



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, 2017**

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JUNE 30, 2017

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OFFICIAL ROSTER

Board of Housing Commissioners

D. Todd Clarke, **Chairperson**

Janet M. McHard, CPA, CFE, MAFF, CFF, **Vice-Chairperson**

Rebecca Robinson, **Resident Commissioner**

Stephen J. Vogel, **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, and its aggregate discretely presented component unit as of and for the year ended June 30, 2017, 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 opinions on these financial statements based on our audits. We did not audit the financial statements of Rio Housing Associates LLLP, for the two months ended December 31, 2016, which is a component unit of AHA. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rio Housing Associates LLLP, is based solely on the report by the other auditor. 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. The discretely presented component unit was not audited under *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on the audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of AHA and its discretely presented component unit, as of June 30, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, 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 17, 2017

Management's Discussion and Analysis

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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, 2017 and 2016. 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 3,900 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

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AHA's fiscal year-end is June 30th 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 30th online and at the Regional HUD office

Highlights of Fiscal Year 2017

Albuquerque Housing Authority (AHA) has invested in technology to expand access of services to the community and improve the delivery of services. With our strategic plan in place, AHA has continued to reduce barriers in the application process and change the waitlist into an active lottery system. AHA is upgrading client services and adapting to HUD requirements including, making property modifications compliant with Uniform Federal Accessibility Standards and Americans with Disability Act, implementing a smoke free policy at all properties and conducting an assessment of Fair Housing. AHA is investing in housing through our Housing Development Plan which addresses improving properties through capital investments, utilizing energy performance contracts and seeking new sources of funding.

STRATEGIC PLANNING

The strategic plan for 2016-2021 sets a vision for AHA through operational excellence and staff empowerment for AHA to become a high performing agency that is dedicated to providing quality housing and services that equip resident to success. The strategic directions to move the agency forward are to increase efficiencies in operations and leverage opportunities. Action items in the plan include: the launch of the housing development plan to improve and expand our housing stock; to continue the growth in our Family Self Sufficiency (FSS) program and expand to bring more services to our Section 8 clients and Public Housing Residents; to encourage the empowerment of staff to develop and implement plans to make improvements in operations; and expand our availability to clients through regional offices and technology.

Leverage Opportunity

AHA enhanced services for the HUD programs and participants by networking and tapping into partner agencies in our Albuquerque community. The FSS program has enrolled new participants and workshops and are held regularly. The AHA Section 3 program has a committee that provides outreach to staff, tenants, and vendors to increase our Section 3 participation. Through the mobile grocery store, Silver Horizons Marketplace, AHA has provided volunteers for the mobile nutrition program delivering free fresh produce on site to our housing locations. AHA's Community Services Specialist is available for crisis management issues in both Public Housing and Housing Choice Voucher programs.

AHA launched a new 15 year Energy Performance Contract (EPC) to improve energy conservation at our 26 properties. AHA will be reporting the performance annually as well as reducing the cost of energy and water usage in the community. AHA has as entered into a Low Income Housing Tax Credit partnership to preserve an affordable housing community, and rehabilitation work is underway on the 75 units. Additionally, AHA has completed a property

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assessment evaluation to target housing development upgrades and fine tune a five year capital plan. AHA is applying for the Rental Assistance Demonstration Program to address capital needs at the public housing sites.

AHA collaborated with the City of Albuquerque and City of Rio Rancho to conduct an assessment of fair housing issues in the metropolitan area. AHA continues to make enhancements to its programs to address impediments to choice in housing. Changes were made to the payment standards and in the Administrative Plan to encourage broader participation by landlords in the Section 8 program.

AHA created regional offices at public housing sites to improve delivery of services to our residents. This implementation of regional management will continue to expand into FY2018.

Efficiency in Operations

AHA has implemented a risk management plan including public housing and housing choice voucher programs (HCV). This led to a fresh evaluation of AHA property and liability coverage. The planning of risk management began with the Safety committee to identify the most serious risks first and provide prevention training. Staff assessed properties to identify risks in the field and central office center buildings. A workers compensation audit of building sites and safety protocols were completed to meet state standards. The result was a revised safety manual, an increase in scheduled training and certifications for staff. AHA has provided staff training to over 100 training opportunities with 909 attendees.

New Smart Phones have been rolled out to all field staff, in conjunction with new email accounts activated, configured, enabled on every phone. Further innovations include ensuring all online apps are approved to work with smart phones including, landlord tenant portal, online rent payment, and the tenant application. This has resulted in mass communication improvement across all departments and with our clients.

AHA staff joined forces in reviewing and updating the operations manual to align with the agency strategic goals. Simultaneously the agency Admissions and Continued Occupancy Plan and Administrative Plan were amended to include new goals implementing the smoke free policy, stream lining certifications, ease in screening of documents, and implementing the lottery system replacing the wait list.

PROGRAM IMPROVEMENTS

As a result of the adoption of the strategic plans AHA has benefited in increased utilization of vouchers. Since 2014 AHA has increased the voucher utilization consistently. Voucher utilization has grown to 3,927 in FY 2017. Section 8 Housing Choice Program has increased voucher utilization and has been awarded a high performer agency in SEMAP. Section 8/ HCV program maintains an over 100% budget utilization, over 3566 recertification, a reduced waitlist from 1406 to 376, issued 503 new vouchers.

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Public Housing Program had 987 recertifications, took in new applications (over 1300), and moved in 223 households. Public Housing in AHA is in need of capital improvements and investments in infrastructure. Capital improvements in FY17 have included accessibility improvements, roofing replacements, fencing and lighting for better security measures. The energy performance contract has been adopted and is scheduled for implementation for July 1, 2017. A total of over \$2.8 million of energy performance measures will be installed at the 26 public housing properties.

New on the properties, AHA has opened regional offices for tenant community representation to be handled on site at 5 regional locations. Further outreach is planned with an additional 3 offices set for implementation in FY18. The response has improved our presence, offering direct service and operational efficiencies.

After 25 years AHA has completed the goal of becoming cashless in its transactions. AHA has closed down our registers and opened our streamlined services in rental payments. AHA has eliminated the need for security and deposit transportation of cash. AHA now accepts money orders, checks, and use of ACH payments introducing alternative rent collection services.

AHA Community Collaborations

VASH—In collaboration with the Veterans Affairs Program AHA was able to provide 243 VASH vouchers. Housing Choice Voucher staff have consistently increased the usage of the Veterans Affairs Supportive Housing Vouchers since 2014. Additionally, AHA has participated in extensive outreach community services for Veterans throughout the AHA community. This has included workshops providing services to veterans. In recognition of the 3 year program and success, AHA has received from NAHRO an award for the HUD VASH Program.

HOME Tenant Based Rental Assistance (TBRA) funds—AHA has started administering HOME TBRA funding of \$275,000 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.

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, 2017 and 2016. 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 AHA's assets and deferred outflows of resources against its liabilities

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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.
- **TBRA** – a pass through grant from the City of Albuquerque, AHA has housed over 16 homeless members of our community and has just signed a second year contract to increase that to 40 vouchers.

AHA received approximately 92% of its funding from U.S Department of Housing and Urban Development (HUD) programs. The revenue from the major programs from HUD and the overall increase is as follows:

HUD Funded Programs	2017	2016	\$ Change	% Change
Low rent public housing	\$ 3,117,531	\$ 3,026,852	\$ 90,679	3.0%
Public housing capital fund program	1,614,568	925,724	688,844	74.4%
Housing choice vouchers	25,404,721	25,220,573	184,148	0.7%
Total funding	<u>\$ 30,136,820</u>	<u>\$ 29,173,149</u>	<u>\$ 963,671</u>	

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FINANCIAL ANALYSIS

General

Over time, net position may serve as a useful indicator of AHA's financial health. At June 30, 2017, AHA's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$24.8 million. A portion of net position, \$10.2 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 comparisons of AHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position information for FY 2017 and FY 2016. This information reflects the economic resources of AHA, as well as its economic obligations at the end of FY 2017 and FY 2016.

ASSETS	2017	2016
Current assets	\$ 9,980,628	\$ 10,413,533
Noncurrent restricted assets	8,378,382	9,128,188
Capital assets, net	<u>10,360,148</u>	<u>9,798,940</u>
Total assets	<u>28,719,158</u>	29,340,661
DEFERRED OUTFLOWS OF RESOURCES	<u>1,888,240</u>	<u>243,845</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>30,607,398</u>	<u>29,584,506</u>
LIABILITIES		
Current liabilities	799,853	687,444
Noncurrent liabilities	<u>4,987,105</u>	<u>2,755,429</u>
Total liabilities	<u>5,786,958</u>	3,442,873
DEFERRED INFLOWS OF RESOURCES	<u>47,287</u>	<u>564,713</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>5,834,245</u>	<u>4,007,586</u>
NET POSITION		
Net investment in capital assets	10,217,525	9,629,905
Restricted for housing projects	<u>14,555,628</u>	<u>15,947,015</u>
TOTAL NET POSITION	<u>\$ 24,773,153</u>	<u>\$ 25,576,920</u>

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Assets

During FY 2017, total assets decreased approximately \$622 thousand. Current assets decreased by \$433 thousand or 4.2%. Restricted noncurrent assets increased by \$250 thousand as a result of an increase in restricted cash related to housing assistance payment equity. Capital assets increased by \$561 thousand. The increase in capital assets for the period was the result of \$1.5 million in building and improvements and was offset by \$936 thousand in depreciation expense.

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 \$5.8 million at June 30, 2017 and \$3.4 million at June 30, 2016. Current liabilities increased by \$112 thousand or 16.4% primarily due to a decrease in other liabilities. Noncurrent liabilities increased by \$2.2 million 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 \$24.8 million at June 30, 2017, and is comprised of net investment in capital assets of \$10.2 million and restricted net position of \$14.6 million. Total net position decreased by \$804 thousand, or 3.1%, 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 2017 and FY 2016. 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.

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	<u>2017</u>	<u>2016</u>
Total operating revenues	\$ 2,178,053	\$ 2,245,433
Total operating expenses	<u>9,708,931</u>	<u>8,819,034</u>
Operating loss	(7,530,878)	(6,573,601)
Total nonoperating revenues, net	<u>6,727,111</u>	<u>7,204,847</u>
Change in net position	<u>(803,767)</u>	<u>631,246</u>
Net position, beginning of year	<u>25,576,920</u>	<u>24,945,674</u>
Net position, end of year	<u>\$ 24,773,153</u>	<u>\$ 25,576,920</u>

Operating Revenues and Expenses

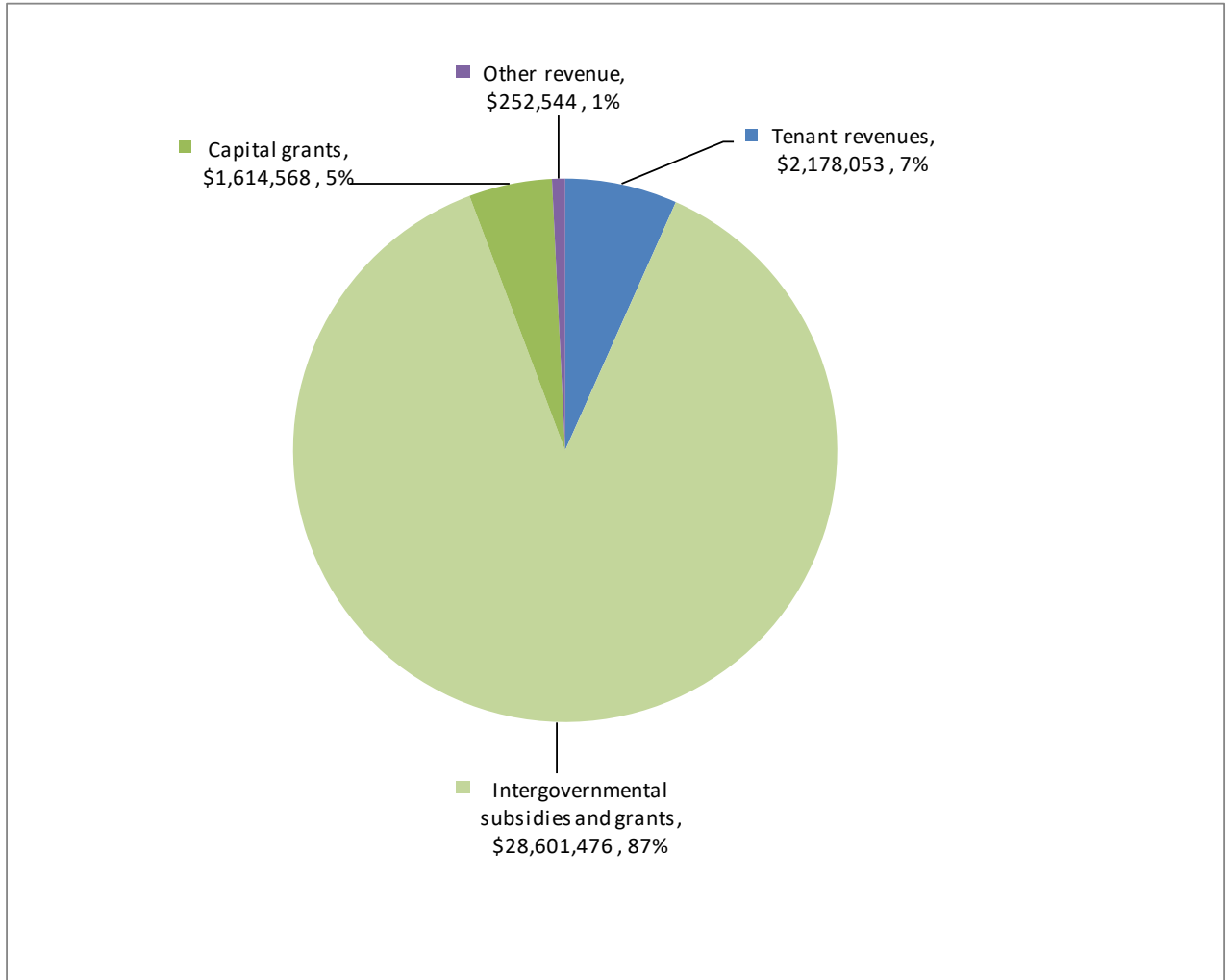
Operating revenues remained relatively the same with a slight decrease from the previous year, while operating expenses increased by \$890 thousand or 10.1%. This increase in operating expenses was primarily the result of administrative salaries and benefits. Depreciation expense, which does not require cash expenditures, but impacts the total operating expenses, totaled \$936,274 and \$908,053 for the fiscal years ended June 30, 2017 and 2016, respectively.

Nonoperating Revenues, Expenses and Changes in Net Position

Nonoperating revenues mainly consist of operating and capital grants totaling \$30.2 million. Nonoperating expenses mainly consist of housing assistance payments totaling \$23.8 million. FY 2017 had an overall decrease in net position of \$804 thousand as compared to a \$631 thousand increase in FY 2016.

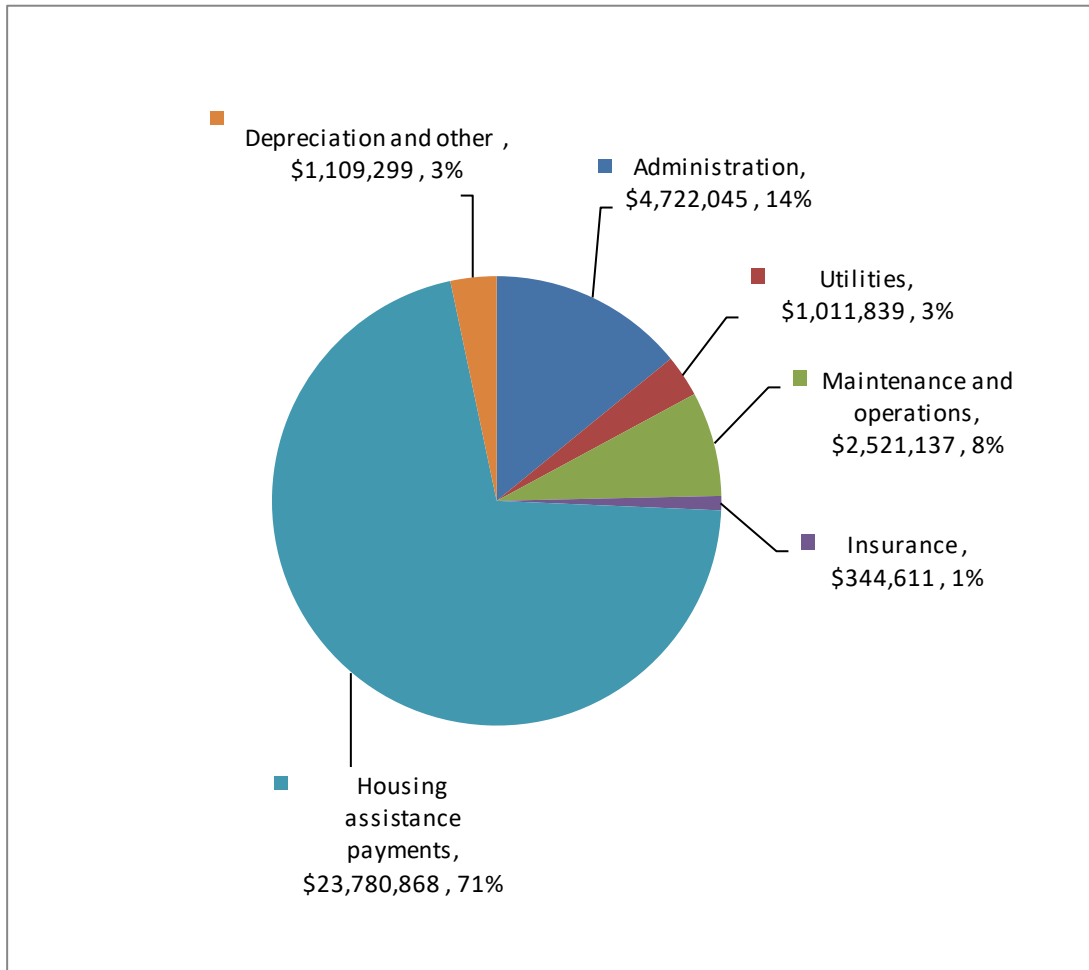
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The following graph shows the different sources and amounts of revenues for the fiscal year ending June 30, 2017:



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The following graph shows the different types and amounts of expenses for the fiscal year ending June 30, 2017:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Net Capital Assets

At the end of FY 2017, AHA had \$10,360,148, 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, 2017, AHA had a non-interest repayment agreement with HUD in the amount of \$142,623. 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.

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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 as well as assist voucher holders in becoming successful renters.

In following our strategic plans, AHA has developed a five year capital plan and housing development plan that utilizes 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 is now using 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 2017-2018 fiscal year were approved by the Board of Housing Commissioners on June 21, 2017, and became effective July 1, 2017. 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

ALBUQUERQUE HOUSING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

programs. Combined, the estimated expenses 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.

AHA's goal remains to continue to provide housing to the approximately 4,800 households served through its two core housing programs: Housing Choice Voucher (HCV) and Public Housing. In fiscal year 2018, 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, 2017

ASSETS	Primary Government	Rio Housing Associates, LLLP
	<u> </u>	<u> </u>
Current assets		
Cash and cash equivalents - unrestricted	\$ 7,788,891	\$ 1,414,687
Cash - tenant security deposits - restricted	228,567	11,196
Grants and accounts receivable, net of allowance for uncollectable accounts	382,610	36,059
Prepaid expenses	1,428,010	86,723
Inventories of supplies	<u>152,550</u>	<u>-</u>
Total current assets	<u>9,980,628</u>	<u>1,548,665</u>
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	8,378,382	-
Note receivable	-	4,000,000
Capital assets		
Nondepreciable	3,913,350	1,829,450
Depreciable, net of accumulated depreciation	<u>6,446,798</u>	<u>2,857,567</u>
Total noncurrent assets	<u>18,738,530</u>	<u>8,687,017</u>
Total assets	<u>28,719,158</u>	<u>10,235,682</u>
DEFERRED OUTFLOWS OF RESOURCES		
Amounts related to pensions	<u>1,888,240</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 30,607,398</u></u>	<u><u>\$ 10,235,682</u></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, 2017

	Primary Government	Rio Housing Associates, LLLP
LIABILITIES		
Current liabilities		
Accounts payable	\$ 216,936	\$ 751,264
Accrued payroll	135,207	-
Accrued vacation and sick leave pay, current portion	70,322	-
Other liabilities	127,692	-
Unearned revenue	-	14,833
Tenant security deposits	228,567	11,196
Payable from restricted assets		
HUD payable, current portion	<u>21,129</u>	<u>-</u>
Total current liabilities	<u>799,853</u>	<u>777,293</u>
Noncurrent liabilities		
Payable from restricted assets		
HUD payable, excluding current portion	121,494	-
Net pension liability	4,764,231	-
Accrued vacation and sick leave pay, excluding current portion	101,380	-
Note payable	-	3,500,000
Capital lease payable	<u>-</u>	<u>4,000,000</u>
Total noncurrent liabilities	<u>4,987,105</u>	<u>7,500,000</u>
Total liabilities	<u>5,786,958</u>	<u>8,277,293</u>
DEFERRED INFLOWS OF RESOURCES		
Amounts related to pensions	<u>47,287</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>5,834,245</u>	<u>8,277,293</u>
NET POSITION		
Net investment in capital assets	10,217,525	-
Restricted for housing projects	<u>14,555,628</u>	<u>1,958,389</u>
TOTAL NET POSITION	<u>\$ 24,773,153</u>	<u>\$ 1,958,389</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, 2017

	Primary Government	Rio Housing Associates, LLP
OPERATING REVENUES		
Tenant revenues	\$ 2,178,053	\$ 56,902
Other	-	9,662
Total operating revenues	<u>2,178,053</u>	<u>66,564</u>
OPERATING EXPENSES		
Administration	4,722,045	392,934
Utilities	1,011,839	8,232
Maintenance and operations	2,521,137	28,545
Insurance	344,611	1,451
Depreciation	936,274	11,981
Other	173,025	-
Total operating expenses	<u>9,708,931</u>	<u>443,143</u>
Operating loss	<u>(7,530,878)</u>	<u>(376,579)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental subsidies and grants	28,601,476	-
Capital grants	1,614,568	-
Interest on investments	39,391	20,297
Housing assistance payments	(23,780,868)	-
Interest expense	-	(25,245)
Other	252,544	-
Total nonoperating revenues, net	<u>6,727,111</u>	<u>(4,948)</u>
Loss before capital contributions	(803,767)	(381,527)
Capital contributions	-	2,339,916
Change in net position	(803,767)	1,958,389
Net position, beginning of year	<u>25,576,920</u>	<u>-</u>
Net position, end of year	<u>\$ 24,773,153</u>	<u>\$ 1,958,389</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, 2017

	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,050,414
Cash paid to employees for services	(4,378,471)
Cash paid to suppliers and others	<u>(5,505,908)</u>
Net cash used by operating activities	<u>(7,833,965)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and grants received	28,601,476
Housing assistance payments	(23,780,868)
Payments made on HUD payable	(26,412)
Other revenue	<u>252,544</u>
Net cash provided by noncapital financing activities	<u>5,046,740</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants received	1,614,568
Acquisition and construction of capital assets	<u>(1,497,482)</u>
Net cash provided by capital and related financing activities	<u>117,086</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>39,391</u>
Net cash provided by investing activities	<u>39,391</u>
Net decrease in cash and cash equivalents	(2,630,748)
Cash and cash equivalents, beginning of year	<u>19,026,588</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,395,840</u></u>
Cash and cash equivalents are comprised of the following	
Cash and cash equivalents - unrestricted	\$ 7,788,891
Cash and cash equivalents - restricted	8,378,382
Cash - tenant security deposits	<u>228,567</u>
	<u><u>\$ 16,395,840</u></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 — CONTINUED
FOR THE YEARS ENDED JUNE 30, 2017

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ <u>(7,530,878)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	936,274
Change in assets and liabilities	
Accounts receivable	(134,585)
Prepaid expenses	(1,322,870)
Inventories of supplies	9,418
Accounts payable	336
Accrued payroll, vacation and sick leave pay	96,963
Other liabilities	(197,792)
Net pension liability	302,223
Tenant security deposits	<u>6,946</u>
Total adjustments	<u>(303,087)</u>
Net cash used by operating activities	<u>\$ (7,833,965)</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, 2017

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.

Component units

Component units are legally separate entities for which AHA is considered to be financially accountable and other organizations for which the nature and significance of their relationship with AHA are such that exclusion would cause the AHA financial statements to be misleading or incomplete. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. Based on the preceding criteria, the accompanying financial statements include the financial activities of the following component units:

Blended component units – AHA reports the following blended component units:

AHA Rio Vista, LLC – Created on September 14, 2016, AHA Rio Vista, LLC was organized as a New Mexico single member limited liability company for the purpose of ownership and management of real estate for affordable housing and to engage in activities of providing affordable housing to community members.

AHA Rio Developer, LLC – Created on September 28, 2016, AHA Rio Developer, LLC was organized as a single member limited liability company for the purpose of development and improvement of real estate for affordable housing.

Discrete component units – AHA has the following discrete component units:

Los Lobos Realty LLC – Created on October 3, 2016, Los Lobos Realty LLC was organized as a New Mexico limited liability company to serve as the general partner of Rio Housing Associates LLLP in connection with the acquisition, development and ownership and operation of an affordable housing development known as Rio Vista Apartments. AHA Rio Vista LLC, a blended component unit of AHA, is a 51% member of Los Lobos Realty LLC. The financial data for Los Lobos Realty LLC is insignificant and therefore the financial statements for Los Lobos Realty LLC are not presented in the accompanying financial statements.

Rio Housing Associates LLLP – Created on November 10, 2016, Rio Housing Associates LLLP was organized as a New Mexico limited liability limited partnership to acquire and rehabilitate

ALBUQUERQUE HOUSING AUTHORITY
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Rio Vista Apartments. Rio Vista Apartments is a 75 unit apartment complex located in Albuquerque, New Mexico that qualify as low income housing units. The acquisition and rehabilitation will be completed as part of a low income tax credit partnership. Los Lobos Realty LLC is the general partner and owns a 0.01% interest in the partnership. Rio Housing Associates LLLP is presented as a discrete component unit in the accompanying financial statements. Rio Housing Associates LLLP follows all applicable FASB standards. Since it does not follow governmental accounting, for presentation purposes, certain transactions may be reflected differently in these financial statements than in its separately issued financial statements in order for it to conform to the presentation of the accompanying 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.

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.

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.

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A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
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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.

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

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A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
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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, 2014, 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, 2017, pension amounts reported by AHA reflect AHA's individual pension costs and balances separate from the City. AHA's reported pension amounts differ from the PERA report due to the amortization of the June 30, 2015, deferred outflows of resource and deferred inflows of resource balances.

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, 2017.

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.

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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
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JUNE 30, 2017

- **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 2017:

- GASB Statement No. 80, *Blending Requirements for Certain Component Units An Amendment of GASB Statement No. 14*; improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

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. 85, *Omnibus 2017*, is effective for the year beginning after June 15, 2017, and enhances consistency in in accounting and financial reporting by addressing practice issues that have been identified during implementation of application of certain GASB Statements.
- GASB Statement No. 87, *Leases*, is effective for the year beginning after December 15, 2019, improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments.

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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

The total cash, cash equivalents, and tenant security deposits at June 30, 2017, consist of the following (in thousands of dollars):

<u>Deposits</u>	
Bank accounts at book balances	\$ 8,043
Tenant deposits	<u>229</u>
Total deposits	8,272
Local government investment pool	<u>8,124</u>
Total cash, cash equivalents, and tenant security deposits	<u><u>\$ 16,396</u></u>

<u>As reported in the statement of net position</u>	
Cash and cash equivalents - unrestricted	\$ 7,789
Cash and cash equivalents - restricted	8,378
Cash - tenant security deposits	<u>229</u>
Total cash, cash equivalents, and tenant security deposits	<u><u>\$ 16,396</u></u>

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, 2017, the carrying amount of bank deposits was \$8,272,241 and the bank balance was \$8,441,334. Of the bank balances, \$250,000 was covered by federal depository insurance and \$8,191,333 was collateralized by securities held by a third party bank at June 30, 2017. The bank balance was either insured or collateralized at June 30, 2017.

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.

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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 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 53 days, and WAM(F) of 109 days.

B. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Assets not being depreciated				
Land	\$ 3,767,389	\$ -	\$ -	\$ 3,767,389
Construction work-in-progress	268,198	1,465,379	(1,587,616)	145,961
Total assets, not being depreciated	4,035,587	1,465,379	(1,587,616)	3,913,350
Assets being depreciated				
Buildings and improvements	57,118,354	-	1,587,616	58,705,970
Machinery and equipment	1,628,898	32,103	-	1,661,001
Total assets, being depreciated	58,747,252	32,103	1,587,616	60,366,971
Less accumulated depreciation for				
Buildings and improvements	51,457,862	896,269	-	52,354,131
Machinery and equipment	1,526,037	40,005	-	1,566,042
Total accumulated depreciation	52,983,899	936,274	-	53,920,173
Capital assets being depreciated, net	5,763,353	(904,171)	1,587,616	6,446,798
Total capital assets, net	\$ 9,798,940	\$ 561,208	\$ -	\$ 10,360,148

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C. Long-term obligations

The change in long-term obligations for the year ended June 30, 2017, is as follows:

	Outstanding			June 30, 2017	Amount due within one year
	July 1, 2016	Increase	Decrease		
HUD payable	\$ 169,035	\$ -	\$ 26,412	\$ 142,623	\$ 21,129
Accrued vacation and sick leave pay	153,664	268,835	250,797	171,702	70,322
	<u>\$ 322,699</u>	<u>\$ 268,835</u>	<u>\$ 277,209</u>	<u>\$ 314,325</u>	<u>\$ 91,451</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 balance outstanding at June 30, 2017, was \$142,623.

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

Year ending June 30,	
2018	\$ 21,129
2019	21,129
2020	21,129
2021	21,129
2022	21,129
2023-2024	36,978
Total	<u>\$ 142,623</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.

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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, 2016, 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, 2016, available at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.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 2016 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY 2016 annual audit report at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.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 ended June 30, 2017, was \$269,671.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were 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, 2016. 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 2016 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.

For PERA Municipal General Division, at June 30, 2017, AHA reported a liability of \$4,764,231, for its proportionate share of the net pension liability. At June 30, 2016, AHA's proportion was 0.298 percent.

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For the year ended June 30, 2017, AHA recognized PERA Municipal General Division pension expense of \$571,938.

At June 30, 2017, 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	\$ 238,041	\$ 46,495
Change in assumptions	279,366	792
Net difference between projected and actual earnings on pension plan investments	876,610	-
Changes in proportion and differences between AHA contributions and proportionate share of contributions	224,552	-
AHA contributions subsequent to the measurement date	<u>269,671</u>	<u>-</u>
Total	<u>\$ 1,888,240</u>	<u>\$ 47,287</u>

\$269,671 reported as deferred outflows of resources related to pensions resulting from AHA contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the net pension liability in fiscal year 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ending June 30,	
2018	\$ 322,758
2019	322,758
2020	687,251
2021	238,515

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015, for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation dated to the Plan years ending June 30, 2016, using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016, actuarial valuation.

Actuarial Methods

Actuarial valuation dates	June 30, 2015
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

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Actuarial Assumptions

Investment rate of return	7.48% annual rate, net of investment
Payroll Growth	2.75% for the first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Inflation assumption	2.25% annual rate for the first 10 years, 2.75% all other years

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent for the first 10 years (selected period) and 7.75 percent for all the other years (ultimate). The equivalent blended rate is 7.48 percent and will be used to measure the total pension liability. 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 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of 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 7.48 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 (6.48 percent) or 1-percent higher (8.48 percent) than the current rate:

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	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
AHA's proportionate share of the net pension liability, at June 30, 2017	\$ 7,103,048	\$ 4,764,231	\$ 2,824,303

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 201 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, 2017.

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. At June 30, 2017, 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 ended June 30, 2017, was \$199.

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

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period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at <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 year ended June 30, 2017, 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 year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

AHA's contributions to the RHCA for the year ended June 30, 2017, was \$61,021 and equaled the required contributions for the 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.

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G. Commitments and contingencies

Energy Service Agreement

During 2017, AHA implemented a Public Housing Energy Performance Contract (EPC). U.S. Department of Housing and Urban Development's Energy Performance Contracting program is an innovative financing technique that uses cost savings from reducing energy consumption to repay the cost of installing Energy Conservation Measures (ECM). In June 2017, the EPC was initiated and an equipment lease purchase agreement was entered into with Banc of America. Under this lease purchase agreement, AHA is committed to borrow up to \$4,099,059. The terms of the lease purchase is 15 years with interest payable at 3.88% annually.

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

H. Related Organization

Rio Developers LLC is considered a related organization of AHA Rio Developer, LLC, a blended component unit of AHA. Rio Developers LLC was organized to develop and rehabilitate a multi-family apartment complex known as Rio Vista Apartments that is owed by Rio Housing Associates LLLP, a discretely presented component unit. AHA Rio Developer, LLC is a limited partner with a 15% member interest in Rio Developers LLC. AHA Rio Developer, LLC does not have voting majority of Rio Developers LLC and cannot impose its will on Rio Developers LLC nor is there a financial benefit received by or burden placed on AHA Rio Developer, LLC.

I. Discretely Presented Component Units – Rio Housing Associates LLLP

As described in Note A, the reporting entity includes Rio Housing Associates LLLP as a discretely presented component unit based on criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. Rio Housing Associates LLLP has a December 31, 2016, year-end. The last issued audited financial statements of Rio Housing Associates LLLP were as of December 31, 2016, and for the period from November 15, 2016 through December 31, 2016. The following represents the disclosures from the audited financial statements of Rio Housing Associates LLLP.

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1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Partnership was organized on November 10, 2015, as a Limited Liability Limited Partnership and began operations on November 15, 2016. The Partnership's purpose is to acquire, own and operate a 75 unit apartment complex in Albuquerque, New Mexico, known as Rio Vista Apartments.

Federal Financial Assistance Programs - The Partnership has the following non-major federal financial assistance programs:

Section 8 Housing Assistance Payments

Method of Accounting - The financial statements of the Partnership are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations which relate to the business of Rio Housing Associates LLLP.

Property and Equipment - Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. Repairs and maintenance are expensed and betterments and renewals are capitalized as incurred. When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in income.

Capital asset activities for the period ended December 31, 2016, was as follows:

	Balance November 15, 2016	Increases	Decreases	Balance December 31, 2016
Assets not being depreciated				
Land and improvements	\$ -	\$ 541,803	\$ -	\$ 541,803
Construction in progress	-	1,287,647	-	1,287,647
Total assets, not being depreciated	-	1,829,450	-	1,829,450
Assets being depreciated				
Buildings and improvements	-	2,867,548	-	2,867,548
Furniture and fixtures	-	2,000	-	2,000
Total assets, being depreciated	-	2,869,548	-	2,869,548
Less accumulated depreciation	-	11,981	-	11,981
Total accumulated depreciation	-	11,981	-	11,981
Capital assets being depreciated, net	-	2,857,567	-	2,857,567
Total capital assets, net	\$ -	\$ 4,687,017	\$ -	\$ 4,687,017

Income Taxes - No provision for taxes on income is made in the Partnership's financial statements since, as a limited liability Partnership, all taxable income and losses are allocated to the partners for inclusion in their respective tax returns.

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In accordance with accounting principles generally accepted in the United States of America, management has evaluated the Partnership's exposure to material tax positions and determined that there are no such tax positions requiring accounting recognition. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. No income tax returns are currently being examined by the Internal Revenue Service. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Cash - For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks. The statements of cash flows do not include restricted deposits and funded reserves and tenant security deposits in cash. Tenant security deposits are held in trust and may be returned to the tenants.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 period. Actual results could differ from those estimates.

2) **NOTES PAYABLE**

A Promissory Note in the original amount of \$1,875,000 is payable to the New Mexico Mortgage Finance Authority (HTF). The note is secured by the real estate. The note bears interest at 3% per annum, which approximates the effective interest rate. Monthly interest only payments on the loan shall be made until December 1, 2018, when the entire unpaid principal and interest is due in full. The balance of the note at December 31, 2016, was \$1,875,000.

A Promissory Note in the original amount of \$1,000,000 is payable to the New Mexico Mortgage Finance Authority (Primer). The note is secured by the real estate. The note bears interest at 2.5% per annum, which approximates the effective interest rate. Monthly interest only payments on the loan shall be made until December 1, 2018, when the entire unpaid principal and interest is due in full. The balance of the note at December 31, 2016, was \$1,000,000.

A Promissory Note in the original amount of \$625,000 is payable to the Ventana Fund. The note is secured by the real estate. The note bears interest at 2.5% per annum, which approximates the effective interest rate. Monthly interest only payments on the loan shall be made until December 1, 2018, when the entire unpaid principal and interest is due in full. The balance of the note at December 31, 2016, was \$625,000.

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The change in notes payable for the two month period ended December 31, 2016, is as follows:

	November 15, 2016	Increase	Decrease	December 31, 2016	Amount due within one year
New Mexico Mortgage Finance Authority (HTF)	\$ -	\$ 1,875,000	\$ -	\$ 1,875,000	\$ -
New Mexico Mortgage Finance Authority (Primero)	-	1,000,000	-	1,000,000	-
Ventura Fund	-	625,000	-	625,000	-
	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>

The annual debt service requirements are as follows:

Year ending December 31,	Principal	Interest
2017	\$ -	\$ 96,875
2018	3,500,000	96,875
Total	<u>\$ 3,500,000</u>	<u>\$ 193,750</u>

The liability of the Partnership under the notes payable is limited to the underlying value of the real estate collateral.

3) **PARTNERS' CAPITAL**

The Partnership consists of one General Partner, Los Lobos Realty, LLC which owns 0.01%; one Investor Limited Partner, BF Rio Vista, LLC, which owns 99.99%; and one Special Limited Partner, BFIM Special Limited Partner, Inc. In accordance with the Partnership Agreement, the General Partner will make a capital contribution of \$100; the Special Limited Partner will contribute \$10; and the Limited Partner has committed to contribute \$9,248,867, subject to tax credit adjusters.

During the period ended December 31, 2016, the Investor Limited Partner contributed \$2,339,916. Additional capital contributions of \$6,908,951 are expected to be received as certain benchmarks are met.

4) **TRANSACTIONS WITH RELATED PARTY**

Development Services Agreement - The Partnership has entered into an agreement with Rio Developer LLC, an entity related to the General Partner, for its services in overseeing the development and rehabilitation of the project. The Partnership shall pay a fee of \$1,462,500 for these services, as determined by the allocating agency. During 2016, \$500,058 was earned and \$365,625 was paid. The balance due at December 31, 2016, was \$134,433 and is included in accounts payable. The remaining balance will be paid from Limited Partner capital contributions or cash flow, to the extent available pursuant to the Partnership Agreement. In the event that any balance of the fee remains unpaid after the payment of the Seventh Installment of Capital Contributions, the fee shall be deferred, with interest at 5% per annum, compounding annually and payable from available cash flow, in accordance with the priority set forth in the Partnership Agreement.

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Supervisory Management Fee - The Partnership has agreed to pay the General Partner an annual non-cumulative Supervisory Management Fee for its consulting services to the Partnership to be better able to distribute cash flow to its Partners. The fee shall be earned and payable only to the extent cash flow is available for distribution after the payments described in clauses first through eighth of Section 10.1A of the Partnership Agreement. The fee, with respect to any fiscal year, together with any management fees payable to the Management Agent pursuant to the terms of the Management Agreement, shall not exceed in the aggregate 12% of the Partnership's cash receipts for such year. No fee was paid during 2016.

Priority Distribution - A priority distribution is payable to the Limited Partner, commencing in 2017, in an annual cumulative amount of \$5,000, increasing 3% annually. The Priority Distribution shall be paid in accordance with the priority set forth in the Partnership Agreement.

5) **COMMITMENTS**

Restricted Escrow Accounts - Under the terms of the various agreements, the Partnership is required to make deposits to escrow accounts to fund expected future costs as follows:

Replacement Reserve - Commencing on the date of the final closing, an amount equal to \$1,875 per month shall be deposited into a reserve for replacements. At December 31, 2016, the reserve had not yet been set up.

Operating Reserve - The Partnership will establish an operating reserve in the amount of \$295,992. The reserve is to be funded with proceeds of the sixth installment of capital contribution. At December 31, 2016, the reserve had not yet been set up.

Transaction Reserve - The Partnership shall establish a transition reserve in the amount of \$225,000 from proceeds of the sixth installment of capital contribution. The reserve account is for any operating deficits that may arise in the event that the rental assistance under the HAP contract is reduced or terminated. At December 31, 2016, the reserve had not yet been set up.

Land Use Restriction Agreement - Pursuant to a land use restriction agreement with the New Mexico Mortgage Finance Authority, the Partnership is required to rent 75 units to tenants with income at or below 50% of area median income with 20% of units set aside for special needs. These restrictions shall remain in effect for a minimum of twenty (20) years.

Construction Contract - The Partnership has entered into a construction contract with Tofel Construction for \$5,321,220, for construction services in connection with the project. At December 31, 2016, \$204,380 of construction costs had been incurred and was included in accounts payable - construction.

6) **NOTE RECEIVABLE**

The Partnership advanced \$4,000,000 to Rio Housing BP Associates, LLLP during 2016 as a condition of acquisition of the project. The note bears interest at 4% per annum. Commencing November 1, 2017, annual payments of interest only shall be made and all unpaid principal and interest is due on November 1, 2046. The balance at December 31, 2016, was \$4,000,000. See Note 7.

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7) CAPITAL LEASE PAYABLE

In November 2016 the Partnership entered into a capital lease of land and building with Bernalillo County, New Mexico. The sale price was \$4,000,000. This transaction is being accounted for as a capital lease. The lease term is 30 years and title transfers to the Partnership at the end of the lease term for \$10. Principal under the capital lease obligation will be paid at the end of the lease term. The lease bears interest at 4%. The balance of the lease at December 31, 2016, was \$4,000,000.

	November 15, 2016	Increase	Decrease	December 31, 2016	Amount due within one year
Capital lease	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>

The mortgage loan will be amortized as follows:

Year ending December 31,	Principal	Interest
2017	\$ -	\$ 160,000
2018	-	160,000
2019	-	160,000
2020	-	160,000
2021	-	160,000
2022-2026	-	800,000
2027-2031	-	800,000
2032-2036	-	800,000
2037-2041	-	800,000
2042-2046	4,000,000	800,000
Total	<u>\$ 4,000,000</u>	<u>\$ 4,800,000</u>

8) HOUSING ASSISTANCE PAYMENTS CONTRACT

During 2016, the Partnership assumed a HUD Housing Assistance Payments (HAP) Contract. The contract provides housing assistance payments to the project on behalf of qualified tenants for the difference between the contract rent and the eligible tenant's contribution, as defined by HUD. Effective June 1, 2016, annual Section 8 contract rents total \$650,700 and may not be increased without HUD approval.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

9) PREPAID EXPENSES

Prepaid expenses at December 31, 2016, consists of the following:

Prepaid insurance	\$ 14,928
Utility deposit	1,795
Commitment fee	<u>70,000</u>
Total	<u>\$ 86,723</u>

10) MANAGEMENT CONTRACT

The Partnership entered into a management agreement with Capstone Real Estate Services, Inc. and is required to pay a management fee equal to 5% of gross collections received during the preceding month. Management fees incurred during 2016 were \$3,601.

11) CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist primarily of checking and time deposit accounts with financial institutions. These balances fluctuate greatly during the year and can exceed the \$250,000 limit of FDIC coverage. Management regularly monitors the financial institutions, together with their respective cash balances, and attempts to maintain this potential risk at a minimum. At December 31, 2016, the Partnership had cash on deposit with financial institutions, including restricted escrows and tenant security deposits, of \$1,425,711, all of which was insured by the FDIC or backed by bond securities.

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*

	2017	2016	2015
AHA's proportion of the net pension liability	0.30%	0.23%	0.29%
AHA's proportionate share of the net pension liability	\$ 4,764,231	\$ 2,300,187	\$ 2,235,616
AHA's covered-employee payroll	\$ 2,823,780	\$ 2,823,780	\$ 1,867,571
AHA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.72%	81.46%	119.71%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	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>2017</u>	2016	2015
Contractually required contribution	\$ 269,671	\$ 243,845	\$ 178,353
Contributions in relation to the contractually required contribution	<u>269,671</u>	<u>243,845</u>	<u>178,353</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
AHA's covered-employee payroll	\$ 2,823,780	\$ 2,553,351	\$ 1,867,571
Contributions as a percentage of covered-employee payroll	9.55%	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, 2017

Actuarial assumptions for valuations performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements

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 16 audit available at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf.

Changes of assumptions. The public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016, report are available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>.

FINANCIAL DATA SCHEDULE

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
JUNE 30, 2017

FDS Line Item No.	Description	Project Total	14.856 Lower Income Housing Assistance Program_					AHA Rio Vista Developer, LLC	COCC	Subtotal	ELIM	Total	Rio Housing Associates, LLLP, a discretely presented component unit
			14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Housing Choice Voucher 5-year Mainstream	14.239 Investment Partnerships Program	Section 8 Moderate Rehabilitation						
111	Cash - unrestricted	\$ 4,025,497	\$ 3,361,695	\$ 27,716	\$ 52,448	\$ -	\$ 54,743	\$ 23,314	\$ 243,478	\$ 7,788,891	\$ -	\$ 7,788,891	\$ 1,414,687
113	Cash - other restricted	-	221,093	33,690	-	-	-	-	-	254,783	-	254,783	-
114	Cash - tenant security deposits	228,567	-	-	-	-	-	-	-	228,567	-	228,567	11,196
100	Total cash	4,254,064	3,582,788	61,406	52,448	-	54,743	23,314	243,478	8,272,241	-	8,272,241	1,425,883
122	Accounts receivable - HUD other projects	-	-	-	-	-	-	-	336,756	336,756	-	336,756	4,029,371
126	Accounts receivable - tenants	62,326	-	-	-	-	-	-	62,326	62,326	-	62,326	6,688
126.1	Allowance for doubtful accounts - tenants	(49,344)	-	-	-	-	-	-	-	(49,344)	-	(49,344)	-
128	Fraud recovery	-	40,583	-	-	-	-	-	-	40,583	-	40,583	-
128.1	Allowance for doubtful accounts - fraud	-	(7,711)	-	-	-	-	-	-	(7,711)	-	(7,711)	-
120	Total receivables, net of allowances for doubtful accounts	12,982	32,872	-	-	-	-	-	336,756	382,610	-	382,610	4,036,059
132	Investments - restricted	-	-	-	-	-	-	-	8,123,599	8,123,599	-	8,123,599	-
142	Prepaid expenses and other assets	3,274	1,347,028	5,471	-	-	-	-	72,237	1,428,010	-	1,428,010	86,723
143	Inventories	-	-	-	-	-	-	-	152,550	152,550	-	152,550	-
144	Inter program due from	36,994	2,916	-	-	-	-	-	192,443	232,353	(232,353)	-	-
150	Total current assets	4,307,314	4,965,604	66,877	52,448	-	54,743	23,314	9,121,063	18,591,363	(232,353)	18,359,010	5,548,665
161	Land	3,767,389	-	-	-	-	-	-	-	3,767,389	-	3,767,389	541,803
162	Buildings	55,794,279	-	-	-	-	-	-	2,911,691	58,705,970	-	58,705,970	2,867,548
164	Furniture, equipment and machinery - administration	760,286	192,120	-	-	-	-	-	708,595	1,661,001	-	1,661,001	2,000
166	Accumulated depreciation	(50,589,859)	(192,120)	-	-	-	-	-	(3,138,194)	(53,920,173)	-	(53,920,173)	(11,981)
167	Construction in progress	145,961	-	-	-	-	-	-	-	145,961	-	145,961	1,287,647
160	Total capital assets, net of accumulated depreciation	9,878,056	-	-	-	-	-	-	482,092	10,360,148	-	10,360,148	4,687,017
180	Total noncurrent assets	9,878,056	-	-	-	-	-	-	482,092	10,360,148	-	10,360,148	4,687,017
190	Total assets	14,185,370	4,965,604	66,877	52,448	-	54,743	23,314	9,603,155	28,951,511	(232,353)	28,719,158	-
200	Deferred outflows of resources	581,051	464,482	-	-	-	-	-	842,707	1,888,240	-	1,888,240	-
290	Total assets and deferred outflows of resources	14,766,421	5,430,086	66,877	52,448	-	54,743	23,314	10,445,862	30,839,751	(232,353)	30,607,398	10,235,682
312	Accounts payable <= 90 days	-	-	-	-	-	-	-	216,936	216,936	-	216,936	751,264
321	Accrued wage/payroll taxes payable	41,775	32,974	-	-	-	-	-	60,458	135,207	-	135,207	-
322	Accrued compensated absences - current portion	19,183	15,463	-	-	-	-	-	35,676	70,322	-	70,322	-
341	Tenant security deposits	228,567	-	-	-	-	-	-	-	228,567	-	228,567	11,196
345	Other current liabilities	11,230	40,757	-	-	-	-	-	-	51,987	-	51,987	14,833
346	Accrued liabilities - other	-	72,273	-	-	-	-	-	3,432	75,705	-	75,705	-
347	Inter program - due to	-	229,437	-	-	-	-	-	2,916	232,353	(232,353)	-	-
348	Loan liability - current	-	-	-	-	-	-	-	21,129	21,129	-	21,129	-
310	Total current liabilities	300,755	390,904	-	-	-	-	-	2,916	337,631	(232,353)	799,853	777,293
354	Accrued compensated absences - noncurrent	29,842	16,146	-	-	-	-	-	55,392	101,380	-	101,380	-
355	Loan liability - noncurrent	-	-	-	-	-	-	-	121,494	121,494	-	121,494	7,500,000
357	Accrued pension and OPEB liabilities	1,454,555	1,188,128	-	-	-	-	-	2,121,548	4,764,231	-	4,764,231	-
350	Total noncurrent liabilities	1,484,397	1,204,274	-	-	-	-	-	2,298,434	4,987,105	-	4,987,105	7,500,000
300	Total liabilities	1,785,152	1,595,178	-	-	-	-	-	2,636,065	6,019,311	(232,353)	5,786,958	8,277,293
400	Deferred inflows of resources	5,897	28,872	-	-	-	-	-	12,518	47,287	-	47,287	-
508.4	Net investment in capital assets	9,878,056	-	-	-	-	-	-	339,469	10,217,525	-	10,217,525	-
511.4	Restricted net position	-	221,093	33,890	-	-	-	-	-	254,983	-	254,983	1,958,389
512.4	Unrestricted net position	3,097,316	3,584,943	32,987	52,448	-	54,743	20,398	7,457,810	14,300,645	-	14,300,645	-
513	Total equity/net position	12,975,372	3,806,036	66,877	52,448	-	54,743	20,398	7,797,279	24,773,153	-	24,773,153	1,958,389
600	Total liabilities, deferred inflows of resources and equity/net position	\$ 14,766,421	\$ 5,430,086	\$ 66,877	\$ 52,448	\$ -	\$ 54,743	\$ 23,314	\$ 10,445,862	\$ 30,839,751	\$ (232,353)	\$ 30,607,398	\$ 10,235,682

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, 2017

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.879 Housing Choice Voucher 5-year Mainstream	14.239 Investment Partnerships Program	AHA Rio Vista Developer, LLC	14.856	COCC	Subtotal	ELIM	Total	Rio Housing Associates, LLLP, a discretely presented component unit
								Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation					
70300	Net tenant rental revenue	\$ 2,178,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,178,053	\$ -	\$ 2,178,053	\$ 25,111
70500	Total tenant revenue	2,178,053	-	-	-	-	-	-	-	2,178,053	-	2,178,053	25,111
70600	HUD PHA operating grants	3,117,531	25,087,915	43,870	235,293	-	-	37,643	-	28,522,252	-	28,522,252	31,791
70610	Capital grants	1,614,568	-	-	-	-	-	-	-	1,614,568	-	1,614,568	-
70710	Management fee	-	-	-	-	-	-	-	1,098,046	1,098,046	(1,098,046)	-	-
70720	Asset management fee	-	-	-	-	-	-	-	105,860	105,860	(105,860)	-	-
70730	Book-keeping fee	-	-	-	-	-	-	-	411,278	411,278	(411,278)	-	-
70740	Front line service fee	-	-	-	-	-	-	-	757,808	757,808	(757,808)	-	-
70750	Other fees	-	-	-	-	-	-	-	90,525	90,525	(90,525)	-	-
70700	Total fee revenue	-	-	-	-	-	-	-	2,463,517	2,463,517	(2,463,517)	-	-
70800	Other government grants	-	-	-	-	79,224	-	-	-	79,224	-	79,224	-
71400	Fraud recovery	-	111,846	-	-	-	-	-	-	111,846	-	111,846	-
71500	Other revenue	63,555	2,338	-	-	-	66,060	-	8,745	140,698	-	140,698	9,662
72000	Investment income - restricted	-	-	-	-	-	-	-	39,391	39,391	-	39,391	20,297
70000	Total revenue	6,973,707	25,202,099	43,870	235,293	79,224	66,060	37,643	2,511,653	35,149,549	(2,463,517)	32,686,032	86,861
91100	Administrative salaries	556,947	713,102	284	2,396	-	-	398	1,143,320	2,416,447	-	2,416,447	-
91200	Auditing fees	5,811	34,636	-	-	-	-	-	3,560	44,007	-	44,007	-
91300	Management fee	557,614	540,432	-	-	-	-	-	-	1,098,046	(1,098,046)	-	3,601
91310	Book-keeping fee	73,544	337,733	-	-	-	-	-	-	411,277	(411,277)	-	-
91500	Employee benefit contributions - administrative	287,821	429,420	117	1,222	-	-	204	590,837	1,309,621	-	1,309,621	-
91600	Office expenses	128,080	276,591	7,723	28,041	-	-	5,603	172,095	618,133	-	618,133	1,713
91700	Legal expense	60,730	47,691	-	-	-	-	-	11,317	39,141	-	158,879	-
91800	Travel	6,932	9,462	-	-	-	-	-	-	17,878	-	34,272	-
91900	Other	108,387	15,209	-	-	-	-	-	-	17,091	-	140,687	2,601
91000	Total operating - administrative	1,785,866	2,404,276	8,124	31,659	-	-	11,317	6,205	1,983,922	(1,509,323)	4,722,046	7,915
92000	Asset management fee	105,861	-	-	-	-	-	-	-	105,861	(105,861)	-	-
93100	Water	633,527	2,050	-	-	-	-	-	2,338	637,915	-	637,915	2,068
93200	Electricity	244,911	19,302	-	-	-	-	-	3,937	268,150	-	268,150	4,597
93300	Gas	100,682	4,243	-	-	-	-	-	849	105,774	-	105,774	1,567
93000	Total utilities	979,120	25,595	-	-	-	-	-	7,124	1,011,839	-	1,011,839	8,232
94100	Ordinary maintenance and operations - labor	333,613	257	-	-	-	-	-	286,113	619,983	-	619,983	10,649
94200	Ordinary maintenance and operations - materials and other	328,918	2,905	-	-	-	-	-	13,897	345,720	-	345,720	14,291
94300	Ordinary maintenance and operations contracts	1,822,640	41,727	-	-	-	-	-	125,881	1,990,248	(848,333)	1,141,915	6,750
94500	Employee benefit contributions - ordinary maintenance	250,516	-	-	-	-	-	-	163,003	413,519	-	413,519	3,024
94000	Total maintenance and operations	2,735,687	44,889	-	-	-	-	-	588,894	3,369,470	(848,333)	2,521,137	34,714
96110	Property insurance	-	-	-	-	-	-	-	-	-	-	-	1,451
96140	All other insurance	245,346	35,737	-	-	-	-	-	63,528	344,611	-	344,611	-
96100	Total insurance premiums	245,346	35,737	-	-	-	-	-	63,528	344,611	-	344,611	1,451

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, 2017

FDS Line Item No.	Description	Project Total	14.871 Housing Choice Vouchers	14.249	14.879	14.239 Investment Partnerships Program	AHA Rio Vista Developer, LLC	14.856	COCC	Subtotal	ELIM	Total	Rio Housing Associates, LLLP, a discretely presented component unit
				Section 8 Moderate Rehabilitation Single Room Occupancy	Housing Choice Voucher 5-year Mainstream			Lower Income Housing Assistance Program_ Section 8 Moderate Rehabilitation					
96200	Other general expenses	674	17,509	-	-	-	-	-	-	18,183	-	18,183	89,421
96210	Compensated absences	3,165	13,236	-	-	-	-	-	1,723	18,124	-	18,124	-
96400	Bad debt - tenant rents	106,161	-	-	-	-	-	-	-	106,161	-	106,161	-
96000	Total other general expenses	110,000	30,745	-	-	-	-	-	1,723	142,468	-	142,468	89,421
96720	Interest on notes payable (short and long term)	-	-	-	-	-	-	-	-	-	-	-	25,245
96730	Amortization of bond issue costs	-	-	-	-	-	-	-	-	-	-	-	289,429
96700	Total interest expense and amortized costs	-	-	-	-	-	-	-	-	-	-	-	314,674
96900	Total operating expenses	5,961,880	2,541,242	8,124	31,659	-	11,317	6,205	2,645,191	11,205,618	(2,463,517)	8,742,101	456,407
97000	Excess of revenue over operating expenses	1,011,827	22,660,857	35,746	203,634	79,224	54,743	31,438	(133,538)	23,943,931	-	23,943,931	(369,546)
97300	Housing assistance payments	-	23,406,055	31,104	229,876	79,224	-	34,609	-	23,780,868	-	23,780,868	-
97400	Depreciation expense	831,093	-	-	-	-	-	-	105,181	936,274	-	936,274	11,981
97500	Fraud losses	-	30,462	-	-	-	-	-	94	30,556	-	30,556	-
90000	Total expenses	6,792,973	25,977,759	39,228	261,535	79,224	11,317	40,814	2,750,466	35,953,316	(2,463,517)	33,489,799	468,388
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ 180,734	\$ (775,660)	\$ 4,642	\$ (26,242)	\$ -	\$ 54,743	\$ (3,171)	\$ (238,813)	\$ (803,767)	\$ -	\$ (803,767)	\$ (381,527)
11030	Beginning equity	\$ 12,908,989	\$ 4,581,696	\$ 62,235	\$ 78,690	\$ -	\$ -	\$ 23,569	\$ 7,921,741	\$ 25,576,920	\$ -	\$ 25,576,920	\$ -
11040	Prior Period Adjustment, Equity Transfers, and Correction of Errors	\$ (114,351)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,351	\$ -	\$ -	\$ -	\$ -
11170	Administrative fee equity	\$ -	\$ 3,584,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,584,943	\$ -	\$ 3,584,943	\$ -
11180	Housing assistance payments equity	\$ -	\$ 221,093	\$ 33,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,983	\$ -	\$ 254,983	\$ 31,791
11190	Unit months available	11,424	50,760	-	600	192	-	-	-	62,976	-	62,976	-
11210	Unit months leased	10,631	45,979	-	563	159	-	-	-	57,332	-	57,332	-
11270	Excess cash	\$ 3,294,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,294,779	\$ -	\$ 3,294,779	\$ -
11620	Building purchases	\$ 1,465,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,465,379	\$ -	\$ 1,465,379	\$ 4,696,998
11630	Furniture and equipment - dwelling purchases	\$ 32,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,103	\$ -	\$ 32,103	\$ 2,000

See Accompanying Notes to Financial Data Schedule.

LBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL DATA SCHEDULE
FOR THE YEAR JUNE 30, 2017

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, 2017

<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>	
<u>Section 8 Moderate Rehabilitation</u>					
Direct					
Single Room Occupancy	NM001SR-0004	14.249	07/01/15	06/30/16	\$ 43,870
<u>Public and Indian Housing</u>					
Direct					
Low Rent Operating Subsidy	NM00100000017D_513D	14.850	01/01/17	12/31/17	1,602,374
Low Rent Operating Subsidy	NM00100000016D_513D	14.850	01/01/16	12/31/16	1,515,157
					<u>3,117,531</u>
<u>Lower Income Housing Assistance Program</u>					
Direct					
Section 8 Moderate Rehabilitation	NM001MR-0002	14.856	07/01/15	06/30/16	<u>37,643</u>
<u>Section 8 Housing Choice Vouchers</u>					
Direct					
Section 8-Housing Choice Voucher	NM001VO	14.871	07/01/15	06/30/16	25,087,915
<u>Mainstream Vouchers</u>					
Direct					
Housing Choice Voucher 5-year Main Stream	NM001DV0001	14.879	07/01/15	06/30/16	<u>235,293</u>
Total Section 8 Voucher Cluster					<u>25,323,208</u>
<u>Section 8 Housing Choice Vouchers</u>					
Pass through the City of Albuquerque Family and Community Development Department					
TBRA Home Investment Partnerships Program	707791	14.239	07/01/16	06/30/17	79,224
<u>Public Housing Capital Fund</u>					
Direct					
Public Housing Capital Fund Program	NM02P00150116	14.872	07/01/16	06/30/20	153,533
Public Housing Capital Fund Program	NM02P00150115	14.872	07/01/15	06/30/19	752,543
Public Housing Capital Fund Program	NM02P00150114	14.872	05/13/14	05/12/18	582,813
Public Housing Capital Fund Program	NM02P00150113	14.872	09/09/13	09/08/17	<u>125,679</u>
					<u>1,614,568</u>
Total expenditures of federal awards					<u>\$ 30,216,044</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, 2017

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, 2017. 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	\$ 25,404,721	\$ 1,095,795	\$ -	\$ 26,500,516
Public housing capital grants	1,614,568	-	(1,497,482)	117,086
Low rent operating subsidy	3,117,531	3,675,442	-	6,792,973
TBRA Home Investment Partnerships Program	79,224	-	-	79,224
	\$ 30,216,044	\$ 4,771,237	\$ (1,497,482)	\$ 33,489,799

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF DEPOSITS AND INVESTMENTS
JUNE 30, 2017

Account Name	Type of Account	Bank Balance	Outstanding (checks) deposits	Book Balance
Deposits				
Wells Fargo				
Housing Authority - Section 8	Checking	\$ 3,711,004	\$ (30,264)	\$ 3,680,740
Rio Vista Developer LLC	Checking	66,065	(11,322)	54,743
Housing Authority - Public Housing	Checking	4,613,856	(127,507)	4,486,349
Housing Authority - Public Housing FSS	Checking	11,192	-	11,192
Housing Authority - Section 8 FSS	Checking	39,217	-	39,217
		<u>8,441,334</u>	<u>(169,093)</u>	<u>8,272,241</u>
Investments				
Local Government Investment Pool				
LGIP Fund Pool-4101	Investment	8,123,599	-	8,123,599
Total cash and investments		<u>\$ 16,564,933</u>	<u>\$ (169,093)</u>	<u>\$ 16,395,840</u>

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2017

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.

ISSUER	COLLATERAL DESCRIPTION	COUPON	MATURITY	PAR	FACTOR	PRICE	TOTAL VALUE W/ACCRUALS
FMAC	FGPC	3	9/1/2026	38,260,950	0.232391	102.864644	\$ 9,167,710.68
FMAC	FGRM	3.5	9/15/2031	1,541,692	0.556938	103.11832	887,822.22
TOTALS							\$ 10,055,532.90

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, 2017

Memorandum of Understanding and other Agreements	Participants	Responsible Party	Description	Begin Date	End Date	Project Amount	Current Year Contributions	Audit Responsibility
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.	7/1/2014	Ongoing unless terminated by either party	billable	\$ -	all parties
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.	10/2/2012	6/30/2022	n/a	n/a	all parties
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.	1/5/1993	Ongoing unless terminated by any party upon 60 day written notice.	n/a	n/a	all parties
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).	3/1/2013	Ongoing unless terminated by either party	n/a	n/a	all parties
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.	1/7/2016	12/30/2017	monthly payment	\$ -	all parties
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.	1/6/2016	12/31/2016	4 installment payments	\$ 184,243	all parties
Second 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	Previously entered into an agreement for DHA to provide technical assistance services in connection with the self-implementation of an Energy Performance Contract (EPC); amending the agreement regarding contract period;	1/23/2017	extend to 6/30/2017	-	-	all parties
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.	7/1/2016	6/30/2017	75 employees x \$30., plus \$500billable	\$ 2,750.00	all parties

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING
AND OTHER AGREEMENTS — continued
JUNE 30, 2017

Memorandum of Understanding and other Agreements	Participants	Responsible Party	Description	Begin Date	End Date	Project Amount	Current Year Contributions	Audit Responsibility
Interagency Agreement by and between the Albuquerque Housing Authority (AHA) and the Bernalillo County housing Department (BCHD)	AHA and BCHD	AHA and BCHD	BCHD desires to engage the services of AHA to perform technical assistance services for BCHD's Administrative Plan for Housing Quality Standards (HQS) and Rent Reasonableness Data Collection under HUD regulations.	12/7/2016	Continue for 24 months unless sooner terminated in accordance with Section 6 of this agreement (30 day written notice).	\$	-	all parties
Collaboration Agreement among City of Albuquerque (COA/lead entity), City of Rio Rancho (CORR) and Albuquerque Housing Authority (AHA) collectively referred to as Program Participants	Program Participants are COA/ lead entity, CORR, AHA	Program Participants: COA/lead entity and City of Rio Rancho and AHA	Collaborative agreement between parties to meet 2018 AFH submissions; Program participants are subject to the affirmatively fair housing (AFH) requirements found at HUD doc 24 CFR 5.150; and wish to collaborate and submit a joint AFH that will encompass all necessary counties or regions to meet programmatic requirements.	10/13/2016	Terminate with cure notice upon thirty (30) days written notice by defaulting party provides written notice	\$ 32,486.00	\$ -	all parties
Social Services Contract Renewal Process; City of Albuquerque Department of Family and Community Services (DFCS) HOME Tenant Based Rental Assistance (TBRA)	COA and AHA	AHA and COA DFCS	Renewal of Intergovernmental Agreement wherein AHA performs HOME Tenant Based Rental Assistance (TBRA) voucher program; for up to 30 homeless households presently on the Section 8 waiting list and public housing waiting list who are referred to AHA through the Albuquerque Heading Home	6/16/2017	6/30/2018	\$ 275,700	\$ 1.00	all parties

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 year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2017. Our report includes a reference to another auditor who audited the financial statements of Rio Housing Associates LLLP, a component unit of AHA, as described in our report on AHA's financial statements. Rio Housing Associates LLLP was not audited in accordance with *Government Auditing Standards*.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

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*.

AHA's Response to Finding

AHA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. AHA's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 17, 2017

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, 2017. 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, 2017.

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 17, 2017

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
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, 2017

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: \$906,501

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, 2017

Section II — Financial Statement Findings

2017-001 — Internal Control over Capital Assets (Material Weakness)

Criteria: Monthly maintenance of the capital project accounting records and preparation of capital asset listing helps ensure that timely, accurate and useful information is available to management and those charged with governance. Additionally, maintenance of accurate capital project records and capital asset listing are necessary for the preparation of the annual financial statements and footnotes in accordance with generally accepted accounting principles (GAAP).

Condition: The general ledger of accounts were not reconciled throughout the year for capital projects and significant adjustments were needed to correct these capital project balances. Corrections were recorded to construction in progress, depreciation expense, net position, grant revenue and grant receivables. Additionally, the capital asset listing did not included all of the current year additions resulting from these projects. As a result, material adjusting journal entries were required after the fiscal year 2017 accounting records were closed.

Cause: In order to account for the cumulative cost of each capital project grant, AHA uses asset and contra asset accounts to record hard costs (cost to be capitalized) and soft costs (costs to be expensed). The asset account is debited when expenditures are incurred. The contra asset account is the credited and a capital asset (construction in progress) or an expense is debited to recognize current year activity. Then grant revenue is recognized when the capital funds are expended. Once the capital asset is placed in service, the construction in progress is transferred to building and improvements for a specific housing project. Throughout the year and specifically at year-end, the hard cost contra accounts were not properly reconciled and appropriate entries were not made.

Effect: There is an increased risk that errors and/or irregularities will occur and not be detected and corrected in a timely manner. Financial information reported to management and the Board is not accurate. Adjustments were needed to correct the contra hard cost account, construction in progress, buildings and improvements, net position, grant revenue and grant receivables. A total of 28 additional journal entries were made to the trial balance. Additional time and effort was needed to research these errors and prepare correcting entries.

Auditor's Recommendations: AHA should devote appropriate resources to reconcile each capital project monthly. The capital asset records should be updated and reconciled to the appropriate general ledger accounts on a monthly basis. Any correcting journal entries should be critically reviewed by someone independent of the preparation of the journal entry. Additionally, reconciliations and the capital asset records should also be critically reviewed by management monthly to ensure that the work was completed correctly.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section II — Financial Statement Findings — continued

2017-001 — Internal Control over Capital Assets (Material Weakness) — continued

Management's Response: AHA will devote more resources to reconcile each capital fund project monthly. The capital asset records will be updated monthly and reconciled to the appropriate general ledger monthly. All correcting journal entries will be signed off by a signature ensuring internal controls and will be reviewed by someone independent of the preparation of the journal entry. The monthly reconciliation of capital funds will be completed by the Capital Fund Accountant. This process will be instituted by February 1, 2018.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section III — Federal Award Findings

None

LBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Prior-Year Number	Description	Current-Year Status
None		

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, 2017

Section IV — 2.2.2 NMAC Audit Findings

None

LBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
EXIT CONFERENCE
JUNE 30, 2017

An exit conference was held on November 17, 2017, and attended by the following:

City of Albuquerque Personnel:

Pamela Fanelli, CMA, MBA
City Controller, (via conference call)

Anna Marie Lujan
Division Manager, Department of Family Community Services

Lidia Rosas
Fiscal Analyst II, Department of Family Community Services

Albuquerque Housing Authority Board of Housing Commissioners:

Stephen Vogel
Commissioner

Albuquerque Housing Authority Personnel:

Linda Bridge, MBA
Executive Director

Andrew Estocin
Deputy Director

Barbara D'Onofrio
Director of Finance

David DeYoung
Account Manager

Cheryl Cates
Accounting Manager

Karen Ochsankehl
Accounting Supervisor

REDW LLC Personnel:

James Montoya, CPA
Principal, Audit and Consulting

Wesley Daniels, CPA
Senior Manager, Audit and Consulting

Steven Purwin, CPA
In-charge, 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.