	\$ 3,767,389	-	-	3,767,389
Construction work-in-progress	1,775,900	640,594	-	2,416,494
Total assets, not being depreciated	<u>5,543,289</u>	<u>640,594</u>	<u>-</u>	<u>6,183,883</u>
Assets being depreciated:				
Buildings and improvements	52,402,982	-	-	52,402,982
Machinery and Equipment	1,510,707	160,174	-	1,670,181
Total assets, being depreciated	<u>53,913,689</u>	<u>160,174</u>	<u>-</u>	<u>54,073,863</u>
Less: accumulated depreciation for:				
Buildings and improvements	49,275,131	750,536	-	50,025,667
Machinery and equipment	511,192	220,957	-	732,149
Total accumulated depreciation	<u>49,786,323</u>	<u>971,493</u>	<u>-</u>	<u>50,757,816</u>
Capital assets being depreciated, net	<u>4,127,366</u>	<u>(811,319)</u>	<u>-</u>	<u>3,316,047</u>
Total capital assets, net	<u>\$ 9,670,655</u>	<u>(170,725)</u>	<u>-</u>	<u>9,499,930</u>

**C. Leases**

Albuquerque Housing Authority Fund has entered into a lease agreement as lessee for financing the acquisition of equipment and improvements. This lease agreement is treated as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date in the basic financial statements. At June 30, 2014, the outstanding balance of the capital lease is \$79,281. Amortization expense is included with depreciation expense on the Statement of Revenues, Expenses and Changes in Fund Net position.

The assets acquired through capital leases are as follows:

Equipment and Improvements	\$ 944,458
Less: Accumulated amortization	<u>(865,177)</u>
Total net book value	<u>\$ 79,281</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 are as follows:

Year Ending June 30:	<u>Principal and Interest</u>
2015	\$ <u>86,632</u>
Total minimum lease payments	86,632
Less amount representing interest	<u>(1,581)</u>
Present value of minimum lease payments	<u>\$ 85,051</u>

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**D. Long-term obligations**

The change in long-term obligations for the Fund for the year ended June 30, 2014 is as follows:

	Outstanding				Amount due within one year
	July 1, 2013	Increases	Decreases	June 30, 2014	
Capital leases	\$ 187,459	\$ -	\$ 102,408	\$ 85,051	\$ 85,051
Tenant security deposits (including pet deposits)	252,046	93,555	140,097	205,504	-
HUD payable	-	711,294	500,000	211,294	21,129
Accrued vacation and sick leave pay	177,626	172,702	201,248	149,080	7,194
	<u>\$ 617,131</u>	<u>\$ 977,551</u>	<u>\$ 943,753</u>	<u>\$ 650,929</u>	<u>\$ 113,374</u>

On June 25, 2014, the Albuquerque Housing Authority entered into a non-interest agreement with the U.S. Department of Housing and Urban Development to repay \$711,294 in contract payments that did not comply with the funding source, the American Recovery and Reinvestment Act of 2009 and Federal and City procurement requirements. The balance outstanding at June 30, 2014 was \$211,292.

The annual debt service requirements on the agreement is as follows:

Year ending June 30, 2014	Principal
2015	\$ 21,129
2016	21,129
2017	21,129
2018	21,129
2019	21,129
2020 - 2024	105,647
Total	<u>\$ 211,292</u>

**E. Conduit debt**

The U.S. Department of Housing and Urban Development (HUD) guaranteed third party debt consisting of revenue bonds and permanent notes, payable to the Federal Financing Bank, which were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the Albuquerque Housing Authority Fund. HUD regulations state that the bonds and notes do not constitute a debt of the Albuquerque Housing Authority Fund and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2014, the outstanding balance of the permanent notes was \$1,575,181 with annual payments required through 2017.

**F. Defined benefit pension plan**

*Plan Description.* Substantially all of the City’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

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*Funding Policy.* Plan members are required to contribute between 3.93%-9.39% of their gross salary, depending on the specific plan type. The City is required to contribute between 7.40%-21.65% of the gross covered salary, depending on the specific plan type.

The following are the plans covered by the City and the contribution requirements, (in thousands of dollars) for the year ended June 30, 2014:

Group Covered	Employee		Employer	
	Percent	Amount	Percent	Amount
General, Management, and Bus Drivers	13.15%	6,645	9.15%	13,243
Temporary Employees	7.00%	76	7.00%	140
J-Series 20 Year	16.65%	80	16.65%	143
Police	16.30%	3,071	18.50%	10,504
Fire	16.20%	2,036	21.25%	7,496
		<u>11,908</u>		<u>31,526</u>

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employee's contributions. The percentage of the employee's contribution paid by the City varies according to the specific plan type. The City's required contributions to PERA for the years ending June 30, 2014, 2013, and 2012 were \$32,575,247, \$31,526,501, and \$34,732,631, respectively. The city's total contributions to PERA, including the employer required contributions and the portion the city pays for the employees for the years ending June 30, 2014, 2013, and 2012 were \$58,202,765, \$60,980,095, and \$63,316,398, respectively.

**G. Post employment benefits**

In addition to providing pension benefits described in Note F, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

Postemployment Life Insurance Benefits.

*Plan Description.* The City's Life Insurance Benefit Plan (Plan) is a cost sharing multiple-employer plan administered as a formal trust by the City of Albuquerque. The Plan also includes coverage for the employees of the Albuquerque Bernalillo County Water Authority (a separate legal entity, formerly a component unit of the City). The Albuquerque Pooled OPEB Trust Plan issues a separate report that can be obtained from the Accounting Division at P.O. Box 1293, Room 8010, 8<sup>th</sup> Floor, Albuquerque, NM 87103. The Water Utility Authority and the City have different benefit rules. Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement with the City, an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of \$25,000. Effective July 1, 2008 the minimum amount of coverage per retiree is \$12,500. The number of retired employees covered under the life insurance benefit was 4,430 at June 30, 2014, and the amount of life insurance coverage for these retired employees was \$98,965,350.

*Funding Policy.* In fiscal year 2014, the City of Albuquerque and the Water Utility Authority created a City of Albuquerque Pooled OPEB Trust Fund. Prior to July 1, 2013, the City had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with in the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for fiscal year ending June 30, 2014 exceeded the annual required contribution. Monthly invoices for retiree life insurance premiums will be paid out of the trust. When expected benefit claims exceed retiree premiums, the City is allowed to treat the implicit subsidy as a contribution towards the OPEB liability. The City's contributions to the trust for the year ending June 30, 2014 were \$11,412,100.

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*Annual OPEB Cost and Net OPEB Obligation.* The City's annual postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation to the Plan.

Net OPEB obligation at beginning of year	\$ 12,750,307
	<hr/>
Plus: Projected annual OPEB cost:	
Interest on net OPEB obligation at beginning of year	637,515
Annual required contribution (ARC) for current fiscal year	3,259,587
ARC adjustment for current fiscal year	<u>(689,773)</u>
	<u>3,207,329</u>
Less: Net employer contribution	<u>(11,412,100)</u>
Expected net OPEB obligation at end of year	\$ <u>4,545,536</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 3,909,642	22.8%	\$ 11,390,128
6/30/13	\$ 3,832,304	40.7%	\$ 12,750,307
6/30/14	\$ 3,207,329	356%	\$ 4,545,536

*Funding Status and Funding Progress.* As of June 30, 2014, the most recent actuarial valuation date, the Plan was 22.6% funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$47,303,392 (\$10,011,749 for active employees and \$37,291,643 for retired employees). Plan assets as of June 30, 2014 was \$10,705,827. The covered payroll (annual payroll of active employees covered by the Plan) was \$243,300,781 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 15.04%. The ARC as a percent of payroll is 1.3% of which 0.3% is the normal cost as a percent of payroll. The ARC per active employee is \$588. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the Plan as understood by the City and the Plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the City's actuary believe that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the



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retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the City's Trust investments calculated on the funded level of the Plan at the valuation date. As of June 30, 2014, the City contributed \$11,412,100. Taxable interest and dividends earned was \$170,219. Realized gains were \$58,231. The change in Unrealized gains/losses and accrued income were \$147,009 and \$363 respectively. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method. The remaining amortization period at June 30, 2014, was 25 years. The ARC was based on a 5.0 percent discount rate.

Retiree Health Care Act Contributions.

*Plan Description.* The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary.

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary.

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

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The City's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$5,350,483, \$5,470,619, and \$5,301,347, respectively, which equal the required contributions for each year.

**H. Risk management**

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,000,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2013, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequately funded. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started Fiscal Year 2014 with \$41,450,000 available in the committed General Fund balance.

In recent years, the City has experienced an increase in claim amounts. In response to this increase, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, the City determined that a more conservative approach in reserving for ultimate potential losses was necessary in order to ensure the ongoing solvency of the Risk Management Fund. The City plans to increase annual funding to the Risk Management Fund reserve in the amount of \$2.5 million per year beginning in fiscal year 2015.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the Fund's claims liability in fiscal year 2014 and 2013 were:

	2014		2013
Claims liability at July 1	\$ 109,832,650	\$	\$ 72,136,558
Current year claims and change in estimates	22,682,779		26,923,508
Claims liquidated	(33,064,392)		(21,689,486)
Claims liability at June 30	<u>\$ 99,451,037</u>	\$	<u>\$ 109,832,650</u>
The components of the claims liability at June 30 are:			
Current portion	\$ 22,250,000	\$	\$ 25,242,425
Noncurrent portion	77,201,037		55,336,558
Total claims liability	<u>\$ 99,451,037</u>	\$	<u>\$ 109,832,650</u>

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**I. Commitments and contingencies**

Federal and State Grant Commitments

Albuquerque Housing Authority Fund has received a number of Federal and State grants for specific purposes. These grants are subject to audit and may result in discrepancies between the expenditures reported on the general ledger and requests for reimbursements to granting agencies that may not comply with the terms of the respective grant agreements. Based on prior experience, Housing Authority management believes that such discrepancies, if any, will not be material.

Contingent Liabilities

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimatability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's Fire Department, Transit Department and other employees are subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined; the case is currently awaiting the Courts consideration on how the calculations are to be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying financial statements and schedules.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit and may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such discrepancies, if any, will not be material.

**J. Financial data schedule reconciliation**

The differences that exist between the amounts shown on the financial statements for the Housing Authority Fund and the amounts shown on the Financial Data Schedule (FDS) are due to the recognition in the financial statements of operating transfers from the General Fund to the Housing Authority Fund. A reconciliation of the net position balances is as follows:

Reconciliation of the FDS Change in Net Position:

Beginning net position per FDS	\$29,697,668
Change in net position per FDS	<u>(1,678,524)</u>
Ending net position per FDS	<u>\$28,019,144</u>

Reconciliation of Ending Net Position:

Ending net position per FDS	\$28,019,144
Operating transfer from General Fund	<u>350,000</u>
Ending net position per financial statements	<u>\$28,369,144</u>

**III. Significant effects of subsequent events**

On July 1, 2014, The City and the Albuquerque Housing Authority completed the conversion of the Housing Authority Fund, an enterprise fund of the City, to become the Albuquerque Housing Authority (AHA), a component unit of the City, per Council Resolution R-10-97 enacted December 6, 2010. Resolution R-10-97 also established a Board of Housing Commissioners, whose members and chairperson will be appointed by the Mayor with the advice and consent of the City Council. The Board assumed responsibility for the operations of the Fund on July 1, 2011.

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**FINANCIAL DATA SCHEDULE**

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FDS Line Item No.	Project Total	14.871 Housing Choice Vouchers	14.879 Housing Choice Voucher 5-year Mainstream	
111	Cash - Unrestricted	2,657,407	8,324,535	7,567
113	Cash - Other Restricted	32,970	96,716	-
114	Cash - Tenant Security Deposits	277,918	-	-
100	Total Cash	<u>2,968,295</u>	<u>8,421,251</u>	<u>7,567</u>
122	Accounts Receivable - HUD Other Projects	87,121	-	-
126	Accounts Receivable - Tenants	44,947	31,620	-
126.1	Allowance for Doubtful Accounts -	1,314	(23,372)	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>133,382</u>	<u>8,248</u>	<u>-</u>
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	(8,442)	-	-
143	Inventories	-	-	-
143.1	Allowance for Obsolete Inventories	-	-	-
144	Inter Program Due From	1,760,040	-	-
150	Total Current Assets	<u>4,853,275</u>	<u>8,429,499</u>	<u>7,567</u>
161	Land	3,767,389	-	-
162	Buildings	49,635,654	-	-
164	Furniture, Equipment & Machinery -	1,054,801	192,120	-
166	Accumulated Depreciation	(48,106,728)	(193,127)	-
167	Construction in Progress	2,416,494	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>8,767,610</u>	<u>(1,007)</u>	<u>-</u>
180	Total Non-Current Assets	<u>8,767,610</u>	<u>(1,007)</u>	<u>-</u>
190	Total Assets	<u><u>13,620,885</u></u>	<u><u>8,428,492</u></u>	<u><u>7,567</u></u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
59,999	31,452	9,416	11,090,376	-	11,090,376
		-	129,686	-	129,686
-	-	-	277,918	-	277,918
<u>59,999</u>	<u>31,452</u>	<u>9,416</u>	<u>11,497,980</u>	<u>-</u>	<u>11,497,980</u>
-	-	-	87,121	-	87,121
-	-	-	76,567	-	76,567
-	-	-	(22,058)	-	(22,058)
-	-	-	141,630	-	141,630
-	-	8,056,965	8,056,965	-	8,056,965
-	-	23,669	15,227	-	15,227
-	-	206,616	206,616	-	206,616
-	-	(7,796)	(7,796)	-	(7,796)
-	-	1,244,091	3,004,131	(3,004,131)	-
<u>59,999</u>	<u>31,452</u>	<u>9,532,961</u>	<u>22,914,753</u>	<u>(3,004,131)</u>	<u>19,910,622</u>
-	-	-	3,767,389	-	3,767,389
-	-	2,767,328	52,402,982	-	52,402,982
-	-	423,960	1,670,881	-	1,670,881
-	-	(2,457,961)	(50,757,816)	-	(50,757,816)
-	-	-	2,416,494	-	2,416,494
-	-	733,327	9,499,930	-	9,499,930
-	-	733,327	9,499,930	-	9,499,930
<u>59,999</u>	<u>31,452</u>	<u>10,266,288</u>	<u>32,414,683</u>	<u>(3,004,131)</u>	<u>29,410,552</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

FDS Line Item No.	Project Total	14.871 Housing Choice Vouchers	14.879 Housing Choice Voucher 5-year Mainstream
312	Accounts Payable <= 90 Days	-	-
322	Accrued Compensated Absences -	5,284	1,136
333	Accounts Payable - Other Government	-	-
341	Tenant Security Deposits	205,504	-
343	Current Portion of Long-term Debt -	85,051	-
345	Other Current Liabilities	32,111	114,958
346	Accrued Liabilities - Other	-	22,998
347	Inter Program - Due To	-	2,989,721
310	Total Current Liabilities	<u>327,950</u>	<u>3,128,813</u>
354	Accrued Compensated Absences - Non	50,375	18,444
355	Loan Liability - Non Current	-	-
350	Total Non-Current Liabilities	<u>50,375</u>	<u>18,444</u>
300	Total Liabilities	<u>378,325</u>	<u>3,147,257</u>
508.1	Invested In Capital Assets, Net of Related Debt	8,682,559	-
511.1	Restricted net position	-	1,714,374
512.1	Unrestricted net position	4,560,001	3,566,861
513	Total equity/net position	<u>13,242,560</u>	<u>5,281,235</u>
600	Total Liabilities and Equity/Net Assets	<u>13,620,885</u>	<u>8,428,492</u>
		<u>7,567</u>	<u>7,567</u>



**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
-	-	210,351	210,351	-	210,351
-	-	774	7,194	-	7,194
-	-	358,356	358,356	-	358,356
-	-	-	205,504	-	205,504
-	-	21,129	106,180	-	106,180
-	-	-	147,069	-	147,069
-	-	1,705	24,703	-	24,703
<u>14,410</u>	-	-	<u>3,004,131</u>	<u>(3,004,131)</u>	<u>-</u>
<u>14,410</u>	-	<u>592,315</u>	<u>4,063,488</u>	<u>(3,004,131)</u>	<u>1,059,357</u>
-	-	73,067	141,886	-	141,886
-	-	190,165	190,165	-	190,165
-	-	263,232	332,051	-	332,051
<u>14,410</u>	-	<u>855,547</u>	<u>4,395,539</u>	<u>(3,004,131)</u>	<u>1,391,408</u>
-	-	733,326	9,415,885	-	9,415,885
12,445	-	8,056,965	9,783,784	-	9,783,784
<u>33,144</u>	<u>31,452</u>	<u>620,450</u>	<u>8,819,475</u>	<u>-</u>	<u>8,819,475</u>
<u>45,589</u>	<u>31,452</u>	<u>9,410,741</u>	<u>28,019,144</u>	<u>-</u>	<u>28,019,144</u>
<u>59,999</u>	<u>31,452</u>	<u>10,266,288</u>	<u>32,414,683</u>	<u>(3,004,131)</u>	<u>29,410,552</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

FDS Line Item No.		Project Total	14.871 Housing Choice Vouchers	14.879 Housing Choice Voucher 5-year Mainstream
70300	Net Tenant Rental Revenue	2,161,546	-	-
70500	Total Tenant Revenue	2,161,546	-	-
70600	HUD PHA Operating Grants	2,779,257	24,189,048	-
70610	Capital Grants	920,419	-	-
70710	Management Fee	-	-	-
70720	Asset Management Fee	-	-	-
70730	Book Keeping Fee	-	-	-
70740	Front Line Service Fee	-	-	-
70700	Total Fee Revenue	3,699,676	24,189,048	-
71100	Investment Income - Unrestricted	-	-	-
71400	Fraud Recovery	-	16,931	-
71500	Other Revenue	54,618	38,298	-
70000	Total Revenue	5,915,840	24,244,277	-

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	-	2,161,546	-	2,161,546
-	-	-	2,161,546	-	2,161,546
45,529	19,532	-	27,033,366	-	27,033,366
-	-	76,464	996,883	-	996,883
-	-	745,423	745,423	(745,423)	-
-	-	46,935	46,935	(46,935)	-
-	-	374,402	374,402	(374,402)	-
-	-	873,881	873,881	(873,881)	-
45,529	19,532	2,117,105	30,070,890	(2,040,641)	28,030,249
-	4,557	8,472	13,029	-	13,029
7,810	-	-	24,741	-	24,741
-	-	7,006	99,922	-	99,922
53,339	24,089	2,132,583	32,370,128	(2,040,641)	30,329,487

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

FDS Line Item No.		Project Total	14.871 Housing Choice Vouchers	14.879 Housing Choice Voucher 5-year Mainstream
91100	Administrative Salaries	236,071	685,760	-
91200	Auditing Fees	41,798	-	-
91300	Management Fee	226,048	530,064	-
91310	Book-keeping Fee	34,052	331,470	-
91400	Advertising and Marketing	-	-	-
91500	Employee Benefit contributions - Administrative	156,369	335,932	-
91600	Office Expenses	408,478	492,947	-
91700	Legal Expense	10,166	-	-
91800	Travel	-	4,860	-
91900	Other	28,936	24,792	-
91000	Total Operating - Administrative	<u>1,141,918</u>	<u>2,405,825</u>	<u>-</u>
92000	Asset Management Fee	46,935	-	-
92100	Tenant Services - Salaries	9	-	-
92300	Employee Benefit Contributions - Tenant Services	26,644	-	-
92400	Tenant Services - Other	543	-	-
92500	Total Tenant Services	<u>27,196</u>	<u>-</u>	<u>-</u>
93100	Water	589,761	-	-
93200	Electricity	246,932	-	-
93300	Gas	120,474	-	-
93000	Total Utilities	<u>957,167</u>	<u>-</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	308,745	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	1,129,945	-	-
94300	Ordinary Maintenance and Operations Contracts	1,150,068	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	145,137	-	-
94000	Total Maintenance	<u>2,733,895</u>	<u>-</u>	<u>-</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	1,162,010	2,083,841	-	2,083,841
-	-	9,223	51,021	-	51,021
-	-	-	756,112	(756,112)	-
-	-	-	365,522	(365,522)	-
-	-	-	-	-	-
-	-	550,172	1,042,473	-	1,042,473
295	152	714,812	1,616,684	(442,131)	1,174,553
-	-	52,529	62,695	-	62,695
-	-	16,860	21,720	-	21,720
59	30	15,796	69,613	(69,613)	-
354	182	2,521,402	6,069,681	(1,633,378)	4,436,303
-	-	-	46,935	(46,935)	-
-	-	-	9	-	9
-	-	-	26,644	-	26,644
-	-	-	543	-	543
-	-	-	27,196	-	27,196
-	-	12,340	602,101	-	602,101
-	-	49,658	296,590	-	296,590
-	-	15,441	135,915	-	135,915
-	-	77,439	1,034,606	-	1,034,606
-	-	-	308,745	-	308,745
-	-	21,214	1,151,159	-	1,151,159
-	-	81,741	1,231,809	-	1,231,809
-	-	1,266	146,403	-	146,403
-	-	104,221	2,838,116	-	2,838,116

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

FDS Line Item No.		Project Total	14.871 Housing Choice Vouchers	14.879 Housing Choice Voucher 5-year Mainstream
96110	Property Insurance	194,605	102,843	-
96100	Total insurance Premiums	194,605	102,843	-
96200	Other General Expenses	311,282	-	-
96210	Compensated Absences	(3,893)	(7,136)	-
96600	Bad debt - Other	66,169	-	-
96000	Total Other General Expenses	373,558	(7,136)	-
96720	Interest on Notes Payable (Short and Long Term)	4,589	-	-
96700	Total Interest Expense and Amortization Cost	4,589	-	-
96900	Total Operating Expenses	5,479,863	2,501,532	-
97000	Excess of Operating Revenue over Operating Expenses	435,977	21,742,745	-
97300	Housing Assistance Payments	-	22,286,685	-
97400	Depreciation Expense	811,983	1,007	-
97500	Collection Losses		1,181	
90000	Total Expenses	6,291,846	24,790,405	-
10010	Operating Transfer In	-	-	1,782
10020	Operating transfer Out	-	(1,782)	-
10100	Total Other financing Sources (Uses)	-	(1,782)	1,782
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(376,006)	(547,910)	1,782

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	5,638	303,086	-	303,086
-	-	5,638	303,086	-	303,086
4,115	-	44,931	360,328	(360,328)	-
-	-	(17,517)	(28,546)	-	(28,546)
-	-	-	66,169	-	66,169
4,115	-	27,414	397,951	(360,328)	37,623
-	-	9,886	14,475	-	14,475
-	-	9,886	14,475	-	14,475
4,469	182	2,746,000	10,732,046	(2,040,641)	8,691,405
48,870	23,907	(613,417)	21,638,082	-	21,638,082
33,084	24,163	-	22,343,932	-	22,343,932
-	-	158,503	971,493	-	971,493
-	-	-	1,181	-	1,181
37,553	24,345	2,904,503	34,048,652	(2,040,641)	32,008,011
-	-	-	1,782	-	1,782
-	-	-	(1,782)	-	(1,782)
-	-	-	-	-	-
15,786	(256)	(771,920)	(1,678,524)	-	(1,678,524)

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2014

<u>FDS Line Item No.</u>	<u>Project Total</u>	<u>14.871 Housing Choice Vouchers</u>	<u>14.879 Housing Choice Voucher 5-year Mainstream</u>
11020	Required Annual Debt Principal Payments	86,051	-
11030	Beginning Equity	13,618,566	5,829,145
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-
11170	Administrative Fee Equity UNA	-	3,566,863
11180	Housing Assistance Payments Equity NRA	-	1,714,374
11190	Unit Months Available	11,424	46,116
11210	Number of Unit Months Leased	10,991	44,858
11270	Excess Cash	4,854,265	-



**ALBUQUERQUE HOUSING AUTHORITY FUND**  
 AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
 FINANCIAL DATA SCHEDULE  
 Year Ended June 30, 2014

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	-	86,051	-	86,051
29,803	31,708	10,182,661	29,697,668	-	29,697,668
-	-	-	-	-	-
-	-	-	3,566,863	-	3,566,863
-	-	-	1,714,374	-	1,714,374
144	84	-	58,368	-	58,368
143	67	-	56,625	-	56,625
-	-	-	4,854,265	-	4,854,265

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF DEPOSITS AND INVESTMENTS BY FINANCIAL INSTITUTION  
June 30, 2014

Financial Institution: Account name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
Bank of America				
Housing Authority - Public Housing	Checking	3,781,974	261,641	4,043,615
Housing Authority - Section 8	Checking	8,600,397	(176,844)	8,423,553
Housing Authority - Modernization	Checking	-	-	-
Housing Authority - Payroll account	Checking	-	-	-
Housing Authority - Section 8	Checking	89,785	6,931	96,716
Housing Authority - Public Housing FSS	Checking	37,251	(4,281)	32,970
		<u>12,509,407</u>	<u>87,447</u>	<u>12,596,854</u>
Investments:				
Local Government Investment Pool				
LGIP Fund Pool-4101	Investment	8,053,079	-	8,053,079
LGIP Fund Pool-4102	Investment	3,886	-	3,886
Total investments		<u>8,056,965</u>	<u>-</u>	<u>8,056,965</u>
Total cash and investments		<u>\$ 20,566,372</u>	<u>\$ 87,447</u>	<u>\$ 20,653,819</u>
Cash and Investments on Statement of Net Position				<u>\$ 20,653,819</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION  
June 30, 2014

The Authority is a fund of the City and the Authority's deposit accounts are collateralized with other City deposit accounts.  
The collateral for deposit accounts is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
<b>Bank of America</b>					
FMAC Gold PC	\$ 409,996	\$ 274,110	\$ 310,791	06/01/2041	5.00%
FMAC Gold PC	2,269,172	1,647,258	1,750,984	02/01/2042	4.00%
FMAC Gold PC	310,211	243,998	251,531	06/01/2042	3.50%
FNMA FNMS	1,304,362	1,041,206	1,109,880	02/01/2042	4.00%
FNMA FNMS	99,400	90,546	93,503	06/01/2043	3.50%
FNMA FNMS	1,127,415	1,016,335	1,049,520	11/01/2042	3.50%
FNMA FNMS	1,101,568	1,090,532	1,161,104	02/01/2044	4.00%
FNMA FNMS	65,812	63,787	67,963	10/01/2043	4.00%
FNMA FNMS	2,089,290	1,802,752	1,863,667	06/01/2042	3.50%
FNMA FNMS	1,688	1,190	1,229	05/01/2042	3.50%
FNMA FNMS	2,011,131	1,777,832	1,762,868	08/01/2042	3.00%
FNMA FNMS	1,162,303	986,008	976,232	08/01/2042	3.00%
FNMA FNMS	18,357	17,541	18,113	06/01/2043	3.50%
FNMA FNMS	4,338,211	1,686,464	1,795,601	10/01/2040	4.00%
FNMA FNMS	3,007,334	2,773,841	2,745,939	02/01/2043	3.00%
FNMA FNMS	22,699	920	1,022	06/01/2028	5.00%
FNMA FNMS	1,000	45	50	10/01/2028	5.50%
FNMA FNMS	1,000	34	38	06/01/2028	5.50%
FNMA FNMS	1,000	123	131	08/01/2018	4.00%
FNMA FNMS	1,060,190	62,242	65,171	01/01/2018	5.50%
FNMA FNMS	16,096,841	513,946	545,245	02/01/2018	5.00%
FNMA FNMS	1,000	29	31	01/01/2018	5.00%
FNMA FNMS	5,081,585	181,403	192,436	11/01/2017	5.00%
FNMA FNMS	5,466,148	358,669	398,553	05/01/2023	5.00%
FNMA FNMS	4,371	259	288	04/01/2023	5.00%
FNMA FNMS	300,561	93,493	99,362	10/01/2040	4.00%
FNMA FNMS	46,682,419	45,245,846	48,119,908	10/01/2043	4.00%
FNMA FNMS	9,758,172	9,100,632	9,382,606	06/01/2043	3.50%
FNMA FNMS	22,339,772	22,115,966	23,504,096	02/01/2044	4.00%
FNMA FNMS	35,538,265	32,036,809	33,029,438	11/01/2042	3.50%
FNMA FNMS	9,509,595	343,376	364,289	01/01/2018	5.00%
	<u>\$ 171,180,868</u>	<u>\$ 124,567,192</u>	<u>\$ 130,661,589</u>		

Location of collateral: Federal Reserve Bank, Richmond, VA

<b>New Mexico Bank &amp; Trust</b>					
GNMA Pool 658185 SF CRA	\$ 400,000	\$ 229,389	\$ 241,256	06/15/2040	4.50%
GNMA Pool 658185 SF CRA	450,000	258,062	271,413	06/15/2040	4.50%
	<u>\$ 850,000</u>	<u>\$ 487,451</u>	<u>\$ 512,669</u>		

Location of collateral: Heartland Financial USA, Dubuque, IA

<b>US Bank</b>					
FNMA FNCI 555849	\$ 11,825,000	\$ 975,889	\$ 1,037,856	09/01/2018	0.00%

Location of collateral: US Bank Cincinnati, Cincinnati, OH

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION  
June 30, 2014

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Wells Fargo Bank					
FN AR8931	\$ 68,630,000	\$ 63,430,005	\$ 62,890,535	02/01/2043	3.00%
FN AR0416	7,200,000	6,868,200	7,321,422	09/01/2043	4.00%
FN AR4292	100,000,000	95,408,644	101,704,519	09/01/2043	4.00%
FN MA1688	20,000	19,298	20,230	12/01/2033	3.50%
	<u>\$ 175,850,000</u>	<u>\$ 165,726,147</u>	<u>\$ 171,936,706</u>		

Location of collateral: Bank of New York Mellon, New York, NY

Total all banks \$ 304,148,820

The collateral for repurchase agreements is as follows:

Financial Institution Collateral Description	Original Face	Current Face	Current Market	Maturity Date	Coupon Rate
Bank of America					
Resolution Funding Corp Prin 21 A	\$ 25,099,000	\$ 21,039,606	\$ 21,460,398	01/15/2021	0.00%
Resolution Funding Corp Cpn S	10,000,000	9,781,471	9,977,100	04/15/2015	0.00%
FNMA	18,208,000	17,902,451	18,260,500	03/16/2014	0.38%
Federal Home Loan Bks 13-17 PL	22,060,000	21,359,144	21,786,327	06/27/2017	0.77%
FFDN	25,000,000	24,504,412	24,994,500	11/06/2014	0.00%
FFDN	25,000,000	24,506,618	24,996,750	10/01/2014	0.00%
Resolution Funding Corp Prin 20 A	6,922,000	5,906,841	6,024,978	07/15/2020	0.00%
	<u>\$ 132,289,000</u>	<u>\$ 125,000,543</u>	<u>\$ 127,500,553</u>		

102% collateral requirement 127,500,000

Collateral in excess (deficit) of requirement \$ 553

Location of collateral: Bank of New York Mellon, New York, N.Y.

The market value shown of the pledged collateral for the common fund repurchase agreement is as of the time of purchase on 6/30/2014.

All pledged collateral is held in the city's name at each financial institution.

Directed trades (portfolio investment purchases) are held at the Federal Reserve Bank, Richmond, Virginia in an account separate from the account where the collateral for the common fund repurchase agreement is held.

**REPORT OF INDEPENDENT AUDITORS 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**

Albuquerque Housing Authority Fund,  
The Honorable Richard J. Berry, Mayor and  
City Council Members of the City of Albuquerque  
Mr. Tim Keller, New Mexico State Auditor

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 Albuquerque Housing Authority Fund (the "Authority"), an enterprise fund of the City of Albuquerque, New Mexico as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents and have issued our report thereon dated February 2, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-003 to be a material weakness.

Albuquerque Housing Authority Fund,  
The Honorable Richard J. Berry, Mayor and  
City Council Members of the City of Albuquerque  
Mr. Tim Keller, New Mexico State Auditor

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-003 and 2014-001 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-004, 2014-002 and 2014-004.

### **The Authority's Response to Findings**

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
February 2, 2015

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I – Summary of Auditor’s Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued                       | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weaknesses identified?                       | Yes        |
| b. Significant deficiencies?                             | Yes        |
| c. Noncompliance material to financial statements noted? | No         |

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings**

**2013-003 Journal Entries –Significant Deficiency (Repeated and Modified)**

*Criteria:* Accurate journal entries are essential in correcting errors, facilitating the month-end closing process, and preparing materially correct financial statements. Journal entries should be reviewed by someone other than the preparer and that has the accounting knowledge to determine that the entry is appropriate and correct. The entry should be accompanied by supporting documentation to facilitate the review process. The review should be performed prior to the entry being recorded in the accounting records to reduce the need for additional correcting journal entries.

*Condition:* In performing our testwork, we noted that documentation of the approval of journal entries was not present in all cases.

*Effect:* Journal entries that are not reviewed or approved by someone with the appropriate level of accounting knowledge result in entries made in error and misstatement of the financial statements.

*Cause:* The Housing Authority has designed and implemented procedures for the approval of journal entries prior to their posting in the general ledger. Since the accounting software does not provide for documentation of the approval of journal entries, the procedures designed and implemented by the Housing Authority require the manual documentation of journal entry approval. These procedures were not in place during the entire fiscal year and in some cases the manual documentation could not be located at the time of the audit.

*Auditors' Recommendations:* The Housing Authority should work to develop an automated procedure for the approval of journal entries in the accounting system. Until that occurs, the Housing Authority should improve the manual process to ensure journal entry documentation approval is retained. Such a process might include printing monthly journal entry reports and verifying that documentation of the approval of all entries is filed.

*Management's Response:* The Albuquerque Housing Authority agrees with this finding. Policies and procedures have been implemented to identify and assign responsibility for the preparation and independent review of all journal entries to individuals with the appropriate level of accounting knowledge. The finding is expected to be cleared in FY2015.



**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings – continued**

**2013-004 Audit Report Due Date, Findings that do not rise to the level of a significant deficiency (Repeated and Modified)**

*Criteria:* Section 9A of 2.2.2 NMAC (Audit Rule) requires that annual audit reports be received in the Office of the State Auditor on or before December 1st for entities with a June 30th year-end.

*Condition:* The fiscal year 2014 Albuquerque Housing Authority Fund financial statements were not submitted to the New Mexico Office of the State Auditor by the December 1, 2014 submission deadline.

*Effect:* The Housing Authority is not in compliance with the New Mexico State Auditor Rule.

*Cause:* There are a number of standalone subsidiary ledgers maintained by individual departments within the City of Albuquerque. The Housing Authority subsidiary ledgers are not interfaced with the accounting system, which obscures the reconciliation and closing process for the City of Albuquerque. The Housing Authority is a fund of the City of Albuquerque and submits the audit report at the same time as the City of Albuquerque.

*Auditors' Recommendations:* The City of Albuquerque and the Housing Authority have made improvements in their reconciliation process and should continue to work diligently to update and reconcile information in the accounting system.

*Management's Response:* The Albuquerque Housing Authority concurs with the finding. The City of Albuquerque has added additional staff, increased training documentation and classes, and implemented additional PeopleSoft modules that make it easier to close in a timely fashion. The Housing Authority has successfully reduced the submission time each year and will make every effort to reduce year end closing processes in fiscal year 2015.

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings – continued**

**2014-001 Transfer of Construction in Progress – Significant Deficiency**

*Criteria:* Generally Accepted Accounting Principles require that once capital assets are constructed and placed in service, the related costs should be transferred to the asset and depreciation should commence.

*Condition:* In performing our test work over construction in progress we noted that assets constructed with capital grants, some of which dated back to 2010, had not been transferred and depreciated once they were placed in service. We estimated that the amount of assets that should have been transferred was \$1,675,000 and the related depreciation expense for the current and prior years was \$135,000.

*Effect:* There is increased risk that the Housing Authority's financial statements may be misstated.

*Cause:* In the past, the Housing Authority has transferred the assets once the capital fund closeout audit was completed. Since this occurred near the time the assets were placed in service, the Housing Authority's practice was adequate to comply with Generally Accepted Accounting Principles. In recent years there has been a delay in completing the close out audits, and therefore the assets were not transferred timely.

*Auditors' Recommendations:* We recommend the Housing Authority complete the close out audits and transfer and commence depreciating the assets once the assets are placed in service.

*Management's Response:* The Albuquerque Housing Authority agrees with this finding. Processes have been developed to ensure the AHA finance division reviews construction in progress and capitalizes projects when they are 90% complete. In addition, Capital Funds will be audited by an independent CPA firm in Fiscal year 2015 and a copy will be sent to the regional HUD office. Procedures will be written to include the HUD close out of Capital Fund procedures and the GASB Fixed Asset standards to ensure all compliance is met.

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings – continued**

**2014-002 Reporting Unclaimed Property, Findings that do not rise to the level of a significant deficiency**

*Criteria:* The Uniform Unclaimed Property Act (1995) Article SA states that property held by a court, government, governmental subdivision, or agency is assumed abandoned if it is unclaimed by the apparent owner one year after the property becomes distributable. Such funds must be escheated to the State of New Mexico.

*Condition:* We noted the Housing Authority did not report unclaimed tenant funds in the amount of approximately \$101,000 distributable from January 1, 2009 through June 30, 2013.

*Effect:* The Housing Authority has not complied with the Uniform Unclaimed Property Act (1995) Article SA.

*Cause:* The Housing Authority has a process to escheat unclaimed checks in its bank accounts. Amounts in the primary bank accounts have been escheated, but the tenant account for the Housing Authority was overlooked the past few years.

*Auditors' Recommendations:* The Housing Authority should consider all bank accounts in performing its annual reporting of unclaimed property to the State Unclaimed Property Division.

*Management's Response:* The Albuquerque Housing Authority concurs with this finding. The Housing Authority is developing procedures and retraining staff to ensure unclaimed deposits are submitted in a timely manner.

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings – continued**

**2014-003 Restricted Fund Balance Classification – Material Weakness**

*Criteria:* Governmental Accounting Standards Board Statement No. 34 requires the reporting of net position in different classifications depending on the nature of the resources or the level of constraint associated with various resources. Net position that carries external restrictions that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation, is required to be reported as restricted net position.

*Condition:* As a result of our audit procedures, we noted that roughly \$8 million of externally restricted resources was included in the unrestricted net position balance reported in the financial statements. A correcting entry was required to reclassify roughly \$8 million from unrestricted to restricted net position.

*Cause:* The Housing Authority implemented a new financial software system that was completed in March 2014. In the financial software system, the mapping for the restricted fund balance line item of \$8 million in State investments was incorrectly mapped to unrestricted net position. Further, the review processes utilized by the Housing Authority was insufficient to identify the error.

*Effect:* The financial statements as originally drafted under-reported the amount of net position at year end that contained external restrictions.

*Auditors' Recommendations:* We recommend the Housing Authority verify that all accounting streams in their financial software system are correctly mapped to the proper financial statement line item. Further, we recommend that the Housing Authority revise its review procedures to include a review by someone other than the initial preparer in an effort to improve the accuracy of the internally drafted financial statements.

*Management's Response:* AHA agrees there was a mapping error in the Financial Statements. In preparing the financial statements, a formula error linked the net position on the wrong line. The formula has been fixed. There was no mapping error in the financial software system. The trial balance and FDS clearly identifies these funds as "Restricted". Overall Net Position was unaffected. There is no correcting entry needed to the general ledger. Restricted net position was properly classified in the trial balance.

**ALBUQUERQUE HOUSING AUTHORITY FUND**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION II – Financial Statement Findings – continued**

**2014-004 New Admissions Rent Calculation – Findings that do not rise to the level of a significant deficiency**

*Criteria:* Per the Housing Authority policies, families that do not qualify for the Involuntary Displacement, Upward Mobility, or Elderly, Disabled local preferences will be categorized as No-Preference Families.

*Condition:* For one of twenty-five items tested, within our Housing and Urban Development testwork, the tenant was incorrectly classified as a No-preference family and was not receiving the correct disability deduction and was paying more than what the correct rent was.

*Effect:* Tenant paid an excess of \$120 in rent during the fiscal year.

*Cause:* The tenant was incorrectly marked as having no preference in the system.

*Auditor's Recommendation:* We recommend the Housing Authority establish procedures to ensure tenants are correctly recorded into the system.

*Management Response:* The Albuquerque Housing Authority agrees with this finding. The Housing Authority has new quality control staff in place to manage tenant files going forward. The error that resulted in the household being under subsidized was corrected and the money (\$120) repaid to the tenant in fiscal year 2015. In addition, staff will be retrained in the quality review process of tenant files.

**ALBUQUERQUE HOUSING AUTHORITY**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2014

<u>Prior-Year Number</u>	<u>Description</u>	<u>Current-Year Status</u>
2013-001	Cash Reconciliations	Resolved
2013-002	Timely Closing of General Ledger And Reconciliation of Subsidiary Legers	Resolved
2013-003	Journal Entries	Repeat, Modified
2013-004	Audit Report Due Date	Repeat, Modified

**ALBUQUERQUE HOUSING AUTHORITY**  
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE  
EXIT CONFERENCE  
JUNE 30, 2014

An exit conference was held on January 22, 2015 and attended by the following:

**City Personnel:**

Pamela Fanelli, CMA, MBA  
City Controller

B. Jesse Muñiz, MBA  
Associate Controller – Accounting Operations

**Albuquerque Housing Authority Personnel:**

Linda Bridge  
Executive Director

Andrew Estocin  
Deputy Director

Barbara D’Onofrio  
Director of Finance

Janet McHard, CPA  
Chairperson, Board of Commissioners

Steven Vogel  
Board Member

Chris DeWillet  
Account Manager, Section 8

David DeYoung  
Account Manager, Public Housing

**Moss Adams, LLP Personnel:**

Jeff Bridgens, CPA  
Senior Manager

Larry Carmony, CPA  
Senior Manager In-Charge

Sara Brownstein, CPA  
Manager