



# **ALBUQUERQUE HOUSING AUTHORITY**

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

**ALBUQUERQUE HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORT AND  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2016 AND 2015**

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**JUNE 30, 2016**

**CONTENTS**

	<b>Page</b>
<b>OFFICIAL ROSTER.....</b>	<b>1</b>
<b>REPORT OF INDEPENDENT AUDITOR’S</b>	
Independent Auditor’s Report.....	2
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management’s Discussion and Analysis .....	5
<b>FINANCIAL SECTION</b>	
Statements of Net Position.....	15
Statements of Revenues, Expenses, and Changes in Net Position.....	17
Statements of Cash Flows .....	18
Notes to the Financial Statements.....	20
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the Housing Authority’s Proportionate Share of the Net Pension Liability of the PERA Municipal General Division .....	36
Schedule of the Housing Authority’s Contributions.....	37
Notes to Required Supplementary Information .....	38
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUPPLEMENTARY INFORMATION</b>	
Financial Data Schedule .....	39
Notes to Financial Data Schedule .....	43
<b>STATE SUPPLEMENTARY INFORMATION AND SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards .....	44
Notes to the Schedule of Expenditures of Federal Awards.....	45

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**JUNE 30, 2016**

CONTENTS — continued

	<b>Page</b>
Schedule of Deposits and Investments .....	46
Schedule of Pledged Collateral .....	47
Joint Powers Agreements, Memorandums of Understanding, and Other Agreements .....	48
Schedule of Vendor Information .....	49
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with <i>Government Auditing—Standards</i> .....	50
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	52
Schedule of Findings and Questioned Costs.....	54
Summary Schedule of Prior Audit Findings .....	58
 <b>OTHER INFORMATION REQUIRED BY 2.2.2 NMAC</b>	
2.2.2 NMAC Findings.....	59
Exit Conference .....	60



## **OFFICIAL ROSTER**

### **Board of Housing Commissioners**

Stephen J. Vogel, **Chairperson**

D. Todd Clarke, **Vice-Chairperson**

Rebecca Chavez, **Resident Commissioner**

Janet M. McHard, CPA, CFE, MAFF, CFF, **Commissioner at Large**

Roxanne Rivera-Wiest, **Commissioner at Large**

### **AHA Management**

Linda Bridge, **Executive Director and Secretary to the Board**

Andrew Estocin, **Deputy Director**

Barbara D'Onofrio, **Director of Finance**

### **Board of Housing Commissioners**

The Board of Housing Commissioners is the governing body to AHA. The Board of Housing Commissioners is authorized by the City of Albuquerque through Resolution (R-2010-97). The Board of Housing Commissioners has a role of oversight to the Housing Authority. Although the Board members are appointed by the Mayor of the City of Albuquerque, the Board is responsible for electing the member(s) roles and officers. Regular Meetings are held on the 3rd Wednesday of each month, at 12:00 pm (Noon) in the Manuel Cordova Conference Room, at AHA Administration Office, Carnis Salisbury Building, unless otherwise posted.

## Independent Auditor's Report

Board of Housing Commissioners of the  
Albuquerque Housing Authority  
and  
Mr. Timothy Keller  
New Mexico State Auditor

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

We have audited the accompanying financial statements of the Albuquerque Housing Authority (AHA), a component unit of the City of Albuquerque, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise AHA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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.

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 financial position of AHA, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

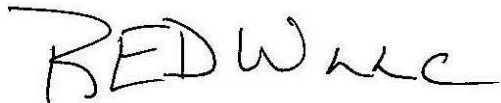
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise AHA's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the financial data schedule required by the U.S. Department of Housing and Urban Development, and the other schedules required by Section 2.2.2.NMAC are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards, the financial data schedule, and the other schedules required by Section 2.2.2.NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the financial data schedule and the other schedules required by Section 2.2.2.NMAC are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of AHA'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 AHA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "REDW LLC". The letters are written in a cursive, slightly slanted style.

Albuquerque, New Mexico  
November 4, 2016

## **Management's Discussion and Analysis**



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

This section of the Albuquerque Housing Authority’s (AHA) financial statements presents management’s discussion and analysis (MD&A) for the fiscal year ended June 30, 2016 and 2015. The activities of AHA include Public Housing, Housing Choice Voucher, and Capital Fund Programs. The management’s discussion and analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of AHA’s financial activity and changes in AHA’s financial position.

**Overview of the Housing Authority**

AHA provides housing assistance programs to low income families, elderly and disabled households. Our mission is “empowering people in our community through affordable housing and self-sufficiency opportunities.” These services are delivered through our public housing program with 953 units and our housing choice voucher program with roughly 4,000 vouchers. Other services are provided through community networking and as a recipient of various special programs.

AHA is a separate public body-corporate that contracts with the U.S. Department of Housing and Urban Development (HUD) to provide affordable public housing (PH), housing choice voucher (HCV) assistance payments and federal housing program oversight. All operating and capital expenses of AHA, including the employees, are paid for by a combination of rent paid by Public Housing tenants and grant funds from HUD. AHA is responsible for its own debts, has its own powers of operation and relies on a variety of revenue streams for its income.

AHA was established in 1967 as a department of the City of Albuquerque (City). Enacted by the City Council, a Board of Housing Commissioners was established to govern AHA on December 6, 2010. As of July 1, 2011, AHA became a public body-corporate and is recognized as a quasi-governmental agency. Then on July 1, 2014, the City transferred the housing department’s assets, deferred outflow of resources, liabilities, and deferred inflow of resources and net position to AHA. For financial reporting purposes, AHA is considered a component unit of the City. As such, the financial condition and results of operations of AHA are included in the City’s financial statements.

**Measurement Focus and Basis of Accounting**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Data Schedule (FDS), which is included in the supplementary information section, is prepared by AHA on a GAAP basis, using the Department of Housing and Urban Development’s (HUD) specific format. AHA expends more than \$750,000 in federal financial awards in a given year and is therefore required to have a Single Audit conducted in accordance with the Uniform Guidance. The Single Audit covers the following:

- The basic financial statements
- The Supplemental Schedule of Expenditures of Federal Awards (SEFA)
- Internal control over and compliance with the types of compliance requirements described in Title 2 U.S. Code of Federal Regulations (CFR) 200, Appendix XI

AHA’s fiscal year-end is June 30<sup>th</sup> and AHA submits its financial statements to the following three agencies:

- City of Albuquerque—AHA is included as a component unit of the City
- New Mexico Office of the State Auditor—Due December 1, 2016
- HUD—FDS is due March 30<sup>th</sup> online and at the Regional HUD office

**ALBUQUERQUE HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 AND 2015**

**Highlights of Fiscal Year 2016**

On July 1, 2014, AHA completed its transition to separate from the City, which began in 2011. AHA was created as a separate public body politic and corporate on July 1, 2011. The City delegated authority to the appointed AHA Board of Housing Commissioners. It took three years to complete the transition, concluding with the transfer of employees from the City to AHA as of July 1, 2014. This transition has resulted in significant changes for AHA and opportunities as highlighted below:

**STRATEGIC PLANNING**

AHA’s first strategic plan was developed and approved by the Board of Housing Commissioners in 2013. The Strategic Plan included a new mission statement, vision statement, outlined core values and strategic directions for the agency. In June 2016 these goals were evaluated and AHA made significant progress in meeting its first three-year strategic directions in “Improve Workplace Culture”, “Collaborate for Success” and “Exceed Expectations”. Many of the accomplishments achieved through the strategic planning are highlighted in the following pages. Interviews held with staff and other stakeholders at the end of the first three years indicated better morale and communication in the workplace, and better accountability. This was reflected in greater efficiencies and quality control in the operations. Additionally, as a result of this growth and teambuilding, AHA received a few national awards from the National Association of Housing and Redevelopment Officials (NAHRO) as well as the local awards from New Mexico NAHRO, and they include:

<b>Individual Award</b>	<b>Awarding Agency</b>
Stephen Vogel, Chairman of the Board	NM NAHRO 2016 Commissioner of the Year
Matt Bailon, Operations Manager	NM NAHRO 2016 Employee of the Year
Andrew Estocin, Deputy Director	NM NAHRO 2016 Employee of the Year
ABQ Housing Authority July 2016	NAHRO for Strategic planning initiative
ABQ Housing Authority July 2016	NAHRO for Increased services for veterans

In 2016 AHA created a new strategic plan with a new vision and strategic directions. Additionally, strategic goals were created by the staff in each department. AHA strategic direction over the next three years is focused on increasing operational efficiency and leveraging opportunities to expand services. Annual action plans were created for the agency and each department. These action plans are the basis for setting employee goals.

**PROGRAM IMPROVEMENTS**

**VASH utilization**—Housing Choice Voucher staff increased the usage of the Veterans Affairs Supportive Housing (the “VASH”) program and the program has doubled since FY 2014. In FY 2016, the VASH program increased by an additional 17% from 186 vouchers to 224 vouchers utilized. Additionally, AHA has participated in extensive outreach community services for Veterans throughout the AHA community. This has included workshops for veterans. In recognition of the 3 year program and success, AHA has received from NAHRO an award for the HUD VASH Program.

**Homeless in Albuquerque**—AHA has created an AD-HOC working group that receives community input and guidance for its housing programs. This ad-hoc working group meets on a monthly basis to establish ways to better meet the needs of Albuquerque’s most vulnerable residents with the resources that are available.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

**HOME Tenant Based Rental Assistance (TBRA) funds**—AHA has started administering HOME TBRA funding of \$250,000 for homeless applicants. The design of this program is to provide a temporary housing voucher to homeless households on the AHA wait list, to enable them to obtain housing until assistance becomes available under AHA's housing programs. The funds are HUD pass-through funding from the City of Albuquerque. This program demonstrates a successful partnership with the Department of Family and Community Services and Albuquerque Heading Home.

**Project Based Voucher Program**—AHA has expanded its use of Project Based Section 8 Vouchers (PBV) with an emphasis on these vouchers serving the homeless in the City of Albuquerque. According to the HUD program AHA can utilize up to 20% of the voucher assistance to specific housing units. In this case the voucher stays with the unit or home. The goal of this program is to increase the number of units with services available to meet the needs of homeless in our community.

### **OPERATIONAL IMPROVEMENTS**

**Online Application system**—AHA launched an online application system to be utilized by all applicants in FY 2015. The new online system makes the application process easier to access, in addition to being more streamlined and efficient. In FY 2016 AHA opened the waitlist only for 4 and 5 bedroom public housing units for a 4 month period and received 566 applications. AHA just recently opened the waitlist for all public housing units for one month and received 1077 applications. AHA continues to accept pre-applications for housing on a limited basis using our online system with much success. The new system has increased applicant accessibility and accuracy of applications.

**Reduction in the Waitlist**—Housing Choice Voucher program waitlist was reduced forty-three percent (43%) by doing mass certifications as opposed to monthly certifications. Historically, monthly certifications included the evaluation and certification of 50 applicants a month. The waitlist was not decreasing at the rate needed to reach our agency goals. The purpose of closing the waitlist in FY 2015 was to reduce the waitlist and meet the applicant's needs sooner. Staff acted by increasing the number of applicants reviewed monthly in order to get an applicant to the tenant stage. Initially staff created a process for "mass certification", which is processing as much as 200 applicants every two months and then progressed to certifying 400 applicants every month. This allowed the agency to work through the waitlist and meet with applicants sooner. The waiting list dropped from **2,463** to **1,405**.

**Human Resources Department**—AHA has established a comprehensive human resources program that now serves more than 70 employees.

- AHA and the City entered into an MOU "Memorandum of Understanding between the Albuquerque Housing Authority and the City of Albuquerque" in May 2014 to establish the procedures to divide the assets, debts and support services provided to AHA and to identify the transition process for the employees. AHA proceeded to rebuild with 29 employees on July 1, 2014, establishing policies, procedures, contracts, vendors and other services independent from the City. AHA ended the year meeting many strategic goals and hiring to a capacity of 55 employees. Services created in the year included the areas of Human Resources, Procurement, Warehouse, Safety and Fleet Maintenance.
- AHA created more opportunities for personal and professional development. In addition, AHA developed a compensation system that awards employee performance and contributions towards agency goals. AHA tracks its performance on goals that are set annually. Each employee has goals that are tied to AHA's strategic plan.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

### **Overview of the Financial Statements**

Because AHA began operations separate from the City on July 1, 2014, the MD&A present the financial position and the results of operations of AHA for the years ended June 30, 2016 and 2015. This discussion and analysis is intended to serve as an introduction to AHA's basic financial statements, which are comprised of the following: (1) the statement of net position, (2) the statement of revenues, expenses and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

- **The Statement of net position** presents financial information on all of AHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It assesses the balance of a government's assets and deferred outflows of resources against its liabilities and deferred inflow of resources in order to determine what is left over after satisfying its obligations of resources to others. This is a picture of AHA's net position at a given point in time, such as fiscal year end. Tracking net position over time, with its increases and decreases, is an indicator of AHA's financial position.
- **The Statement of revenues, expenses and changes in net position** presents financial information to show how AHA's net position has changed during the fiscal year. It can be used to measure the success of AHA's operations during the year and will indicate how AHA has funded its costs.
- **The Statement of cash flows** presents financial information regarding AHA's cash receipts and cash payments. It shows the inflows and outflows of cash resulting from operating, noncapital financing activities, capital and related financing activities, and investing activities. This is a good indicator of AHA's ability to pay its obligations.
- **The notes to the financial statements** provide additional information that is essential to the full understanding of the data provided in the financial statements.

### **AHA's Programs**

AHA operates the following programs:

- **Housing Choice Voucher (HCV) Program** – a HUD-funded program that provides rent subsidies to families residing in privately-owned rental properties.
- **Capital Improvement Programs** – HUD-funded program that includes the Capital Fund Program that provides funds for new construction and the rehabilitation of existing housing units.
- **Public Housing Program** – a HUD-funded program under which AHA manages and maintains 953 public housing rental units for eligible low-income families, seniors and individuals with disabilities.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

**FINANCIAL ANALYSIS**

**General**

Over time, net position may serve as a useful indicator of AHA's financial health. At June 30, 2016, AHA's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$25.6 million. A portion of net position, \$9.6 million, is AHA's investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets still outstanding. AHA uses these capital assets to provide services and housing to its clients. Consequently, these assets are not available for future spending. Although AHA's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION INFORMATION**

Presented below are the comparison of AHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position information for FY 2016 and FY 2015. This information reflects the economic resources of AHA, as well as its economic obligations at the end of FY 2016 and FY 2015.

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Current assets	\$ 10,191,912	\$ 10,075,505
Noncurrent restricted assets	9,349,809	9,099,101
Capital assets, net	<u>9,798,940</u>	<u>9,914,132</u>
Total assets	<b>29,340,661</b>	29,088,738
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>243,845</u>	 <u>178,353</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>29,584,506</u></b>	<u>29,267,091</u>
 <b>LIABILITIES</b>		
Current liabilities	687,444	752,017
Noncurrent liabilities	<u>2,755,429</u>	<u>2,693,253</u>
Total liabilities	<b>3,442,873</b>	3,445,270
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 <u>564,713</u>	 <u>876,147</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>4,007,586</u></b>	<u>4,321,417</u>
 <b>NET POSITION</b>		
Net investment in capital assets	9,629,905	9,893,003
Restricted for housing projects	<u>15,947,015</u>	<u>15,052,671</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 25,576,920</u></b>	<b><u>\$ 24,945,674</u></b>

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

**Assets**

During FY 2016, total assets increased approximately \$252 thousand. Current assets increased by \$116 thousand or 1.2%. Restricted assets increased by \$251 thousand as a result of an increase in restricted cash related to housing assistance payment equity. Capital assets decreased by \$115 thousand. The decrease in capital assets for the period was the result of \$908 thousand in depreciation expense exceeding current year capital asset additions.

**Deferred Outflows of Resources**

Pension contributions have been reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in subsequent years.

**Liabilities**

Total liabilities were \$3.4 million at June 30, 2016 and 2015. Current liabilities decreased by \$65 thousand or 8.6% primarily due to a decrease in payroll related liabilities. Noncurrent liabilities increased by \$62 thousand as a result of an increase in net pension liability.

**Deferred Inflows of Resources**

The deferred inflows of resources is mainly attributed to the change in proportion and differences between AHA contributions and proportionate share of contributions. The deferred inflows of resources will be recognized in pension expense in future years.

**Net Position**

AHA's net position totaled \$25.6 million at June 30, 2016, and is comprised of net investment in capital assets of \$9.6 million and restricted net position of \$16 million. Total net position increased by \$631 thousand, or 2.5%, as a result of operations for the fiscal year. The balance in restricted net position represents resources available to meet AHA's ongoing obligations to provide housing assistance programs to low income families, elderly and disable households.

**REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION**

Presented below is a comparison of the revenues, expenses and changes in net position information for FY 2016 and FY 2015. The information reflects the result of operations for AHA and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis.

	<u>2016</u>	<u>2015</u>
Total operating revenues	\$ 2,245,433	\$ 2,155,941
Total operating expenses	<u>8,819,034</u>	<u>8,663,719</u>
Operating loss	<u>(6,573,601)</u>	<u>(6,507,778)</u>
Total nonoperating revenues, net	<u>7,204,847</u>	<u>6,656,547</u>
Change in net position	<u>631,246</u>	<u>148,769</u>
Net position, beginning of year, as restated	<u>24,945,674</u>	<u>24,796,905</u>
Net position, end of year	<u>\$ 25,576,920</u>	<u>\$ 24,945,674</u>

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

**Operating Revenues and Expenses**

Operating revenues remained relatively the same with a slight increase from the previous year, while operating expenses increased by \$155 thousand or 1.8%. This increase in operating expenses was primarily the result of maintenance and operation of housing projects. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled \$908,053 and \$922,822 for the fiscal years ended June 30, 2016 and 2015, respectively.

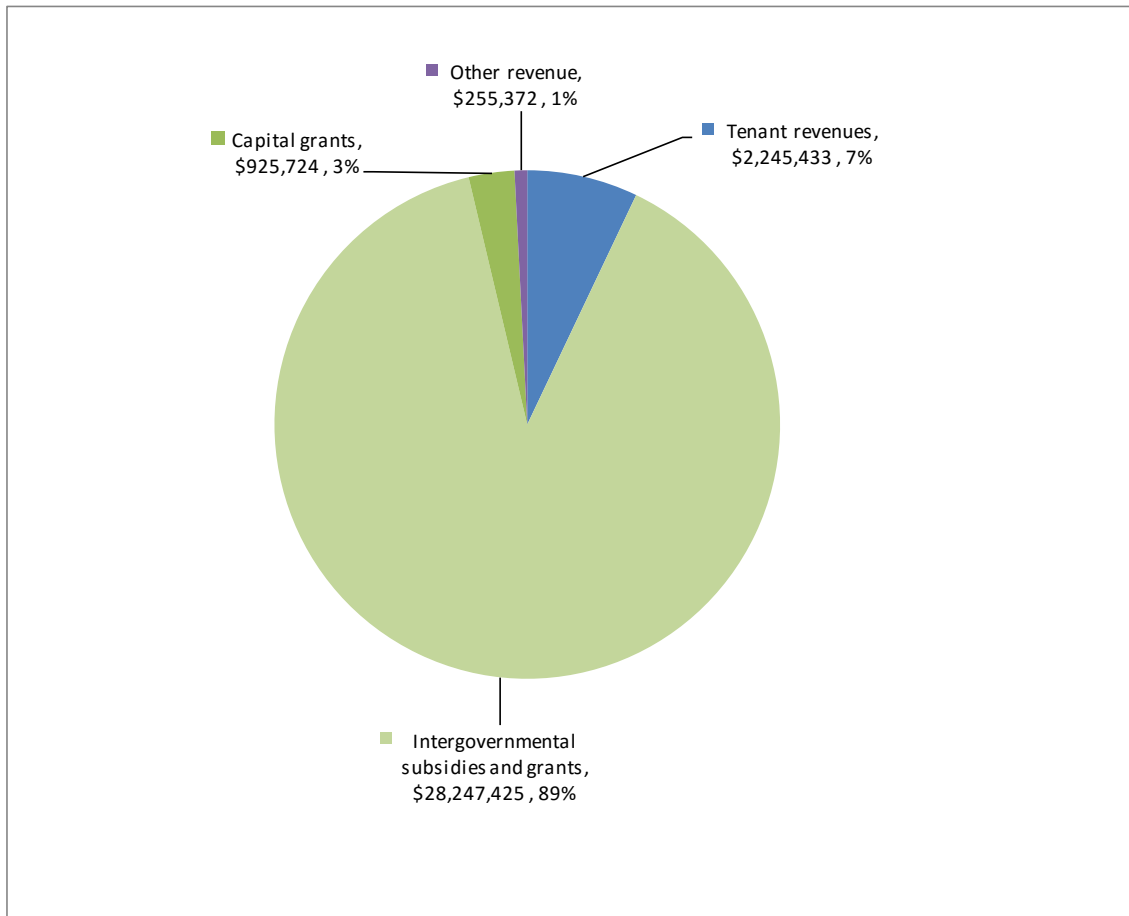
**Nonoperating Revenues, Expenses and Changes in Net Position**

Nonoperating revenues mainly consist of operating and capital grants totaling \$29.4 million. Nonoperating expenses mainly consist of housing assistance payments totaling \$22.2 million. FY 2016 had an overall increase in net position of \$631 thousand as compared to a \$149 thousand increase in FY 2015.

AHA restated its beginning net position in FY 2016 as a result of the implementation of GASB Statement No. 82.

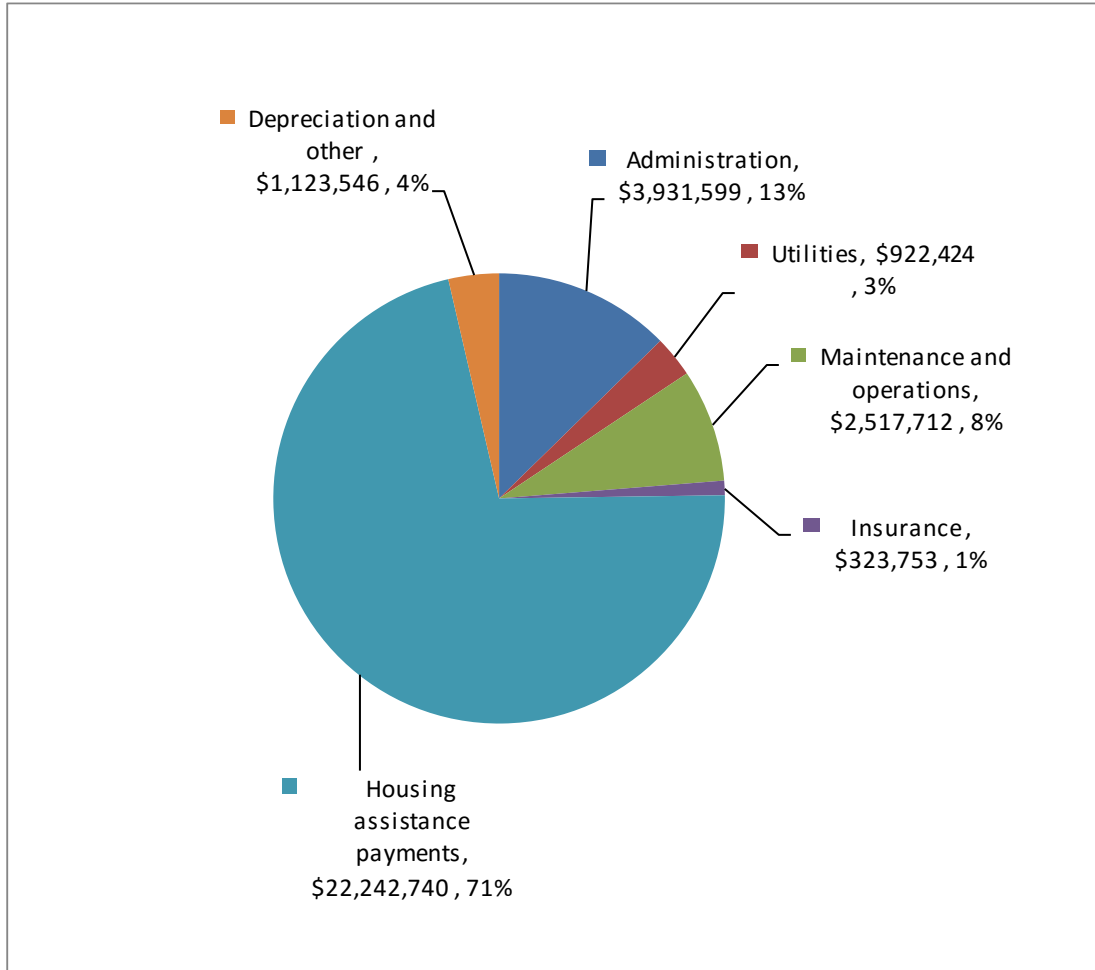
AHA restated its beginning net position in FY 2015 as a result of errors identified on prior year reported amounts, as well as due to the implementation of GASB Statement No. 68. The total amount of this restatement was to decrease beginning net position by \$3.6 million.

The following graph shows the different sources and amounts of revenues for the fiscal year ending June 30, 2016:



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

The following graph shows the different types and amounts of expenses for the fiscal year ending June 30, 2016:



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Net Capital Assets***

At the end of FY 2016, AHA had \$9,798,940, net of depreciation, invested in a broad range of capital assets including land, buildings, machinery, equipment, vehicles, and construction in progress. Additional information on AHA’s capital assets can be found in the notes to the financial statements.

***Long-Term Obligations***

At June 30, 2016, AHA had a non-interest repayment agreement with HUD in the amount of \$169,035. This amount is payable in quarterly payments of \$5,282. Additional information on AHA’s loan liability can be found in notes to the financial statements.



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Albuquerque rental market is experiencing increased rents and occupancy levels. As a result, it is more difficult for clients that hold housing choice vouchers to find units. These market conditions are impacting the utilization of vouchers, while the wait for AHA services (vouchers and public housing) remains, AHA has made great strides in reducing the time period for receiving services. AHA is only able to serve a small portion of the population that is eligible for our services due to limited funding. Additionally proration and budget concerns at the federal level continue to impact housing authorities. As a result of these factors, AHA needs to focus on how to bring in new resources to help address the gap of affordable housing options in Albuquerque.

In following our strategic plans, AHA has developed a five year capital plan and housing development plan that utilized information from an energy audit and property needs assessment that was conducted on all public housing units. The housing development plan is intended to provide a general framework for decision making and help to set budgets, appropriate funding and set priorities to address the needs of AHA's housing stock.

**Energy Performance Contract**—AHA completed an energy audit of the properties and compiled data for the last three years to establish a benchmark to measure future consumption. The EPC (energy performance contract) has been designed and implemented in the upcoming fiscal year. AHA will launch the new EPC program which will reduce energy and water consumption, and include alternative energy for some of our senior and disabled housing to reduce the cost of utility services. This includes capital improvements such as new roofs, solar panels and replacement of a 40 year old boiler system. The new EPC program will be self-administered and will allow AHA to seek further opportunities with new technology in energy savings and conserving utility consumption.

**Development Housing Plan**—AHA has created a housing plan to guide real estate activities, including making determinations on disposition and redevelopment of assets. This plan will set priorities to guide future budgets, in addition to identifying other resources to address the needs of our own housing communities. AHA will be seeking to improve existing housing and also add more units. New development opportunities will provide both additional revenues as well as help minimize the wait for affordable housing assistance.

**Tax Credits**—Low Income Housing Tax Credits (LIHTC) were awarded to AHA by the Mortgage Finance Authority (MFA). The award is for the acquisition and rehabilitation of the Rio Vista Apartments. This funding will preserve and improve much needed affordable housing for seniors and disabled residents.

**BUDGET**

The operating budgets for AHA's 2016-2017 fiscal year were approved by the Board of Housing Commissioners on June 22, 2016, and became effective July 1, 2016. The budget for Central Office Cost Center is balanced, while the budgets for Public Housing and Housing Choice Voucher programs show a deficit that is covered by reserves available for each of those programs. Combined, the estimated revenues are \$35 million, with these funds being used primarily for HCV payments to landlords, public housing operations, salaries and benefits, upgrades, repairs and maintenance of AHA's housing communities, as well as other operating costs.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016 AND 2015**

AHA's goal remains to continue to provide housing to the approximately 5,100 households served through its two core housing programs: Housing Choice Voucher (HCV) and Public Housing. In fiscal year 2017, AHA looks forward to expanding services to our clients; significantly enhancing property management and housing operations; implementing additional efficiencies across AHA; continue providing training and other opportunities for employees for job enhancement and growth; diversifying revenue sources and funding; and implementing a housing plan to improve and expand our housing stock.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, tenants, investors, and creditors with a general overview of AHA's finances and to demonstrate AHA's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Albuquerque Housing Authority**  
Attn: Barbara D'Onofrio  
Director of Finance and Accounting  
1840 University Blvd. S.E.  
Albuquerque, NM 87106

## **Basic Financial Statements**

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash and cash equivalents - unrestricted	\$ 9,676,779	\$ 9,674,091
Grants and accounts receivable, net of allowance for uncollectable accounts	248,025	140,429
Prepaid expenses	105,140	104,061
Inventories of supplies	161,968	156,924
Total current assets	<u>10,191,912</u>	<u>10,075,505</u>
<b>Noncurrent assets</b>		
Restricted assets		
Cash and cash equivalents	9,128,188	8,878,191
Cash - tenant security deposits	221,621	220,910
Total restricted assets	<u>9,349,809</u>	<u>9,099,101</u>
Capital assets		
Nondepreciable	4,035,587	3,770,389
Depreciable, net of accumulated depreciation	5,763,353	6,143,743
Total capital assets, net of accumulated depreciation	<u>9,798,940</u>	<u>9,914,132</u>
Total noncurrent assets	<u>19,148,749</u>	<u>19,013,233</u>
Total assets	<u>29,340,661</u>	<u>29,088,738</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Amounts related to pensions	<u>243,845</u>	<u>178,353</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 29,584,506</u>	<u>\$ 29,267,091</u>

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENTS OF NET POSITION — CONTINUED**  
**JUNE 30, 2016 AND 2015**

<b>LIABILITIES</b>	<u>2016</u>	<u>2015</u>
<b>Current liabilities</b>		
Accounts payable	\$ 216,600	\$ 179,833
Accrued payroll	56,282	154,923
Accrued vacation and sick leave pay, current portion	67,949	74,972
Due to other governments	-	68,640
Other liabilities	325,484	252,520
Payable from restricted assets		
HUD payable, current portion	<u>21,129</u>	<u>21,129</u>
Total current liabilities	<u>687,444</u>	<u>752,017</u>
<b>Noncurrent liabilities</b>		
Payable from restricted assets		
Tenant security deposits	221,621	220,910
HUD payable, excluding current portion	147,906	169,036
Net pension liability	2,300,187	2,235,616
Accrued vacation and sick leave pay, excluding current portion	<u>85,715</u>	<u>67,691</u>
Total noncurrent liabilities	<u>2,755,429</u>	<u>2,693,253</u>
Total liabilities	<u>3,442,873</u>	<u>3,445,270</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Amounts related to pensions	<u>564,713</u>	<u>876,147</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>4,007,586</u>	<u>4,321,417</u>
<b>NET POSITION</b>		
Net investment in capital assets	9,629,905	9,893,003
Restricted for housing projects	<u>15,947,015</u>	<u>15,052,671</u>
<b>TOTAL NET POSITION</b>	<u>\$ 25,576,920</u>	<u>\$ 24,945,674</u>

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES OF NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Tenant revenues	\$ <u>2,245,433</u>	\$ 2,155,941
Total operating revenues	<u>2,245,433</u>	<u>2,155,941</u>
<b>OPERATING EXPENSES</b>		
Administration	3,931,599	4,345,872
Utilities	922,424	913,030
Maintenance and operations	2,517,712	2,122,063
Insurance	323,753	258,867
Depreciation	908,053	922,822
Other	<u>215,493</u>	<u>101,065</u>
Total operating expenses	<u>8,819,034</u>	<u>8,663,719</u>
Operating loss	<u>(6,573,601)</u>	<u>(6,507,778)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental subsidies and grants	28,247,425	25,943,480
Capital grants	925,724	2,211,557
Interest on investments	19,066	9,748
Housing assistance payments	(22,242,740)	(21,658,048)
Interest expense	-	(1,545)
Other	<u>255,372</u>	<u>151,355</u>
Total nonoperating revenues, net	<u>7,204,847</u>	<u>6,656,547</u>
Change in net position	<u>631,246</u>	<u>148,769</u>
Net position, beginning of year	25,197,743	28,369,144
Adjustment to beginning net position (note II. H.)	<u>(252,069)</u>	<u>(3,572,239)</u>
Net position, beginning of year, as restated	<u>24,945,674</u>	<u>24,796,905</u>
Net position, end of year	<u>\$ 25,576,920</u>	<u>\$ 24,945,674</u>

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,241,514	\$ 2,197,177
Cash paid to employees for services	(3,469,125)	(3,007,669)
Cash paid to suppliers and others	(4,806,883)	(5,804,996)
Net cash used by operating activities	(6,034,494)	(6,615,488)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies and grants received	28,144,459	25,918,851
Housing assistance payments	(22,222,848)	(21,658,048)
Payments made on HUD payable	(21,130)	(21,129)
Other revenue	255,372	151,355
Net cash provided by noncapital financing activities	6,155,853	4,391,029
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants received	925,724	2,211,557
Principal paid on capital leases	-	(85,051)
Interest paid on capital leases	-	(1,545)
Acquisition and construction of capital assets	(812,753)	(1,790,877)
Net cash provided by capital and related financing activities	112,971	334,084
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	19,066	9,748
Net cash provided by investing activities	19,066	9,748
Net increase (decrease) in cash and cash equivalents	253,396	(1,880,627)
Cash and cash equivalents, beginning of year	18,773,192	20,653,819
<b>Cash and cash equivalents, end of year</b>	<b>19,026,588</b>	<b>18,773,192</b>
<b>Cash and cash equivalents are comprised of the following</b>		
Cash and cash equivalents - unrestricted	9,676,779	9,674,091
Cash and cash equivalents - restricted	9,128,188	8,878,191
Cash - tenant security deposits	221,621	220,910
	<b>\$ 19,026,588</b>	<b>\$ 18,773,192</b>

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENTS OF CASH FLOWS — CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of operating loss to net cash used by operating activities</b>		
Operating loss	<u>\$ (6,573,601)</u>	<u>\$ (6,507,778)</u>
<b>Adjustments to reconcile operating loss to net cash used by operating activities</b>		
Depreciation	<b>908,053</b>	922,822
Change in assets and liabilities		
Accounts receivable	<b>(4,630)</b>	25,830
Prepaid expenses	<b>(1,079)</b>	(88,834)
Inventories of supplies	<b>(5,044)</b>	41,896
Accounts payable	<b>36,767</b>	(32,958)
Accrued payroll, vacation and sick leave pay	<b>(87,640)</b>	148,506
Due to other governments	-	(1,305,402)
Other liabilities	<b>4,324</b>	-
Net pension liability	<b>(312,355)</b>	165,024
Tenant security deposits	<u><b>711</b></u>	<u>15,406</u>
<b>Total adjustments</b>	<u><b>539,107</b></u>	<u>(107,710)</u>
<b>Net cash used by operating activities</b>	<u><b>\$ (6,034,494)</b></u>	<u><b>\$ (6,615,488)</b></u>

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



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

Albuquerque Housing Authority (AHA), a component unit of the City of Albuquerque, New Mexico (the "City"), is a separate public body-corporate that contracts with the U.S. Department of Housing and Urban Development (HUD) to provide affordable public housing (PH), housing choice voucher (HCV) assistance payments, and federal housing program oversight. AHA is funded by a combination of public housing tenant revenues, and U.S Department of Housing and Urban Development grants. AHA is responsible for its own debts, has its own powers of operation and relies on a variety of revenue streams, for its income.

AHA was established in 1967 as a department of the City. Enacted by the City Council, a Board of Housing Commissioners was established to govern AHA on July 1, 2011. As of July 1, 2014, AHA became a public body-corporate and is recognized as a quasi-governmental agency. For financial reporting purposes, AHA is considered a component unit of the City. As such, the financial condition and results of operations of AHA are included in the City's financial statements.

**B. Basis of presentation**

AHA's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related statements, and are comprised of three components: *Management's Discussion and Analysis, Basic Financial Statements, and Supplementary Information*. AHA follows GASB pronouncements as codified under GASB 62.

The financial statements comply with the provisions of GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all the organization's activities and functions for which AHA is financially accountable. Determination of financial accountability includes, among other factors, appointment of a voting majority of the component's governing body and (1) ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, AHA. Based on the preceding criteria, the accompanying financial statements do not include the financial activities of any entity other than AHA.

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

AHA's activity is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. 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.

AHA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with AHA'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 nonoperating revenues or expenses. These include federal housing grants, investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**D. Assets, liabilities, and net position**

**1. Cash and cash equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and held by banks in demand deposits and savings accounts. All pooled cash and investments (including restricted assets) are also 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. Nonpooled investments with original maturities of three months or more are deducted from cash and cash equivalents and changes therein are reported as cash flows from investing activities.

**2. Investments**

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. According to 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 Auditor's Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditor's 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 AHA's policy:

- a) Direct obligations of the federal government backed by the full faith and credit of the United States
- b) Obligations of federal government agencies
- c) Securities of government sponsored agencies
- d) Mutual funds
- e) Repurchase agreements
- f) Demand, time and money market deposit accounts.

**3. Receivables**

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

**4. Restricted assets**

Restricted assets arise principally from advanced grant funding, tenant security deposits and investments.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**5. Inventories of supplies**

Inventories of supplies are valued at average cost and recorded as an expense when inventory items are consumed. Inventory consists primarily of appliances and materials for the Public Housing Program, such as refrigerators and toilets.

**6. Capital assets**

Capital assets are stated at historical 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 capital assets costing in excess of \$5,000. 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

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

Subject to specific limits, employees accumulate vacation pay that is payable upon termination or retirement. Vacation costs are recognized as a liability when incurred. Employees also accumulate specified amounts of sick leave that are payable to the employee upon retirement. Accumulated sick leave pay is recognized when vested or taken, whichever occurs first.

**8. Defined benefit pension plan**

AHA is an affiliated public employer with the State of New Mexico Public Employees Retirement Association (PERA) for purposes of providing AHA employees with the benefits of a retirement program. Employees participate in a defined benefit plan offered by PERA. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The June 30, 2015 PERA report included balances when AHA was a department with the City. The pension amounts reported by AHA at June 30, 2015, were based on the City's actuarial amounts and study due to the integrated reporting by PERA and the City. The June 30, 2016 pension amounts reflect AHA's individual pension costs and balances separate from the City.

**9. Unearned revenue**

Unearned revenue is reported as 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, 2016 and 2015.

**10. Long-term liabilities**

Long-term liabilities used to finance AHA's capital acquisitions are recorded in the statement of net position. Revenues earned by AHA are used to liquidate these obligations.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

## **11. Net position**

Net position is reported in three categories:

- **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 AHA’s policy to use restricted resources first and then unrestricted resources as they are needed.
- **Unrestricted net position**—This category reflects net position not restricted for any project or other purpose.

## **12. 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.

## **13. New accounting standards**

AHA adopted the following new accounting standards in 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*; requires fair value measurement for certain investments not previously measured at fair value and establishes a hierarchy of input to valuation techniques used in measure fair value: Level 1 – quoted prices in active markets, Level 2 – observable inputs other than those within Level 1, and Level 3 – unobservable inputs of inputs.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; modifies the hierarchy of authoritative standards for accounting and reporting on governmental entities. It establishes 2 tiers of standards: Tier 1 — GASB statements and Tier 2 — GASB technical bulletins and implementation guides and AICPA guidance that has been cleared by the GASB.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; addresses accounting and financial reporting for certain external investment pools and pool participants.
- GASB Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73*; and improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

AHA adopted the following new accounting standards in 2015:

- GASB Statement No. 68, *Accounting and Financial Reporting for pensions — an amendment of GASB Statement No. 21* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*. These statements change how obligations and annual costs associated with pension benefits are measured and reported in the financial statements.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

The adoption of these statements required AHA to recognize a net pension liability for its participation in a defined benefit retirement plan. The net pension liability represents the difference between the total pension liability and the value of pension plan assets available to pay pension benefits. The cumulative effect of this accounting change resulted in a decrease of \$2,768,386 to the beginning net position on July 1, 2014.

**14. Future accounting standards**

The GASB has issued several statement which have not yet been implemented by AHA. The statements which may have a future impact on AHA are as follows:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; is effective for the year beginning after June 30, 2017 and requires the recognition of a liability for obligations incurred under postemployment benefit plans.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units An Amendment of GASB Statement No. 14*; is effective for the year beginning after June 15, 2016 and improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

**15. Budgets**

An annual budget, which is not legally adopted, 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. An annual submission of AHA board resolution approving the operating budget is submitted to the local HUD office with form HUD-52574. Fiscal year 2015 had one adopted budget amendment that applied to all AHA programs (e.g. Public Housing, Housing Choice Vouchers for rental assistance, and Central Office Cost Center (COCC)). There were no amendments in fiscal year 2016.

**II. DETAILED NOTES**

**A. Cash, cash equivalents, and tenant security deposits**

AHA has adopted a formal Investment Policy that outlines its investment practices and policies. The primary purpose of the policy is to ensure safety of principal while managing liquidity to pay AHA's financial obligations. AHA's deposit policy is to have its deposits covered by insurance, collateralized or deposited in well capitalized institutions.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

The total cash, cash equivalents, and tenant security deposits at June 30, 2016 and 2015, consist of the following (in thousands of dollars):

**CASH AND CASH EQUIVALENTS**

	2016	2015
<u>Deposits</u>		
Bank accounts at book balances	\$ 10,721	\$ 10,487
Tenant deposits	222	221
Total deposits	10,943	10,708
Local government investment pool	8,084	8,065
<b>Total cash, cash equivalents, and tenant security deposits</b>	<b>\$ 19,027</b>	<b>\$ 18,773</b>
 <u>As reported in the statement of net position</u>		
Cash and cash equivalents - unrestricted	\$ 9,677	\$ 9,674
Cash and cash equivalents - restricted	9,128	8,878
Cash - tenant security deposits	222	221
<b>Total cash, cash equivalents, and tenant security deposits</b>	<b>\$ 19,027</b>	<b>\$ 18,773</b>

Custodial credit risk – Deposits—Custodial credit risk for deposits is the risk that in the event of a bank failure, AHA’s funds may not be returned to it. AHA 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). Amounts in excess of FDIC limitations are collateralized. As of June 30, 2016 and 2015, the carrying amount of bank deposits were \$10,942,379 and \$10,708,049, respectively; the bank balances were \$11,019,263 and \$10,970,483, respectively. Of the bank balances, \$500,000 and \$250,000 were covered by federal depository insurance and \$10,519,263 and \$10,559,100 were collateralized by securities held by a third party bank at June 30, 2016 and 2015, respectively. At June 30, 2015, \$161,383 was uninsured and uncollateralized. As of June 30, 2016, the bank balances were fully collateralized.

Custodial credit risk – Investments—Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, AHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. AHA’s investment policy requires that all security transactions, including collateral for repurchase agreements, entered into shall be conducted on a delivery-versus-payment basis. AHA’s investment in the Local Government Investment Pool (LGIP) represents a proportionate interest in the LGIP’s portfolio. AHA’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 obligation, AHA will not be able to recover the value of its principle. As a rule, AHA’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. AHA 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 allocation evaluation, these guidelines are reviewed periodically, considering the

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

probability of market and default risk in various investment sectors. The investment policy describes permitted investments as those allowed according to Section 6-10-10 NMSA. 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) NMSA 1978. The LGIP is rated AAAM by Standard and Poors.

**Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of AHA’s investments. AHA’s investment policy limits its 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 nondiscretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase. The LGIP maintains 99% of its holdings as investment grade (A-1 or AAA) or better, a weighted average maturity specific to the WAM (R) of 44 days, and WAM(F) of 77 days.

**B. Capital assets**

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Assets not being depreciated</b>				
Land	\$ 3,767,389	\$ -	\$ -	\$ 3,767,389
Construction work-in-progress	3,000	812,753	(547,555)	268,198
<b>Total assets, not being depreciated</b>	<b><u>3,770,389</u></b>	<b><u>812,753</u></b>	<b><u>(547,555)</u></b>	<b><u>4,035,587</u></b>
<b>Assets being depreciated</b>				
Buildings and improvements	56,570,799	-	547,555	57,118,354
Machinery and equipment	1,655,682	-	(26,784)	1,628,898
<b>Total assets, being depreciated</b>	<b><u>58,226,481</u></b>	<b><u>-</u></b>	<b><u>520,771</u></b>	<b><u>58,747,252</u></b>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	50,589,814	731,115	-	51,320,929
Machinery and equipment	1,492,924	176,938	(6,892)	1,662,970
<b>Total accumulated depreciation</b>	<b><u>52,082,738</u></b>	<b><u>908,053</u></b>	<b><u>(6,892)</u></b>	<b><u>52,983,899</u></b>
Capital assets being depreciated, net	<u>6,143,743</u>	<u>(908,053)</u>	<u>527,663</u>	<u>5,763,353</u>
<b>Total capital assets, net</b>	<b><u>\$ 9,914,132</u></b>	<b><u>\$ (95,300)</u></b>	<b><u>\$ (19,892)</u></b>	<b><u>\$ 9,798,940</u></b>

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Assets not being depreciated</b>				
Land	\$ 3,767,389	\$ -	\$ -	\$ 3,767,389
Construction work-in-progress	-	3,000	-	3,000
<b>Total assets, not being depreciated</b>	<b><u>3,767,389</u></b>	<b><u>3,000</u></b>	<b><u>-</u></b>	<b><u>3,770,389</u></b>
<b>Assets being depreciated</b>				
Buildings and improvements	54,782,922	1,787,877	-	56,570,799
Machinery and equipment	1,671,328	-	(15,646)	1,655,682
<b>Total assets, being depreciated</b>	<b><u>56,454,250</u></b>	<b><u>1,787,877</u></b>	<b><u>(15,646)</u></b>	<b><u>58,226,481</u></b>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	49,724,270	865,544	-	50,589,814
Machinery and equipment	1,451,292	57,278	(15,646)	1,492,924
<b>Total accumulated depreciation</b>	<b><u>51,175,562</u></b>	<b><u>922,822</u></b>	<b><u>(15,646)</u></b>	<b><u>52,082,738</u></b>
Capital assets being depreciated, net	5,278,688	865,055	-	6,143,743
<b>Total capital assets, net</b>	<b><u>\$ 9,046,077</u></b>	<b><u>\$ 868,055</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,914,132</u></b>

In fiscal year 2015, Management determined that \$2,416,494 in capital assets previously reported as construction work-in-progress should have been placed in service in prior years. Therefore, AHA corrected this error by transferring these assets to building and improvements, machinery and equipment, and calculated depreciation related to prior years. This correction resulted in the restatement of building and improvements, accumulated depreciation and net position.

**C. Long-term obligations**

The change in long-term obligations for the year ended June 30, 2016, is as follows:

	Outstanding			June 30, 2016	Amount due within one year
	July 1, 2015	Increase	Decrease		
Tenant security deposits (including pet deposits)	\$ 220,910	\$ 54,931	\$ 54,220	\$ 221,621	\$ -
HUD payable	190,165	-	21,130	169,035	21,129
Accrued Vacation and sick leave pay	142,663	64,207	53,206	153,664	67,949
	<b><u>\$ 553,738</u></b>	<b><u>\$ 119,138</u></b>	<b><u>\$ 128,556</u></b>	<b><u>\$ 544,320</u></b>	<b><u>\$ 89,078</u></b>



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

The change in long-term obligations for the year ended June 30, 2015, is as follows:

	Outstanding			June 30, 2015	Amount due within one year
	July 1, 2014	Increase	Decrease		
Capital lease	\$ 85,051	\$ -	\$ 85,051	\$ -	\$ -
Tenant security deposits (including pet deposits)	205,504	52,342	36,936	220,910	-
HUD payable	211,294	-	21,129	190,165	21,129
Accrued vacation and sick leave pay	149,080	219,713	226,130	142,663	74,972
	<u>\$ 650,929</u>	<u>\$ 272,055</u>	<u>\$ 369,246</u>	<u>\$ 553,738</u>	<u>\$ 96,101</u>

On June 25, 2014, AHA 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 procurement requirements. The balances outstanding at June 30, 2016 and 2015 were \$169,035 and \$190,165, respectively.

According to the agreement, the annual debt service requirements are as follows:

Year ending June 30,	
2017	\$ 21,129
2018	21,129
2019	21,129
2020	21,129
2021	21,129
2022-2024	63,390
Total	<u>\$ 169,035</u>

**D. Defined benefit pension plan**

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

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

AHA employees contributed to PERA as a part of the Municipal General Member Coverage Plan 3. The contribution rates for Municipal Plan 3 as of July 1, 2013 are for the employee 13.15% (if annual salary of \$20,000 or less) or 14.65% (if annual salary greater than \$20,000), and the employer contribution percentage is 9.55%.

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial for the fiscal year ended June 30, 2014 and 2015 available at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf) [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

*Contributions.* The contribution requirement of defined benefit plan members and AHA are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 2015 and FY 2014 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY 2014 annual audit report and pages 31 through 32 of the FY 2015 annual audit report at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf) [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

The PERA coverage options that apply specifically to AHA are the Municipal General Division. Statutorily required contributions to the pension plan from AHA for the year ending June 30, 2016 and 2015, was \$243,845 and \$178,353, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014 and 2013. The PERA pension liability amounts for each division were rolled forward for the valuation date to the Plan year ending June 30, 2015 and 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as the measurement dates of June 30, 2015 and 2014.

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

For PERA Municipal General Division, at June 30, 2016 and 2015, AHA reported a liability of \$2,300,187 and \$2,235,616, respectively, for its proportionate share of the net pension liability. At June 30, 2015 and 2014, AHA's proportion was 0.23 and 0.29 percent.

For the year ended June 30, 2016 and 2015, AHA recognized PERA Municipal General Division pension benefit of \$320,576 and pension expense of \$343,374, respectively.

At June 30, 2016, AHA reported PERA Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 50,950
Change in assumptions	-	896
Net difference between projected and actual earnings on pension plan investments	-	7,276
Changes in proportion and differences between AHA contributions and proportionate share of contributions	-	505,591
AHA contributions subsequent to the measurement date	243,845	-
Total	<u>\$ 243,845</u>	<u>\$ 564,713</u>

At June 30, 2015, AHA reported PERA Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	1,515
Net difference between projected and actual earnings on pension plan investments	-	874,632
Changes in proportion and differences between AHA contributions and proportionate share of contributions	-	-
AHA contributions subsequent to the measurement date	178,353	-
Total	<u>\$ 178,353</u>	<u>\$ 876,147</u>

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

\$243,845 and \$178,353 reported as deferred outflows of resources related to pensions resulting from AHA contributions subsequent to the measurement dates June 30, 2015 and 2014, respectively, will be recognized as a reduction of the net pension liability in fiscal year 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	<b>2016</b>	2015
Year ending June 30,		
2016	\$ -	\$ 218,992
2017	<b>217,453</b>	218,992
2018	<b>217,453</b>	218,992
2019	<b>217,453</b>	218,992
2020	<b>(87,645)</b>	179

*Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 and 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation dated to the Plan years ending June 30, 2015 and 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015 and 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 and 2014 actuarial valuation.

Actuarial Methods

Actuarial valuation dates	June 30, 2014 and 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value

Actuarial Assumptions

Investment rate of return	7.75% annual rate, net of investment
Payroll Growth	3.5% annual rate
Projected salary increases	3.5% to 14.25% annual rate
Inflation assumption	3.00% annual rate

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

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

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

*Sensitivity of AHA's proportionate share of the net pension liability to changes in the discount rate.* The following presents AHA's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what AHA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.75 percent) or 1-percent higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
AHA's proportionate share of the net pension liability, at June 30, 2016	\$ 3,916,307	\$ 2,300,187	\$ 956,494
AHA's proportionate share of the net pension liability, at June 30, 2015	4,213,824	2,235,616	706,589

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 2014 Restated and FY 2015 PERA Financial Reports. The report is available at <http://www.pera.state.nm.us/publications.html>.

*Payables to the pension plan.* There were no liabilities due to PERA of June 30, 2016 and 2015.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**E. Post-employment benefits**

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

***Post-Employment Life Insurance Benefits***

*Plan Description.* AHA's Life Insurance Benefit Plan (Plan) is administered through The Hartford Financial Services Group, Inc. Upon retirement with AHA, an employee will continue to be covered by AHA'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 \$5,000. One retired employee was covered under the life insurance benefit at June 30, 2015 with the amount of life insurance coverage of \$5,000. At June 30, 2016, two retired employees were covered under the life insurance benefit with the total amount of life insurance coverage of \$10,000.

*Funding Policy.* AHA's funding practice has been to only contribute the amount required to pay retiree life insurance premiums for the year. Since AHA management considers the current OPEB liability for this particular benefit to be immaterial, the actuary advised waiting until the third year of implementation for the actuarial valuation, which would be in fiscal year ending 2018. AHA's contribution responsibility for the year ending June 30, 2016 and 2015, was \$926 and \$8, respectively.

***Retiree Health Care Act Contributions***

*Plan Description.* AHA 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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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 <https://www.nmrhca.state.nm.us>.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal years ended June 30, 2016 and 2015, the statutes 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. For employees that were not members of an enhanced retirement plan during the fiscal years ended June 30, 2016 and 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

AHA's contributions to the RHCA for the year ended June 30, 2016 and 2015, were \$51,299 and \$40,304, respectively. Contributions from AHA equal the required contributions for each year.

#### **F. Risk management**

AHA is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; workers' compensation losses; errors and omissions; and natural disasters. AHA covers these risks through the purchase of commercial insurance. Settlement amounts have not exceeded insurance coverage except for deductibles since AHA separated from the City on July 1, 2014.

#### **G. Commitments and contingencies**

##### ***Federal and State Grant Commitments***

AHA has received a number of Federal 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, AHA management believes that such discrepancies, if any, will not be material.

##### ***Contingent Liabilities***

In the normal course of business, AHA is subject to certain contingent liabilities and un-asserted claims. These contingencies are evaluated in light of asserted claims being probable and estimable. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued.

**H. Recognition of Prior-Period Adjustment**

During 2016, AHA implemented the Governmental Accounting Standards Board (GASB) Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73. The implementation of the new accounting standards required an adjustment to deferred outflows of resources and pension expense in 2015. The 2016 beginning net position has been restated for the change in accounting principles as follows:

Beginning net position, as of July 1, 2015	\$ 25,197,743
Change in accounting principal, GASB 82	<u>(252,069)</u>
Restated net position, as of July 1, 2015	<u>\$ 24,945,674</u>

AHA identified errors related to the reporting of construction work-in-progress and transfers in from the City. Prior-period adjustments were needed in 2015 to correct construction work-in-progress, accumulated depreciation, due to other funds and net position. Additionally, AHA implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The implementation of the new accounting standards required an adjustment to the beginning deferred outflows of resources, net pension liability, deferred inflows of resources and net position. The 2015 beginning net position has been restated for these errors and change in accounting principles as follows:

Beginning net position, as of July 1, 2014	\$ 28,369,144
Change in accounting principal, GASB 68	(2,768,386)
Adjustment to capital assets and accumulated depreciation	(453,853)
Adjustment to due to other funds	<u>(350,000)</u>
Restated net position, as of July 1, 2014	<u>\$ 24,796,905</u>



**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF THE HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET**  
**PENSION LIABILITY OF PERA MUNICIPAL GENERAL DIVISION**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**  
**LAST 10 FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>
AHA's proportion of the net pension liability	<b>0.23%</b>	0.29%
AHA's proportionate share of the net pension liability	<b>\$2,300,187</b>	\$2,235,616
AHA's covered-employee payroll	<b>\$2,553,351</b>	\$1,867,571
AHA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>90.09%</b>	119.71%
Plan fiduciary net position as a percentage of the total pension liability	<b>76.99%</b>	81.29%

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

See notes to required supplementary information.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF THE HOUSING AUTHORITY'S CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**  
**PERA MUNICIPAL GENERAL DIVISION**  
**LAST 10 FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 243,845	\$ 178,353
Contributions in relation to the contractually required contribution	<u>243,845</u>	<u>178,353</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
AHA's covered-employee payroll	\$ 2,553,351	\$ 1,867,571
Contributions as a percentage of covered-employee payroll	9.55%	9.55%

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

See notes to required supplementary information.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

*Changes of benefit terms.* The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 15 and FY14 audits available at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf).  
[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf).

*Changes of assumptions.* The public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report are available at [http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2014-PERA-Valuation-Report\\_FINAL.pdf](http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2014-PERA-Valuation-Report_FINAL.pdf)

The summary of Key Findings for the PERA Fund (on page 2 of the reports) state “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million in Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

**FINANCIAL DATA SCHEDULE**

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2016**

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy
111	Cash - unrestricted	\$ 4,830,434	\$ 4,610,485	\$ 68,352
113	Cash - other restricted	38,604	999,723	-
114	Cash - tenant security deposits	221,621	-	-
100	Total cash	<u>5,090,659</u>	<u>5,610,208</u>	<u>68,352</u>
122	Accounts receivable - HUD other projects	-	-	-
126	Accounts receivable - tenants	25,125	-	-
126.1	Allowance for doubtful accounts - tenants	(10,513)	-	-
128	Fraud recovery	-	42,070	-
128.1	Allowance for doubtful accounts - fraud	-	(23,370)	-
120	Total receivables, net of allowances for doubtful accounts	<u>14,612</u>	<u>18,700</u>	<u>-</u>
132	Investments - restricted	-	-	-
142	Prepaid expenses and other assets	-	-	-
143	Inventories	-	-	-
144	Inter program due from	-	12,234	-
150	Total current assets	<u>5,105,271</u>	<u>5,641,142</u>	<u>68,352</u>
161	Land	3,767,389	-	-
162	Buildings	54,321,018	-	-
164	Furniture, equipment and machinery - administration	728,182	192,120	-
166	Accumulated depreciation	(49,758,766)	(192,120)	-
167	Construction in progress	268,198	-	-
160	Total capital assets, net of accumulated depreciation	<u>9,326,021</u>	<u>-</u>	<u>-</u>
180	Total noncurrent assets	<u>9,326,021</u>	<u>-</u>	<u>-</u>
190	Total assets	<u>14,431,292</u>	<u>5,641,142</u>	<u>68,352</u>
200	Deferred outflows of resources	71,288	67,131	-
290	Total assets and deferred outflows of resources	<u>14,502,580</u>	<u>5,708,273</u>	<u>68,352</u>
312	Accounts payable <= 90 days	-	-	-
321	Accrued wage/payroll taxes payable	19,694	15,420	-
322	Accrued compensated absences - current portion	19,489	12,784	-
341	Tenant security deposits	221,621	-	-
345	Other current liabilities	38,644	102,539	-
346	Accrued liabilities - other	18,057	81,280	-
347	Inter program - due to	392,626	159,153	6,117
348	Loan liability - current	-	-	-
310	Total current liabilities	<u>710,131</u>	<u>371,176</u>	<u>6,117</u>

	14.856 Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total	
14.879 Housing Choice Voucher 5-year Mainstream	\$ 73,038	\$ 29,686	\$ 64,784	\$ 9,676,779	\$ -	\$ 9,676,779
	5,652	-	-	1,043,979	-	1,043,979
	-	-	-	221,621	-	221,621
	<u>78,690</u>	<u>29,686</u>	<u>64,784</u>	<u>10,942,379</u>	<u>-</u>	<u>10,942,379</u>
	-	-	214,713	214,713	-	214,713
	-	-	-	25,125	-	25,125
	-	-	-	(10,513)	-	(10,513)
	-	-	-	42,070	-	42,070
	-	-	-	(23,370)	-	(23,370)
	-	-	214,713	248,025	-	248,025
	-	-	8,084,209	8,084,209	-	8,084,209
	-	-	105,140	105,140	-	105,140
	-	-	161,968	161,968	-	161,968
	-	-	551,779	564,013	(564,013)	-
	<u>78,690</u>	<u>29,686</u>	<u>9,182,593</u>	<u>20,105,734</u>	<u>(564,013)</u>	<u>19,541,721</u>
	-	-	-	3,767,389	-	3,767,389
	-	-	2,797,336	57,118,354	-	57,118,354
	-	-	708,596	1,628,898	-	1,628,898
	-	-	(3,033,013)	(52,983,899)	-	(52,983,899)
	-	-	-	268,198	-	268,198
	-	-	472,919	9,798,940	-	9,798,940
	-	-	472,919	9,798,940	-	9,798,940
	<u>78,690</u>	<u>29,686</u>	<u>9,655,512</u>	<u>29,904,674</u>	<u>(564,013)</u>	<u>29,340,661</u>
	-	-	105,426	243,845	-	243,845
	<u>78,690</u>	<u>29,686</u>	<u>9,760,938</u>	<u>30,148,519</u>	<u>(564,013)</u>	<u>29,584,506</u>
	-	-	216,600	216,600	-	216,600
	-	-	21,168	56,282	-	56,282
	-	-	35,676	67,949	-	67,949
	-	-	-	221,621	-	221,621
	-	-	-	141,183	-	141,183
	-	-	84,964	184,301	-	184,301
	-	6,117	-	564,013	(564,013)	-
	-	-	21,129	21,129	-	21,129
	-	<u>6,117</u>	<u>379,537</u>	<u>1,473,078</u>	<u>(564,013)</u>	<u>909,065</u>

See Accompanying Notes to Financial Data Schedule.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**FINANCIAL DATA SCHEDULE — CONTINUED**  
**JUNE 30, 2016**

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy
354	Accrued compensated absences - noncurrent	26,458	5,590	-
355	Loan liability - noncurrent	-	-	-
357	Accrued pension and OPEB liabilities	<u>690,702</u>	<u>596,757</u>	<u>-</u>
350	Total noncurrent liabilities	<u>717,160</u>	<u>602,347</u>	<u>-</u>
300	Total liabilities	<u>1,427,291</u>	<u>973,523</u>	<u>6,117</u>
400	Deferred inflows of resources	<u>166,300</u>	<u>153,054</u>	<u>-</u>
508.4	Net investment in capital assets	9,326,021	-	-
511.4	Restricted net position	-	909,702	31,034
512.4	Unrestricted net position	<u>3,582,968</u>	<u>3,671,994</u>	<u>31,201</u>
513	Total equity/net position	<u>12,908,989</u>	<u>4,581,696</u>	<u>62,235</u>
600	Total liabilities, deferred inflows of resources and equity/net position	<u>\$ 14,502,580</u>	<u>\$ 5,708,273</u>	<u>\$ 68,352</u>



	14.856 Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation	14.879 Housing Choice Voucher 5-year Mainstream	COCC	Subtotal	ELIM	Total
-	-	-	53,667	85,715	-	85,715
-	-	-	147,906	147,906	-	147,906
-	-	-	1,012,728	2,300,187	-	2,300,187
-	-	-	1,214,301	2,533,808	-	2,533,808
-	6,117	-	1,593,838	4,006,886	(564,013)	3,442,873
-	-	-	245,359	564,713	-	564,713
-	-	-	303,884	9,629,905	-	9,629,905
5,652	491	-	8,084,209	9,031,088	-	9,031,088
73,038	23,078	-	(466,352)	6,915,927	-	6,915,927
78,690	23,569	-	7,921,741	25,576,920	-	25,576,920
<u>\$ 78,690</u>	<u>\$ 29,686</u>	<u>\$ 9,760,938</u>	<u>\$ 30,148,519</u>	<u>\$ (564,013)</u>	<u>\$ 29,584,506</u>	

See Accompanying Notes to Financial Data Schedule.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**FINANCIAL DATA SCHEDULE — CONTINUED**  
**JUNE 30, 2016**

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy
70300	Net tenant rental revenue	\$ 2,245,433	\$ -	\$ -
70500	Total tenant revenue	<u>2,245,433</u>	<u>-</u>	<u>-</u>
70600	HUD PHA operating grants	<u>3,026,852</u>	<u>24,891,824</u>	<u>43,825</u>
70610	Capital grants	<u>925,724</u>	<u>-</u>	<u>-</u>
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Book-keeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70700	Total fee revenue	<u>-</u>	<u>-</u>	<u>-</u>
71400	Fraud recovery	-	138,653	-
71500	Other revenue	75,533	31,208	-
72000	Investment income - restricted	-	-	-
70000	Total revenue	<u>6,273,542</u>	<u>25,061,685</u>	<u>43,825</u>
91100	Administrative salaries	395,452	569,592	-
91200	Auditing fees	12,312	24,624	-
91300	Management fee	584,443	531,120	-
91310	Book-keeping fee	81,458	331,950	-
91500	Employee benefit contributions - administrative	219,474	324,365	-
91600	Office expenses	152,760	255,335	9,172
91700	Legal expense	31,944	19,095	-
91800	Travel	3,748	7,548	-
91900	Other	114,204	670	-
91000	Total operating - administrative	<u>1,595,795</u>	<u>2,064,299</u>	<u>9,172</u>
92000	Asset management fee	<u>114,360</u>	<u>-</u>	<u>-</u>

14.879 Housing Choice Voucher 5-year Mainstream	14.856 Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ 2,245,433	\$ -	\$ 2,245,433
-	-	-	2,245,433	-	2,245,433
250,854	34,070	-	28,247,425	-	28,247,425
-	-	-	925,724	-	925,724
-	-	1,115,563	1,115,563	(1,115,563)	-
-	-	114,360	114,360	(114,360)	-
-	-	413,408	413,408	(413,408)	-
-	-	622,505	622,505	(622,505)	-
-	-	99,000	99,000	(99,000)	-
-	-	2,364,836	2,364,836	(2,364,836)	-
-	-	-	138,653	-	138,653
-	-	9,978	116,719	-	116,719
-	-	19,066	19,066	-	19,066
250,854	34,070	2,393,880	34,057,856	(2,364,836)	31,693,020
-	-	973,032	1,938,076	-	1,938,076
-	-	4,285	41,221	-	41,221
-	-	-	1,115,563	(1,115,563)	-
-	-	-	413,408	(413,408)	-
-	-	481,355	1,025,194	-	1,025,194
-	6,050	213,618	636,935	-	636,935
-	-	49,950	100,989	-	100,989
-	-	12,830	24,126	-	24,126
-	-	50,184	165,058	-	165,058
-	6,050	1,785,254	5,460,570	(1,528,971)	3,931,599
-	-	-	114,360	(114,360)	-

See Accompanying Notes to Financial Data Schedule.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**FINANCIAL DATA SCHEDULE — CONTINUED**  
**JUNE 30, 2016**

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy
93100	Water	571,201	-	-
93200	Electricity	226,233	13,455	-
93300	Gas	86,651	3,608	-
93000	Total utilities	<u>884,085</u>	<u>17,063</u>	<u>-</u>
94100	Ordinary maintenance and operations - labor	275,428	154	-
94200	Ordinary maintenance and operations - materials and other	336,002	1,725	-
94300	Ordinary maintenance and operations contracts	2,014,991	33,044	-
94500	Employee benefit contributions - ordinary maintenance	91,919	-	-
94000	Total maintenance and operations	<u>2,718,340</u>	<u>34,923</u>	<u>-</u>
96110	Property insurance	-	-	-
96140	All other insurance	264,204	23,361	-
96100	Total insurance premiums	<u>264,204</u>	<u>23,361</u>	<u>-</u>
96200	Other general expenses	17,943	-	-
96210	Compensated absences	(7,512)	283	-
96400	Bad debt - tenant rents	94,462	-	-
96000	Total other general expenses	<u>104,893</u>	<u>283</u>	<u>-</u>
96900	Total operating expenses	<u>5,681,677</u>	<u>2,139,929</u>	<u>9,172</u>
97000	Excess of revenue over operating expenses	<u>591,865</u>	<u>22,921,756</u>	<u>34,653</u>
97300	Housing assistance payments	-	21,981,838	32,412
97400	Depreciation expense	767,134	-	-
97500	Fraud losses	-	63,171	-
90000	Total expenses	<u>6,448,811</u>	<u>24,184,938</u>	<u>41,584</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (175,269)</u>	<u>\$ 876,747</u>	<u>\$ 2,241</u>
11030	Beginning equity	\$ 13,162,400	\$ 3,765,445	\$ 59,994
11040	Prior Period Adjustment, Equity Transfers, and Correction of Errors	\$ (78,142)	\$ (60,496)	
11170	Administrative fee equity	\$ -	\$ 3,671,994	\$ -
11180	Housing assistance payments equity	\$ -	\$ 909,702	\$ 31,034
11190	Unit months available	11,381	48,996	144
11210	Unit months leased	10,841	44,723	120
11270	Excess cash	\$ 3,876,553	\$ -	\$ -
11620	Building purchases	\$ 778,423	\$ -	\$ -
11630	Furniture and equipment - dwelling purchases	\$ 34,330	\$ -	\$ -

14.879 Housing Choice Voucher 5-year Mainstream	14.856 Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
-	-	7,053	578,254	-	578,254
-	-	11,224	250,912	-	250,912
-	-	2,999	93,258	-	93,258
-	-	21,276	922,424	-	922,424
-	-	266,515	542,097	-	542,097
-	-	2,957	340,684	-	340,684
-	-	132,998	2,181,033	(721,505)	1,459,528
-	-	83,484	175,403	-	175,403
-	-	485,954	3,239,217	(721,505)	2,517,712
-	-	-	-	-	-
-	-	36,188	323,753	-	323,753
-	-	36,188	323,753	-	323,753
-	-	28,892	46,835	-	46,835
-	-	18,254	11,025	-	11,025
-	-	-	94,462	-	94,462
-	-	47,146	152,322	-	152,322
-	6,050	2,375,818	10,212,646	(2,364,836)	7,847,810
250,854	28,020	18,062	23,845,210	-	23,845,210
196,475	32,015	-	22,242,740	-	22,242,740
-	-	140,919	908,053	-	908,053
-	-	-	63,171	-	63,171
196,475	38,065	2,516,737	33,426,610	(2,364,836)	31,061,774
<u>\$ 54,379</u>	<u>\$ (3,995)</u>	<u>\$ (122,857)</u>	<u>\$ 631,246</u>	<u>\$ -</u>	<u>\$ 631,246</u>
\$ 24,311	\$ 27,564	\$ 8,158,029	\$ 25,197,743	\$ -	\$ 25,197,743
		\$ (113,431)	\$ (252,069)	\$ -	\$ (252,069)
\$ -	\$ -	\$ -	\$ 3,671,994	\$ -	\$ 3,671,994
\$ 5,652	\$ 491	\$ -	\$ 946,879	\$ -	\$ 946,879
600	84	-	61,205	-	61,205
492	81	-	56,257	-	56,257
\$ -	\$ -	\$ -	\$ 3,876,553	\$ -	\$ 3,876,553
\$ -	\$ -	\$ -	\$ 778,423	\$ -	\$ 778,423
\$ -	\$ -	\$ -	\$ 34,330	\$ -	\$ 34,330

See Accompanying Notes to Financial Data Schedule.

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR JUNE 30, 2016**

**Notes to the Financial Data Schedule**

**NOTE A Presentation of Net Position**

The accompanying financial data schedule (FDS) reports restricted net position equal to the excess housing assistance payments and investments restricted for new housing developments. The difference between the restricted net position and the net investment in capital assets is reported as unrestricted net position and represents excess administrative fee reserves in accordance with U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing's notice PIH-2015-17. Although net position is presented accordingly in the FDS, Albuquerque Housing Authority (AHA) considers all excess revenues over expenses received from administering HUD funded programs, including tenant rental, investment and other income, as restricted for providing housing assistance programs to low income families, elderly and disabled households in accordance with grant agreements with HUD. Therefore the presentation of restricted net position differs between the FDS and the financial statements.

**STATE SUPPLEMENTARY INFORMATION AND SINGLE AUDIT SECTION**

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR JUNE 30, 2016**

<u>Grantor Agency and Grant Title</u>	<u>Grant (Contract) Number- Federal or State</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>		<u>Expenditures/ Per the GL</u>
			<u>From</u>	<u>To</u>	
<b><u>Section 8 Moderate Rehabilitation</u></b>					
Direct					
Single Room Occupancy	NM001SR-0004	14.249	07/01/15	06/30/16	\$ <u>41,584</u>
<b><u>Public and Indian Housing</u></b>					
Direct					
Low Rent Operating Subsidy	NM00100000016D_513D	14.850	01/01/15	12/31/16	1,499,134
Low Rent Operating Subsidy	NM00100000015D_513D	14.850	01/01/14	12/31/15	<u>1,527,719</u>
					<u>3,026,853</u>
<b><u>Lower Income Housing Assistance Program</u></b>					
Direct					
Section 8 Moderate Rehabilitation	NM001MR-0002	14.856	07/01/15	06/30/16	<u>38,066</u>
<b><u>Section 8 Housing Choice Vouchers</u></b>					
Direct					
Section 8-Housing Choice Voucher	NM001VO	14.871	07/01/15	06/30/16	24,184,938
<b><u>Mainstream Vouchers</u></b>					
Direct					
Housing Choice Voucher 5-year Main Stream	NM001DV0001	14.879	07/01/15	06/30/16	<u>196,475</u>
<b>Total Section 8 Voucher Cluster</b>					<u>24,381,413</u>
<b><u>Public Housing Capital Fund</u></b>					
Direct					
Public Housing Capital Fund Program	NM02P00150115	14.872	07/01/15	06/30/19	112,870
Public Housing Capital Fund Program	NM02P00150114	14.872	05/13/14	05/12/18	174,746
Public Housing Capital Fund Program	NM02P00150113	14.872	09/09/13	09/08/17	602,923
Public Housing Capital Fund Program	NM02P00150112	14.872	03/12/12	03/11/16	<u>35,185</u>
					<u>925,724</u>
<b>Total expenditures of federal awards</b>					\$ <u>28,413,640</u>



**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR JUNE 30, 2016**

**Notes to the Schedule of Expenditures of Federal awards**

**NOTE A Basis of Presentation**

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

**NOTE B Significant Accounting Policy**

The accompanying schedule of federal awards is prepared on the accrual basis of accounting. The schedule of federal awards includes expenditures of AHA. AHA allocates central office costs to each federal assistance program based on an approved administrative cost charge in accordance with grant agreements. Therefore, AHA has elected not to allocate indirect costs using an indirect cost rate or the 10 percent de minimis indirect cost rate under the Uniform Guidance.

**NOTE C Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements**

	Expenditures		Less Capitalized Costs	Total
	Federal	Nonfederal		
Housing choice vouchers	\$ 24,461,063	\$ -	\$ -	\$ 24,461,063
Public housing capital grants	925,724	(101)	(812,753)	112,870
Low rent operating subsidy	3,026,853	3,460,988	-	6,487,841
	\$ 28,413,640	\$ 3,460,887	\$ (812,753)	\$ 31,061,774

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF DEPOSITS AND INVESTMENTS**  
**JUNE 30, 2016**

Account Name	Type of Account	Bank Balance	Outstanding (checks) deposits	Book Balance
<b>Deposits</b>				
Wells Fargo				
Housing Authority - Public Housing	Checking	\$ 5,062,545	\$ (35,779)	\$ 5,026,766
Housing Authority - Section 8	Checking	5,232,452	(29,879)	5,202,573
Housing Authority - Section 8 FSS	Checking	95,673	-	95,673
Housing Authority - Public Housing FSS	Checking	38,604	-	38,604
Bank of America				
Housing Authority - Public Housing	Checking	89,989	84	90,073
Housing Authority - Section 8	Checking	<u>500,000</u>	<u>(11,310)</u>	<u>488,690</u>
		11,019,263	(76,884)	10,942,379
<b>Investments</b>				
Local Government Investment Pool				
LGIP Fund Pool-4101	Investment	<u>8,084,209</u>	<u>-</u>	<u>8,084,209</u>
Total cash and investments		<u>\$ 19,103,472</u>	<u>\$ (76,884)</u>	<u>\$ 19,026,588</u>

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2016**

AHA's deposit accounts at the Bank of America and Wells Fargo Bank are collateralized via a Tri-Party Collateral Agreement with AHA, the Bank of America and the Bank of New York Mellon (custodian). The collateral for deposit accounts is as follows.

<b>ISSUER</b>	<b>COLLATERAL DESCRIPTION</b>	<b>COUPON</b>	<b>MATURITY</b>	<b>PAR</b>	<b>FACTOR</b>	<b>PRICE</b>	<b>TOTAL VALUE W/ACCRUALS</b>
FMAC	GOLD PC (PARTICIPATING CERTIFICATES)	3.5	2/1/2042	19,368,479	0.54015701	107.5405	\$ 11,250,909.81
FMAC	FEDERAL NATIONAL MORT BACKED SECURITY	5.5	10/1/2038	499,236	0.17978705	113.4953	102,266.70
FMAC	FEDERAL NATIONAL MORT BACKED SECURITY	3.5	2/1/2045	1,126	0.8234173	105.3982	979.83
FMAC	FEDERAL NATIONAL MORT BACKED SECURITY	4	11/1/2042	274,960	0.7919842	108.3932	236,743.03
<b>TOTALS</b>							<b>\$ 11,590,899.37</b>

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

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING**  
**AND OTHER AGREEMENTS**  
**JUNE 30, 2016**

Memorandum of Understanding and other Agreements	Participants	Responsible Party	Description
The Memorandum of Understanding with the City of Albuquerque	City of Albuquerque and Albuquerque Housing Authority	COA and AHA	AHA will utilize administrative support services provided by the city (COA) after July 1, 2014. MOU to establish the procedures to divide the assets, debts and support services provided to the Authority and to identify the transition process for employees.
The Memorandum of Understanding with the County of Bernalillo	County of Bernalillo Housing Department and Albuquerque Housing Authority	COB and AHA	Both parties hold joint training seminars for FSS training; joint program coordinating committee (PCC) meetings; administrative support provided by the county to the authority by written agreement.
The Memorandum of Understanding with the County of Bernalillo	County of Bernalillo Housing Department and Albuquerque Housing Authority	COB and AHA	Establishment of shared jurisdictions to give each housing authority jurisdiction in both the City of Albuquerque and within the unincorporated areas of Bernalillo county to administer respective Section 8 housing programs.
The Memorandum of Understanding with the City of Rio Rancho	City of Rio Rancho and Albuquerque Housing Authority	COR and AHA	AHA provides rental housing assistance programs to the eligible participants residing in the City of Rio Rancho through the Housing Choice Voucher program (HCV).
Office Lease Agreement located at 6013 Sunset Gardens SW, Albuquerque, NM	Albuquerque Housing Authority (AHA) and Youth Development, Inc. (YDI)	YDI and AHA	Rental of property of a 1,034 square foot house to converted office space and adjacent parking and fenced lot located at 6013 Sunset Gardens SW, Albuquerque, NM.
Interagency agreement with Denver Housing Authority	The Housing Authority of the City and County of Denver and Albuquerque Housing Authority	COD and AHA	DHA provides technical assistance in connection with the self-implementation of an Energy Performance Contract (EPC)
First Amendment to the Interagency Agreement by and Between the Housing Authority of the City and County of Denver and the Albuquerque Housing Authority	The Housing Authority of the City and County of Denver and Albuquerque Housing Authority	COD and AHA	DHA provides technical assistance in connection with the self-implementation of an Energy Performance Contract (EPC); additional services include procurement of: A&E, pre-construction, general contractor, M&V, project financing, HUD and AHA board approval, etc.
Intergovernmental Agreement between the City of Albuquerque and Albuquerque Housing Authority for group benefit participation	City of Albuquerque and the Albuquerque Housing Authority	COA and AHA	The City maintains a group benefits program for eligible employees and their dependents, including medical, dental, vision, life, short-term and long-term disability insurance and other group voluntary benefits. A cooperative agreement to offer the city group benefits program to AHA employees.
Interagency Agreement by and between the Albuquerque Housing Authority (AHA) and the Bernalillo County housing Department (BCHD)	AHA and BCHD	AHA and BCHD	The County desires to engage the services of AHA to perform technical assistance services for the County in connection with the County's Administrative Plan for Housing Quality Standards ("HQS") and Rent Reasonableness Data Collection under the United States Housing and Urban Development ("HUD") regulations ("Purpose");

<b>Begin Date</b>	<b>End Date</b>	<b>Project Amount</b>	<b>Current Year Contributions</b>	<b>Audit Responsibility</b>
7/1/2014	Ongoing unless terminated by either party	billable	\$ -	all parties
10/2/2012	6/30/2022	n/a	n/a	all parties
1/5/1993	Ongoing unless terminated by any party upon 60 day written notice.	n/a	n/a	all parties
3/1/2013	Ongoing unless terminated by either party	n/a	n/a	all parties
1/7/2016	12/30/2017	monthly payment	\$ 7,866	all parties
3/30/2015	30 day written notice	billable	\$ -	all parties
1/6/2016	12/31/2016	4 installment payments	\$ 184,243	all parties
7/1/2015	6/30/2016	billable	\$ 2,750	all parties
11/1/2015	12 months unless sooner by, a) for convenience upon thirty (30) days written notice by one party to the other or b) for cause	billable	\$ 3,750	all parties

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF VENDOR INFORMATION**  
**JUNE 30, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	IFB003-014	Competitive (RFP or RFB)	Testa Services LLC	Winner
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	IFB003-014	Competitive (RFP or RFB)	Jani King International, INC.	Winner
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	RFQ1517	Competitive (RFP or RFB)	Poms & Associates Insurance Brokers	Winner
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	RFQ1515	Competitive (RFP or RFB)	QA Engineers	Winner
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	RFQ1515	Competitive (RFP or RFB)	Engineered Environments/Bath Commissioning Corp.	Loser
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	RFQ1515	Competitive (RFP or RFB)	Jeebs & Zuzu	Loser
6004-A	Albuquerque Housing Authority	Independent Housing Authorities	RFQ1515	Competitive (RFP or RFB)	SynEnergy	Loser

\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
\$ 150,000	\$ -	Albuquerque, NM	No	No	Cleaning Service for public housing	
150,000	-	Albuquerque, NM	No	No	Cleaning Service for public housing	
215,424	-	Albuquerque, NM	No	No	Insurance Broker of Records	
144,000	-	Albuquerque, NM	No	No	EPC Commissioning & Construction Administration	
-	-	Albuquerque, NM	No	No	EPC Commissioning & Construction Administration	
-	-	Albuquerque, NM	No	No	EPC Commissioning & Construction Administration	
-	-	Littleton, CO	No	No	EPC Commissioning & Construction Administration	

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Housing Commissioners of the  
Albuquerque Housing Authority  
And  
Mr. Timothy 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Albuquerque Housing Authority (AHA), a component unit of the City of Albuquerque, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2016.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "REDW LLC". The letters are written in a cursive, slightly slanted style.

Albuquerque, New Mexico  
November 4, 2016

## Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Housing Commissioners of the Albuquerque Housing Authority  
And  
Mr. Timothy Keller  
New Mexico State Auditor

### **Report on Compliance for Each Major Federal Program**

We have audited the Albuquerque Housing Authority's (AHA) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of AHA's major federal programs for the year ended June 30, 2016. AHA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, AHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

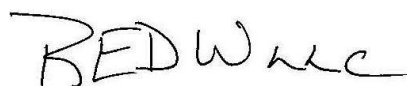
### **Report on Internal Control Over Compliance**

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

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

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

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



Albuquerque, New Mexico  
November 4, 2016

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

**Section I — Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over compliance for major programs:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

Section I — Summary of Auditor’s Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871 & 14.879	Housing Voucher Cluster

Dollar threshold used to distinguish  
between type A and type B programs: \$852,409

Auditee qualified as a low-risk auditee? No

**ALBUQUERQUE HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**Section II — Financial Statement Findings**

---

*None*

**ALBUQUERQUE HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**Section III — Federal Award Findings**

---

None

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2016**

<b>Prior-Year Number</b>	<b>Description</b>	<b>Current-Year Status</b>
2015-001	Internal Control over Financial Reporting	Resolved
2015-002	PERA Contributions	Resolved
2015-003	Project Specific Costs	Resolved
2015-004	Eligibility	Resolved
2015-005	Reporting	Resolved



**OTHER INFORMATION REQUIRED BY 2.2.2 NMAC**

**ALBUQUERQUE HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO  
2.2.2 NMAC FINDINGS  
JUNE 30, 2016**

**Section IV — 2.2.2 NMAC Audit Findings**

---

*None*

**ALBUQUERQUE HOUSING AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO**  
**EXIT CONFERENCE**  
**JUNE 30, 2016**

An exit conference was held on November 14, 2016, and attended by the following:

**City of Albuquerque Personnel: (via conference call)**

Pamela Fanelli, CMA, MBA  
City Controller

**Albuquerque Housing Authority Board Members:**

Stephen Vogel  
Chairperson of the Board

**Albuquerque Housing Authority Personnel:**

Linda Bridge, MBA  
Executive Director

Barbara D'Onofrio  
Director of Finance

Chris Willett  
Account Manager, Section 8

David DeYoung  
Account Manager, Public Housing

**REDW LLC Personnel:**

Wesley Daniels, CPA  
Senior Manager, Audit and Consulting

**Financial Statement Preparation**

The Authority's independent public accountants prepared the accompanying basic financial statements; however, the Authority is responsible for the basic financial statements.