

ALBUQUERQUE HOUSING AUTHORITY

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

Year Ended June 30, 2019

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OFFICIAL ROSTER

Board of Housing Commissioners

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

Stephen J. Vogel, **Vice-Chairperson**

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

Lovie McGee, **Commissioner at Large**

Rebecca Robinson, **Resident Commissioner**

AHA Management

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

Thea Guerin, **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 AUDITORS' REPORT

Board of Commissioners of the
Albuquerque Housing Authority and
Brian S. Colón, ESQ.
New Mexico State Auditor
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Albuquerque Housing Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, and the Schedules related to PERA, Net Pension Liabilities, OPEB, and Net OPEB Liabilities, listed as "Required Supplementary Information" 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

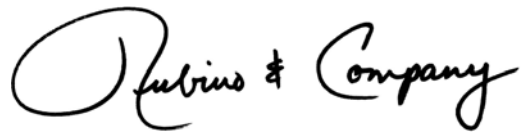
Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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, the financial data schedule required by the U.S. Department of Housing and Urban Development, and the other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the financial data schedule, and other schedules listed as other supplementary information in the table of contents, required by 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects in relation to the basic 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 27, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink. The signature reads "Rubins & Company". The word "Rubins" is written in a large, cursive script, followed by an ampersand "&" and the word "Company" in a smaller, more upright cursive script.

Bethesda, Maryland
November 27, 2019

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019. 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 very 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 951 units and our housing choice voucher program with roughly 3900 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) and subsequently became independent from the City of Albuquerque on December 6, 2010 when the City Council enacted a Board of Housing Commissioners to govern AHA. As of July 1, 2011, AHA became a public body-corporate and is recognized as a quasi-governmental agency. 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 Comprehensive Annual Financial Report (CAFR).

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 1st
- HUD—FDS is due March 30th online and at the Regional HUD office

Highlights of Fiscal Year 2019

AHA continues 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.

AHA was awarded City CDBG funds for the UFAS/ADA renovations at Wainwright and Embudo properties and these much-needed capital dollars improved the quality of living at our senior and disabled living buildings. These improvements included new elevators installed with these funds, security and safety features, and accessibility updates to units and common space areas.

A phased Rental Assistance Demonstration (RAD) program application for AMP 101 and AMP 103 was submitted to HUD in August 2018 and approved by HUD in November 2018. AHA continues to work on the submission of financing plans for five properties in those two AMPS in FY2020. AHA incurred the sale of capital assets this year with the disposal of fleet that had aged out of service and AHA received HUD approval for the disposition of the 8 scattered site houses in FY2019. The Energy Performance Contract (EPC) project is on track in its second year and our utilities Monitoring and Verification phase has demonstrated a 25% savings in our utility cost.

Strategic Planning

The strategic plan 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 succeed. The strategic directions to move the agency forward are to increase efficiencies in operations and leverage opportunities. Action items in the plan include: continued implementation of the housing development plan to improve and expand our housing stock; to bring more services and education opportunities to our Section 8 clients, Public Housing Residents and landlords; 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 applied for and received a ROSS Service Coordinator grant and has been working to implement that program. Services continue to expand on site through the opening of regional offices.

AHA has invested in the implementation of onsite offices at our residential properties in Public Housing. These regional offices in public housing will be established to improve delivery of services to our residents. This implementation of regional management will continue to expand into FY2020.

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Efficiency in Operations

AHA continues to invest in training and technology for staff to succeed and provide good customer service. A peer-to-peer mentoring group has been formed called the Leadership Development Group and is meeting monthly. This is a voluntary program for employees to attend on a monthly basis to increase their leadership skills. In addition, staff created a Code of Honor to guide communication and protect core values. Communication tools and the Code of Honor are discussed in monthly staff meetings.

Program Improvements

Section 8 Housing Choice Voucher (HCV) program achieved Standard Performer rating by U.S. Department of Housing and Urban Development on Section Eight Management Assessment Program (SEMAP).

AHA successfully collected 4,955 online pre-applications for admission to Section 8 Housing Choice Voucher (HCV) rental assistance program in just 30 days, for use in section 8 HCV admissions lottery drawing, by engaging in successful public outreach efforts to local residents.

More than 90 new households moved into the Section 8 Housing Choice Voucher (HCV) rental assistance program.

Public Housing Program maintained occupancy level above 96.0% and sustained the Standard Performer rating by the U.S. Department of Housing and Urban Development (HUD) in Public Housing Assessment System (PHAS) while at the same time proceeding forward to open and staff a city-wide system of regional offices. Reorganized property maintenance and property management staff to operate on regional basis, to fully implement a system of site-based property management techniques as part of Asset Management Program (AMP) implementation and preparing to convert many Public Housing program units to Rental Assistance Demonstration (RAD) program.

More than 100 new households moved into AHA Public Housing units.

Overview of the Financial Statements

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, 2019 and 2018. This discussion and analysis are intended to serve as an introduction to AHA's basic financial statements, which are comprised of the following: (1) the statement of net position, (2) the statement of revenues, expenses and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

- **The Statement of net position** presents financial information on all of AHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It assesses the balance of a government's assets and deferred outflows of resources against its liabilities and deferred inflow of resources in order to determine what is left over after satisfying its obligations of resources to others. This is a picture of AHA's net position at a given point in time, such as fiscal year-end. Tracking net position over time, with its increases and decreases, is an indicator of AHA's financial position.

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MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019

Overview of the Financial Statements (continued)

- **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 951 public housing rental units for eligible low-income families, seniors and individuals with disabilities.
- **VASH** – HUD awarded Veterans Affairs Supportive Housing combines Housing Choice Vouchers with rental assistance for homeless veterans. Working with the local Veterans office for assigning VASH vouchers AHA utilizes over 300 VASH vouchers.
- **TBRA** – a pass through grant from the City of Albuquerque, AHA has housed 16 homeless in FY18 and additional 39 homeless members of our community in FY19. AHA anticipates signing a third-year contract to increase that to 40 more vouchers. Additional funding of \$1,001,959 assists AHA in coordinating with community partners in housing the homeless population.
- **CDBG** – a pass through grant from the City of Albuquerque for \$3,200,918 in funds for Community Development Block Grant. AHA has signed a third-year contract for CDBG in FY20.
- **PBV** – Project-Based Vouchers were contracted out to community apartment complexes to house and additional 80 vouchers through choice vouchers to our Albuquerque neighborhoods.
- **ROSS Grant** – HUD awarded the FY17 Resident Opportunity and Self -Sufficiency Service Coordinators (ROSS-SC) grant award for AHA to use for a three-year period for \$220,598 which is to fund a position during this time period.

| HUD Funded Programs | <u>2019</u> | <u>2018</u> | \$ Change | % Change |
|-------------------------------------|----------------------|----------------------|---------------------|--------------|
| Low Income Public Housing | \$ 3,947,727 | \$ 3,450,468 | \$ 497,259 | 14.4% |
| CDBG/Home | 3,419,906 | \$ 79,124 | 3,340,782 | 4222.2% |
| Capital Fund Program | 465,365 | 1,084,650 | (619,285) | -57.1% |
| Housing Assistance Payment Programs | <u>27,427,775</u> | <u>27,561,790</u> | <u>(134,015)</u> | <u>-0.5%</u> |
| Total funding | <u>\$ 35,260,773</u> | <u>\$ 32,176,032</u> | <u>\$ 3,084,741</u> | <u>9.6%</u> |

ALBUQUERQUE HOUSING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

FINANCIAL ANALYSIS

General

Over time, net position may serve as a useful indicator of AHA's financial health. At June 30, 2019, AHA's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$24.6 million. A portion of net position, \$18 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 2019 and FY 2018. This information reflects the economic resources of AHA, as well as its economic obligations at the end of FY 2019 and FY 2018.

| | | |
|--|----------------------|----------------------|
| ASSETS | <u>2019</u> | <u>2018</u> |
| Current assets | \$ 17,620,257 | \$ 17,789,834 |
| Capital assets, net | <u>19,298,659</u> | <u>16,937,660</u> |
| Total assets | 36,918,916 | 34,727,494 |
| DEFERRED OUTFLOWS OF RESOURCES | <u>1,662,983</u> | <u>2,353,484</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>38,581,899</u> | <u>37,080,978</u> |
| LIABILITIES | | |
| Current liabilities | 1,012,804 | 1,541,696 |
| Noncurrent liabilities | <u>11,653,612</u> | <u>11,818,775</u> |
| Total liabilities | 12,666,416 | 13,360,471 |
| DEFERRED INFLOWS OF RESOURCES | <u>1,286,583</u> | <u>981,765</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 13,952,999 | 14,342,236 |
| NET POSITION | | |
| Net investment in capital assets | 15,246,582 | 12,715,581 |
| Restricted net position | 1,004,195 | 784,312 |
| Unrestricted net position | <u>8,378,123</u> | <u>9,238,849</u> |
| TOTAL NET POSITION | <u>\$ 24,628,900</u> | <u>\$ 22,738,742</u> |

ALBUQUERQUE HOUSING AUTHORITY
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Assets

During FY2019, total assets increased approximately \$2.1 million. Current assets decreased by \$0.1 million or 1%. Capital assets increased by approximately \$2.3 million. This increase in capital assets for the period was a result of \$3.7 million in building and improvements with offsets \$1.4 million 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 \$12.7 million at June 30, 2019 and \$13.3 million at June 30, 2018. Current liabilities decreased by \$528 thousand or 34%.

Noncurrent liabilities decreased by \$165 thousand. This was mainly due to the current year debt payments.

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 \$24.6 million at June 30, 2019 and is comprised of net investment in capital assets of \$15 million. Total net position increased by \$2 million, or approximately 8% as a result of investing reserve funds into capital improvements during 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 disabled households.

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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 2019 and FY 2018. The information reflects the result of operations for AHA and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis.

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Total operating revenues | \$ 37,737,218 | \$ 33,936,719 |
| Total operating expenses | <u>35,678,587</u> | <u>33,581,687</u> |
| Operating income | 2,058,631 | 355,032 |
| Total nonoperating revenues/expenses, net | <u>(309,990)</u> | <u>533,770</u> |
| Change in net position | 1,748,641 | 888,802 |
| Net position, beginning of year | 22,738,742 | 24,773,153 |
| Prior period adjustment | <u>141,517</u> | <u>(2,923,213)</u> |
| Net position, end of year | <u>\$ 24,628,900</u> | <u>\$ 22,738,742</u> |

Operating Revenues and Expenses

AHA's total operating revenues increased by 11% due to a \$3.2 million increase funding from the City for the CDBG grant. Total operating expense increased by \$2 million or 6% due to HAP payments and current year depreciation.

Nonoperating Revenues, Expenses and Changes in Net Position

Nonoperating revenue of (\$309) thousand consisted of extra ordinary maintenance, casualty losses along with a significant reduction in capital grants.

Capital Assets and Debt Administration

Net Capital Assets

At the end of FY 2019, AHA had \$19,298,659, 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, 2019, AHA had a non-interest repayment agreement with HUD in the amount of \$110,930. 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.

Furthermore AHA had a capital lease agreement related to an Energy Performance Contract (EPC) for \$4,052,077.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

New Mexico is officially nicknamed The Land of Enchantment for its scenic beauty, rich multicultural history and various art forms. Historically a ranching and mining state, New Mexico's natural resources still contribute significantly to its economy. Although the mining sector employs a small percentage of the total workforce, the oil and gas industry contribute over \$2 billion annually to the state in taxes and other revenue. New Mexico is also the leading producer of potash in the country and has significant uranium resources.

The state's economic pillars are its natural resources, tourism, retail trade and federal government spending. Much of the state's income is derived from oil and gas. The Permian Basin in New Mexico has more than 25,000 oil wells, including two of the 100 largest oil fields in the nation.

The federal government is the state's biggest employer. More than one-third of the land in New Mexico is protected by the federal government, employing people in agencies such as the National Park Service to protect national parks and historic sites. The U.S. government also maintains military and research institutions in the state. Three Air Force bases, White Sands Missile Range and the federal research facilities at Los Alamos National Laboratory and Sandia National Laboratories are located in New Mexico.

CURRENT ECONOMIC SITUATION

The nation has recovered from the worst recession a steep downturn spanning 2007 to 2009 – since the Great Depression of the 1930s. Unemployment surpassed 10 percent nationwide at the peak, with joblessness running higher in some states.

Per *Bureau of Business & Economic Research (BBER)*, New Mexico's economy is the strongest since the Recession and now have more jobs than pre-Recession. Recent survey-based data lists 10,500 new jobs in 2018, 17th among states. Today the state's economic factors are due to the industry boom in New Mexico for natural resources. Oil & gas production, tourism and the federal government drive New Mexico's economy. Federal technology labs, Los Alamos National Laboratory and Sandia National Laboratories, are two of the largest employers in the state. Major private employers are Presbyterian Healthcare and PNM Resources.

New Mexico has a state population of roughly 2 million and in calendar year 2018 median household income was \$47,711 with a job growth of 1.3% and an unemployment rate of 5.9%. New Mexico economic outlook is expected to have job growth and budgets are expected to grow in local government.

ALBUQUERQUE HOUSING AND THE COMMUNITY

To be eligible for AHA's housing programs, a family's income cannot exceed 50 percent of Albuquerque's median income, which the US Department of Housing and Urban Development (HUD) has determined to be \$32,500 for a family of four. The average household income of our housing tenant is \$13,799 and their average rent is \$247 a month. 47% of our residents are disabled and 25% are elderly.

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ALBUQUERQUE HOUSING AND THE COMMUNITY (continued)

Currently, the demand for housing assistance in Albuquerque exceeds our program resources. This means that qualified applicants are placed onto our waiting list for public housing or apply through the lottery for Housing Choice Vouchers.

AHA will continue to work with the community and our partners to seek innovative solutions for affordable housing. AHA is grateful to partnerships with HUD, the City of Albuquerque and the many service providers that are making a difference every day in the lives of people in our city.

BUDGET

The operating budgets for AHA's 2018-2019 fiscal year were approved by the Board of Housing Commissioners on June 21, 2018 and became effective July 1, 2018. The budget for all funds including Central Office Cost Center, Public Housing and Housing Choice Voucher programs show a deficit that is covered by reserves available for each of those 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.

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2019

| ASSETS | <u>Primary Government</u> |
|--|-------------------------------|
| Current assets | |
| Cash and cash equivalents - unrestricted | \$ 15,222,631 |
| Cash and cash equivalents - restricted | 1,193,055 |
| Accounts receivable, net of allowance | 1,054,830 |
| Prepaid expenses | 63,975 |
| Inventory, net of allowance | <u>85,766</u> |
| Total current assets | <u>17,620,257</u> |
| Capital assets | |
| Land & improvements | 3,767,389 |
| Buildings | 69,892,341 |
| Furniture & equipment | 1,548,363 |
| Construction in progress | <u>283,890</u> |
| | 75,491,983 |
| Less: Accumulated depreciation | <u>56,193,324</u> |
| Total capital assets | <u>19,298,659</u> |
| Total assets | <u>36,918,916</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows – pension | 1,608,607 |
| Deferred outflows – health insurance | 53,129 |
| Deferred outflows – life insurance | <u>1,247</u> |
| Total amounts related to pension and OPEB | <u>1,662,983</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 38,581,899</u> |

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2019

| LIABILITIES | <u>Primary Government</u> |
|---|-------------------------------|
| Current liabilities | |
| Accounts payable | \$ 201,375 |
| Accrued payroll | 73,764 |
| Current portion of compensated absences | 73,932 |
| Accounts payable - HUD | 5,638 |
| Other current liabilities | 237,914 |
| Tenant security deposits | 232,423 |
| HUD payable current | 15,847 |
| Current portion of capital lease payable | <u>171,911</u> |
| Total current liabilities | <u>1,012,804</u> |
| Noncurrent liabilities | |
| Compensated absences, net of current portion | 100,034 |
| Net pension liability | 4,778,328 |
| Net OPEB liability - health insurance | 2,752,074 |
| Net OPEB liability - life insurance | 31,930 |
| Other noncurrent liabilities | 15,997 |
| HUD payable, net of current portion | 95,083 |
| Capital lease payable, net of current portion and debt issuance costs | <u>3,880,166</u> |
| Total noncurrent liabilities | <u>11,653,612</u> |
| Total liabilities | <u>12,666,416</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows – pension | 353,964 |
| Deferred inflows – health insurance | 930,176 |
| Deferred inflows – life insurance | <u>2,443</u> |
| Total amounts related to pension and OPEB | <u>1,286,583</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 15,246,582 |
| Restricted net position | 1,004,195 |
| Unrestricted net position | <u>8,378,123</u> |
| Total net position | <u>24,628,900</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 38,581,899</u> |

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2019

| | Primary Government |
|---|-------------------------------|
| OPERATING REVENUES | |
| Tenant rental revenue | \$ 2,229,931 |
| Intergovernmental subsidies and grants | 34,916,610 |
| Other revenue | <u>590,677</u> |
| Total operating revenues | <u>37,737,218</u> |
| OPERATING EXPENSES | |
| Administration | 5,349,052 |
| Tenant services | 30,420 |
| Utilities | 934,554 |
| Maintenance and operations | 2,682,568 |
| General | 707,645 |
| Housing assistance payments | 24,566,966 |
| Depreciation | <u>1,407,382</u> |
| Total operating expenses | <u>35,678,587</u> |
| Operating income | <u>2,058,631</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Casualty losses | (66,949) |
| Extraordinary maintenance | (564,678) |
| Investment income | 151,670 |
| Interest expense | <u>(174,196)</u> |
| Total nonoperating revenues (expenses) | <u>(654,153)</u> |
| Income before capital grants and contributions | <u>1,404,478</u> |
| Capital grants | <u>344,163</u> |
| INCREASE IN NET POSITION | <u>1,748,641</u> |
| Prior Period Adjustment - Capital Amounts (Note 1) | 141,517 |
| NET POSITION, BEGINNING OF YEAR | <u>22,738,742</u> |
| NET POSITION, END OF YEAR | <u>\$ 24,628,900</u> |

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

| | Primary Government |
|---|-------------------------------|
| Cash flows from operating activities | |
| Receipts from customers and users | \$ 2,820,608 |
| Governmental grants & subsidy - operations | 34,916,610 |
| Payments to suppliers | (5,103,133) |
| Payments for housing assistance | (24,367,510) |
| Payments to employees | <u>(5,166,401)</u> |
| Net cash flows provided by operating activities | <u><u>3,100,174</u></u> |
| Cash flows from capital and related financing activities | |
| Grant revenue - capital grants | 344,163 |
| Acquisition of capital assets - CDBG | (3,200,918) |
| Acquisition of capital assets - CFP | (344,163) |
| Payments on capital lease | (170,002) |
| Payments per HUD repayment agreement | (15,846) |
| Addition of capital assets - operations | (148,732) |
| Payment of interest on debt | (174,196) |
| Extraordinary maintenance | <u>(564,678)</u> |
| Net cash flows (used) by capital and related financing activities | <u><u>(4,274,372)</u></u> |
| Cash flows from investing activities | |
| Interest income | <u>151,670</u> |
| Net cash flows provided by investing activities | <u><u>151,670</u></u> |
| NET DECREASE IN CASH | (1,022,528) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>17,438,214</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 16,415,686</u></u> |

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

| | Primary Government |
|---|-------------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities | |
| Operating income | \$ 2,058,631 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Depreciation | 1,407,382 |
| Changes in operating assets and liabilities | |
| Decrease (Increase) in accounts receivable | (894,349) |
| Decrease (Increase) in inventory | 29,800 |
| Decrease (Increase) in prepaid expenses | 11,598 |
| Decrease (Increase) in deferred outflows | 690,501 |
| Increase (Decrease) in accounts payable | (541,340) |
| Increase (Decrease) in accrued liabilities | 29,212 |
| Increase (Decrease) in unearned revenue | (238) |
| Increase (Decrease) in deferred inflows | 304,818 |
| Increase (Decrease) in other liabilities | 4,762 |
| Increase (Decrease) in security/trust deposits | (603) |
| Net cash provided by operating activities | \$ 3,100,174 |

The accompanying 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, 2019

1. 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 – the Authority reports the following blended component units that are included in this report:

AHA Rio Vista, LLC – Created on October 31, 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 October 31, 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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

A. Reporting Entity (continued)

Related Organizations

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 Rio Vista Apartments. Rio Vista Apartments is a 75-unit apartment complex located in Albuquerque, New Mexico that qualify as low-income housing units. This entity was previously included as a component unit in the prior period, but AHA management (in conjunction with HUD and the State of New Mexico) has determined that this entity is more appropriately classified as a related organization. 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. Separately issued financial statements can be obtained at Wishrock Group, Three Canal Plaza, Suite 501, Portland, ME 04101.

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. Since 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, management has also determined that this entity is more appropriate to be presented as a related organization.

Related Parties

The Housing Authority of the City of Albuquerque is a component unit of the City of Albuquerque. As defined by U.S. generally accepted accounting principles, it has been determined that the Albuquerque Bernalillo County Water Utility Authority (ABCWUA) qualifies as a related party. ABCWUA was previously a component unit of the City but is now a separate entity that provides certain administrative and utility services. During the audit period, \$863,266 of payments were made to ABCWUA and no amounts related to fiscal year 2019 were outstanding as of June 30, 2019.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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. Non-pooled 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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

2. Investments

The investment in the State of New Mexico local government investment pool (LGIP) is valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31.

The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10.I through 6-10-10.P and Sections 6-10-10.1A and E NMSA 1978. The pool does not have unit shares. According to Section 6-10-10.1F NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditor's Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditor's Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

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

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

3. Receivables

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

4. Restricted Assets

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

5. Inventory

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

6. Capital Assets

Capital assets are stated at historical cost. Donated capital assets are recorded at estimated fair market value at the time received. State of New Mexico Administrative Code requires state and local governmental agencies to capitalize capital assets costing in excess of \$5,000. Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 15 – 50 Years |
| Machinery and equipment | 3 – 13 Years |

7. Accrued Compensated Absences

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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

8. Defined Benefit Pension Plan (continued)

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, 2019, 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, 2017, deferred outflows of resource and deferred inflows of resource balances.

9. Defined Benefit OPEB Plans

AHA is an affiliated public employer with the New Mexico Retiree Health Care Authority's (RHCA) New Mexico Retiree Health Care Fund for purposes of providing AHA retired employees with health care insurance and prescription drug benefits. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of RHCA and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, 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.

AHA also provides employees with retiree life insurance through Hartford. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the life insurance plan and additions to/deductions from the plan's fiduciary net position have been determined on the economic resources measurement focus and accrual basis of accounting. Investments are reported at fair value.

10. 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.

11. Long-term Liabilities

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

12. 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. AHA’s restricted net position also relate to deposits held and Housing Choice Voucher equity restrictions as required by HUD.
- **Unrestricted net position** – This category reflects net position not restricted for any project or other purpose.

13. Use of Estimates in Preparation of 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.

14. 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, 2019

15. Future Accounting Standards

The GASB has issued several statements which have not yet been implemented by AHA but which are effective for future years. These statements include the following:

GASB No. 87, *Leases*, is effective for years beginning after December 15, 2019. This statement improves the accounting and financial reporting for leases by requiring the recognition of certain lease assets and liabilities that were classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract.

GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is effective for years beginning after December 15, 2018. This statements improves the consistency and comparability of reporting a government’s majority equity interest in legally separate organizations by defining a majority equity interest and requiring the use of the equity method.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

II. DETAILED NOTES

A. Cash, Cash Equivalents, and Tenant 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, 2019, consist of the following:

| | |
|--|-----------------------------|
| <u>Deposits</u> | |
| Bank accounts at book balances | \$ 8,303,044 |
| Tenant deposits and escrows | <u>1,193,055</u> |
| Total deposits | 9,496,099 |
| Local government investment pool | <u>6,919,587</u> |
| Total cash, cash equivalents, and tenant security deposits | <u><u>\$ 16,415,686</u></u> |

As reported in the statement of net position

| | |
|--|-----------------------------|
| Cash and cash equivalents - unrestricted | \$ 15,222,631 |
| Cash and cash equivalents - restricted | <u>1,193,055</u> |
| | <u><u>\$ 16,415,686</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, 2019, the carrying amount of bank deposits was \$9,496,099 and the bank balance was \$9,957,722. Of the bank balances, \$250,000 was covered by federal depository insurance and \$10,224,590 was collateralized by securities held by a third party bank at June 30, 2019. The bank balance was either insured or collateralized at June 30, 2019.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

A. Cash, Cash Equivalents, and Tenant Deposits (continued)

Custodial credit risk – Investments – Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, AHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. AHA's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into shall be conducted on a delivery-versus-payment basis. AHA's investment in the Local Government Investment Pool (LGIP) represents a proportionate interest in the LGIP's portfolio. AHA's portion is not identified with specific investments and is not subject to custodial credit risk.

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Balance July 1, 2018 | Additions | Disposals | Adjustments | Balance June 30, 2019 |
|---------------------------------------|-------------------------|---------------------|-------------|-------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,767,389 | \$ - | \$ - | \$ - | \$ 3,767,389 |
| Construction in Progress | - | 283,890 | - | - | 283,890 |
| Total | 3,767,389 | 283,890 | - | - | 4,051,279 |
| Capital assets being depreciated: | | | | | |
| Buildings & Improvements | 67,001,127 | 2,554,617 | - | 13,136 | 69,568,880 |
| Infrastructure | - | 818,505 | - | - | 818,505 |
| Furniture & Equipment | 941,950 | 111,369 | - | - | 1,053,319 |
| | 67,943,077 | 3,484,491 | - | 13,136 | 71,440,704 |
| Less: Accumulated Depreciation | (54,772,806) | (1,407,382) | - | (13,136) | (56,193,324) |
| Total | 13,170,271 | 2,077,109 | - | - | 15,247,380 |
| Capital Assets, Net | <u>\$ 16,937,660</u> | <u>\$ 2,360,999</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,298,659</u> |

C. Long-term Obligations

The change in long-term obligations for the year ended June 30, 2019 is as follows:

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 | Due in Less than One Year |
|------------------------------|-------------------------|-------------------|---------------------|--------------------------|------------------------------|
| Capital lease payable | \$ 4,222,079 | \$ - | \$ (170,002) | \$ 4,052,077 | 171,911 |
| Unfunded pension liability | 4,417,682 | 360,646 | - | 4,778,328 | - |
| Unfunded OPEB liability | 3,133,929 | - | (349,925) | 2,784,004 | - |
| HUD payable | 126,776 | - | (15,846) | 110,930 | 15,847 |
| Accrued compensated absences | 172,389 | 133,403 | (131,826) | 173,966 | 73,932 |
| | <u>\$ 12,072,855</u> | <u>\$ 494,049</u> | <u>\$ (667,599)</u> | <u>\$ 11,899,305</u> | <u>\$ 261,690</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, 2019, was \$110,930.

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C. Long-term Obligations (continued)

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

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2020 | \$ 26,414 |
| 2021 | 21,129 |
| 2022 | 21,129 |
| 2023 | 21,129 |
| 2024 | <u>21,129</u> |
| | <u>\$ 110,930</u> |

Effective June 22, 2017, AHA entered into a Lease Purchase Agreement with Banc of America Public Capital Corporation through the Public Housing Energy Performance Contract (EPC) program. U.S. Department of Housing and Urban Development's Energy Performance Contracting program is an innovative financing technique that uses cost savings from the reduction in energy consumption to repay the cost of installing Energy Conservation Measures (ECM). Under this lease purchase agreement, AHA is committed to borrow up to \$4,090,059. The terms of the lease purchase is 15 years with interest payable at 3.88% annually. During the first year of the lease, AHA was not obligated to pay their required rental amount which increased their principal balance to \$4,237,871 prior to AHA making monthly payments. The balance outstanding at June 30, 2019, was \$4,052,077.

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

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|--------------------|--------------------|
| 2020 | \$ 171,911 | \$ 154,718 | \$ 326,629 |
| 2021 | 188,673 | 147,754 | 336,427 |
| 2022 | 206,397 | 140,123 | 346,520 |
| 2023 | 225,129 | 131,787 | 356,916 |
| 2024 | 244,918 | 122,705 | 367,623 |
| 2025-2033 | <u>3,015,049</u> | <u>552,944</u> | <u>3,567,993</u> |
| | <u>\$ 4,052,077</u> | <u>\$1,250,031</u> | <u>\$5,302,108</u> |

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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.

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, 2018, 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, 2018, available at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018.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 2018 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 23 of the PERA FY 2018 annual audit report at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018.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, 2019, was \$240,702.

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D. Defined Benefit Pension Plan (continued)

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, 2017. The PERA pension liability amounts for each division were rolled forward for the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as the measurement date of June 30, 2018.

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, 2018. 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 2018 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, 2019, AHA reported a liability of \$4,778,328, for its proportionate share of the net pension liability. At June 30, 2018, AHA's proportion was 0.2997 percent.

For the year ended June 30, 2019, AHA recognized PERA Municipal General Division pension expense of \$1,331,848.

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D. Defined Benefit Pension Plan (continued)

At June 30, 2019, AHA reported PERA Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 138,103 | \$ 125,453 |
| Change in assumptions | 433,223 | 27,474 |
| Net difference between projected and actual earnings on pension plan investments | 354,385 | - |
| Changes in proportion and differences between AHA contributions and proportionate share of contributions | 464,565 | 201,037 |
| AHA contributions subsequent to the measurement date | <u>218,331</u> | <u>-</u> |
| Total | <u>\$ 1,608,607</u> | <u>\$ 353,964</u> |

No amounts were reported as deferred outflows of resources related to pensions resulting from AHA contributions subsequent to the measurement date of June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2020 | \$ 828,784 |
| 2021 | 210,584 |
| 2022 | (20,170) |
| 2023 | <u>17,114</u> |
| | <u>\$ 1,036,312</u> |

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, 2017, 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, 2018, 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018, actuarial valuation.

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D. Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll, Open |
| Amortization period | 30 Years |
| Investment rate of return | 7.25% for 1st 9 years; 7.75% thereafter |
| Payroll growth | 3.00% |
| Projected salary increases | 3.25% - 13.50% annual rate |
| Inflation assumption | 2.25% for the 1st; 2.75% thereafter |

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% | 7.48% |
| Risk Reduction & Mitigation | 21.50% | 2.37% |
| Credit Oriented Fixed Income | 15.00% | 5.47% |
| Real Assets | <u>20.00%</u> | 6.48% |
| | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 7.25% 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.

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D. Defined Benefit Pension Plan (continued)

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 7.25 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 (6.25 percent) or 1-percent higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| AHA's proportionate share of the net pension liability, at June 30, 2019 | \$ 7,363,083 | \$ 4,778,328 | \$ 2,641,614 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 2018 PERA Financial Reports. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. There were no payables due to PERA of June 30, 2019.

E. Other Post-Employment Benefit Plans

1. Healthcare Plan

Plan description. AHA contributes to the New Mexico Retiree Health Care Fund, 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.

Benefits provided. RHCA is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to RHCA and by co-payments or out-of-pocket payments of eligible retirees.

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1. Healthcare Plan (continued)

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

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

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

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

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1. Healthcare Plan (continued)

Contributions. 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 who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. Employer contributions to RHCA were \$97,694 for the year ended June 30, 2019.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2019, AHA reported a net OPEB Liability for Retiree Health Care of \$2,752,074 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2017. As of June 30, 2019, AHA's proportionate share of the OPEB liability was 0.06329%.

For year ended June 30, 2019, AHA recognized OPEB contribution expense of \$53,129. As of June 30, 2019, AHA reported deferred outflows of resources and deferred inflow of resources related to OPEB Health Insurance from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ - | \$ 162,940 |
| Change in assumptions | - | 513,800 |
| Net difference between projected and actual earnings on pension plan investments | - | 34,345 |
| Changes in proportion and differences between AHA contributions and proportionate share of contributions | - | 219,091 |
| AHA contributions subsequent to the measurement date | <u>53,129</u> | <u>-</u> |
| Total | <u>\$ 53,129</u> | <u>\$ 930,176</u> |

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1. Healthcare Plan (continued)

The amount of contributions related to fiscal year 2019 have been recorded as a reduction of the OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|---------------------|
| 2020 | \$ (231,828) |
| 2021 | (231,828) |
| 2022 | (231,828) |
| 2023 | (190,681) |
| 2024 | <u>(66,381)</u> |
| | <u>\$ (952,546)</u> |

Actuarial assumptions. The total OPEB liability in the June 30, 2018 valuation was determined using the following actuarial assumptions applied to all periods including the measurement:

Actuarial Methods and Assumptions

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Investment rate of return | 7.25% annual rate, net of investment |
| Projected salary increases | 3.50% to 12.5%, based on years of service, including inflation |
| Discount rate | 3.81% |
| Mortality rate | RP-2000 Combined Healthy Mortality |
| Healthcare cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs; 7.5% graded down to 4.5% over 12 years of Medicare medical plan costs |

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

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1. Healthcare Plan (continued)

| ALL FUNDS – Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|----------------------|--|
| U.S. core fixed income | 20.00% | 2.10% |
| U.S. equity – large cap | 20.00% | 7.10% |
| Non-U.S. – emerging markets | 15.00% | 10.20% |
| Non-U.S. – developed equities | 12.00% | 7.80% |
| Private equity | 10.00% | 11.80% |
| Credit and structured finance | 10.00% | 5.30% |
| Real estate | 5.00% | 4.90% |
| Absolute return | 5.00% | 4.10% |
| U.S. equity – small cap | <u>5.00%</u> | 7.10% |
| | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Funds fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Sensitivity of AHA's proportionate share of the net OPEB liability to changes in the discount rate. The following represents AHA's proportionate share of the net OPEB liability calculated using the discount rate of 4.08 percent, as well as what AHA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (3.08 percent) or 1-percent higher (5.08 percent) than the current rate:

| | 1% Decrease (3.08%) | Current Discount Rate (4.08%) | 1% Increase (5.08%) |
|---|------------------------|----------------------------------|------------------------|
| AHA's proportionate share of the net OPEB liability, at June 30, 2019 | \$ 2,326,476 | \$ 2,752,074 | \$ 3,085,759 |

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1. Healthcare Plan (continued)

Sensitivity of AHA's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following represents AHA's proportionate share of the net OPEB liability, as well as what AHA's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percent lower or 1-percent higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rates | 1% Increase |
|---|--------------|------------------------|-------------|
| AHA's proportionate share of the net OPEB liability, at June 30, 2019 | \$ 2,326,476 | \$2,752,074 | \$3,085,759 |

OPEB plan fiduciary net position. Detailed information about RHCA's fiduciary net position is available in their separately issued OPEB Financial Report.

Payables to the OPEB Plan. There were no payable due to RHCA as of June 30, 2019.

2. Life Insurance Plan

Plan description. AHA provides continuation of life insurance coverage to its retiring employees through an insured group life arrangement (plan).

Benefits provided. AHA provides \$5,000 in life insurance coverage for employees who retire from AHA under the Public Employees Retirement Association (PERA) of New Mexico. AHA contributes the full cost of retiree life insurance coverage. The current premium rate is \$0.28 per \$1,000 of life insurance for active and retired employees, regardless of age.

Funding policy. AHA currently financing its OPEB liability on a pay-as-you-go basis. The discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, this index requires use of discount rates of 3.13% as of June 30, 2017 and 2.98% as of June 30, 2018.

Contributions. AHA contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Employer contributions to the plan were \$256 for the year ended June 30, 2019.

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2. Life Insurance Plan

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources. As of June 30, 2019, AHA reported a net OPEB Liability for Life Insurance of \$31,930. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2018.

For year ended June 30, 2019, AHA recognized OPEB contribution expense of \$256. As of June 30, 2019, AHA reported deferred outflows of resources and deferred inflow of resources related to Life Insurance from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 2,443 |
| Change in assumptions | 991 | - |
| Net difference between projected and actual earnings on pension plan investments | - | - |
| AHA contributions subsequent to the measurement date | <u>256</u> | <u>-</u> |
| Total | <u>\$ 1,247</u> | <u>\$ 2,443</u> |

The amount of contributions related to fiscal year 2019 have been recorded as a reduction of the OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2020 | \$ (252) |
| 2021 | (252) |
| 2022 | (252) |
| 2023 | (252) |
| 2024 | (252) |
| Thereafter | <u>(192)</u> |
| | <u>\$ (1,452)</u> |

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2. Life Insurance Plan (continued)

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

Actuarial Methods and Assumptions

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal Cost, level percent of pay |
| Projected salary increases | 3.25% per year |
| Discount rate | 3.13% |
| Mortality rate | RP 2000 Employee Mortality for males and females for pre-retirement mortality; RP 2000 Combined Health Table for males and females for post-retirement mortality for healthy retirees |

Discount rate. The discount rate used to measure the total OPEB liability is 2.98% as of June 30, 2018.

Sensitivity of AHA's net OPEB liability to changes in the discount rate. The discount rate used for the fiscal year end 2019 is 2.98%. The impact of a 1% increase or decrease in the discount rate is shown in the chart below. Healthcare cost trend rate is not applicable in the evaluation of life insurance benefits.

| | 1% Decrease (1.98%) | Current Discount Rate (2.98%) | 1% Increase (3.98%) |
|--------------------------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability, at June 30, 2019 | \$ 40,891 | \$ 31,930 | \$ 25,298 |

OPEB plan fiduciary net position. AHA does not maintain a trust for the plan and therefore the plan's fiduciary net position is zero.

Payables to the OPEB Plan. There were no payable due to the plan as of June 30, 2019.

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.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

G. Commitments and Contingencies

Federal and State Grant Commitments

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

Contingent Liabilities

In the normal course of business, AHA is subject to certain contingent liabilities and un-asserted claims. These contingencies are evaluated in light of asserted claims being probable and estimable. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. AHA is subject to a personal injury claim which is currently pending in state court. AHA is vigorously defending this claim and no outcome has yet been determined.

H. Legal Matters

Periodically, during the ordinary course of performing business, the Authority is involved in certain legal matters. Management practice is to record a contingent when it is probable that the future event will occur, and the amount of the liability can be reasonably estimated. As of November 27, 2019, there were no outstanding claims identified by the Authority's Counsel that required recognition in the Authority's financial statements.

I. Prior Period Adjustments

For the year ended June 30, 2019, the statement of revenues, expenses, and changes in net position reflected prior period adjustments increasing net position by \$141,517 and is comprised of the following:

- An adjustment to increase net position by \$141,517 was required restate capital asset balances to address conditions detailed in Finding 2019-001 on page 77:

| | |
|--|----------------------|
| Net Position at June 30, 2018 as originally reported | \$ 22,738,742 |
| Effect of prior period adjustments | <u>141,517</u> |
| Net Position at June 30, 2018 as restated | <u>\$ 22,880,259</u> |

ALBUQUERQUE HOUSING AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
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J. Community Development Block Grant

During the fiscal year ended June 30, 2019, the Authority was the recipient of \$3,200,918 of pass through CDBG grant funding from the City of Albuquerque for improvements made to its Public Housing units. As a requirement of this grant, the Authority shall demonstrate to the City of Albuquerque that the National Objective of Low-Moderate Income Housing is met for a Period of Affordability (POA) for a minimum of five years following the completion of the rehabilitation. If the City of Albuquerque in its reasonable discretion, determines that the Authority has not demonstrated that the POA has been met, then the City of Albuquerque shall require repayment of all funds received by the Authority under this grant. Given that the Public Housing units are part of its Annual Contribution Contract with HUD that extends well beyond the POA, no liability related to this obligation is reflected in the Authority's financial statements.

K. Inter-Program Eliminations

The following amounts have been eliminated in the preparation of the financial statements:

| | |
|--|---------------------|
| Inter-program Notes Receivables/Payables | <u>\$ 3,295,168</u> |
| Statement of Net Position Totals | <u>\$ 3,295,168</u> |
| Management fees | \$ 1,123,592 |
| Bookkeeping fees | 423,152 |
| Asset Management fees | 119,920 |
| Other fees | 175,425 |
| Front-line service fees | <u>664,643</u> |
| Statement of Revenue, Expense and Changes in Net Position Totals | <u>\$2,506,732</u> |

L. Change in Component Unit Reclassification

In response to Finding 2018-003, Albuquerque Housing Authority (AHA) took the opportunity to reassess the presentation of the component units in the agency's financial statements for those entities for which the Authority does not maintain management. In consulting with the State of New Mexico Auditors Office staff, the local HUD representative and current Administrative staff an assessment of the GASB statement number 61 flowchart of the Financial Reporting entity determined that the Rio Housing Associates LLLP, formerly represented as a discretely-presented component unit, was determined not to a component unit of the Authority due to the lack of fiduciary accountability and the fact that the entity is governed by a different board. As indicated in Note 1.A, this entity has been reclassified from the prior year's classification as a discretely-presented component unit to a related organization as on June 30, 2019.

M. Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 27, 2019, the date the financial statements were available to be issued, and noted no additional significant items to be disclosed.

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| AHA's proportion of the net pension liability | 0.30% | 0.32% | 0.30% | 0.23% | 0.29% |
| AHA's proportionate share of the net pension liability | \$ 4,778,328 | \$ 4,417,682 | \$ 4,764,231 | \$ 2,300,187 | \$ 2,235,616 |
| AHA's covered-employee payroll | \$ 2,656,494 | \$ 2,735,214 | \$ 2,823,780 | \$ 2,553,351 | \$ 1,867,571 |
| AHA's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 179.87% | 161.51% | 168.72% | 90.09% | 119.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% | 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.

The accompanying notes are an integral part of the financial information.

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 240,702 | \$ 261,213 | \$ 269,671 | \$ 243,845 | \$ 178,353 |
| Contributions in relation to the contractually required contribution | <u>240,702</u> | <u>261,213</u> | <u>269,671</u> | <u>243,845</u> | <u>178,353</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| AHA's covered-employee payroll | 2,656,494 | 2,735,214 | 2,823,780 | 2,553,351 | 1,867,571 |
| Contributions as a percentage of covered-employee payroll | 9.06% | 9.55% | 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.

The accompanying notes are an integral part of the financial information.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY OF NEW MEXICO RETIREE HEALTH CARE AUTHORITY
LAST 10 FISCAL YEARS*

| | 2019 | 2018 |
|---|--------------|--------------|
| AHA's proportion of the net OPEB liability | 0.06% | 0.07% |
| AHA's proportionate share of the net OPEB liability | \$ 2,752,074 | \$ 3,106,462 |
| AHA's covered-employee payroll | \$ 2,715,531 | \$ 2,801,285 |
| | | |
| AHA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 101.35% | 110.89% |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.14% | 11.34% |

*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.

The accompanying notes are an integral part of the financial information.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
LAST 10 FISCAL YEARS*

| | 2019 | 2018 |
|--|---------------|---------------|
| Contractually required contribution | \$ 98,901 | \$ 56,024 |
| Contributions in relation to the contractually required contribution | 97,694 | 56,024 |
| Contribution deficiency (excess) | \$ 1,207 | \$ - |
| AHA's covered-employee payroll | 2,715,531 | 2,801,285 |
| Contributions as a percentage of covered-employee payroll | 3.60% | 2.00% |

*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.

The accompanying notes are an integral part of the financial information.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LIFE INSURANCE PLAN
LAST 10 FISCAL YEARS*

| <u>Total OPEB liability</u> | 2019 | 2018 |
|---|---------------|---------------|
| Service cost | \$ 2,610 | \$ 2,871 |
| Interest on the total OPEB liability | 938 | 803 |
| Changes in assumptions | 1,126 | (3,217) |
| Benefit payments | <u>(211)</u> | <u>(199)</u> |
| Net change in total OPEB liability | 4,463 | 258 |
| Total OPEB liability - beginning | <u>27,467</u> | <u>27,209</u> |
| Total OPEB liability - ending | \$ 31,930 | \$ 27,467 |
| <u>Plan fiduciary net position</u> | | |
| Contributions - employer | \$ 211 | \$ 199 |
| Benefit payments | <u>(211)</u> | <u>(199)</u> |
| Net change in plan fiduciary net position | - | - |
| Plan fiduciary net position - beginning | <u>-</u> | <u>-</u> |
| Plan fiduciary net position - ending | \$ - | \$ - |
| Authority's net OPEB liability | \$ 31,930 | \$ 27,467 |
| Plan's fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% |
| Covered payroll | \$ 2,850,412 | \$ 3,070,921 |
| Authority's net OPEB liability as a percentage of covered payroll | 1.12% | 0.89% |

*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.

The accompanying notes are an integral part of the financial information.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2019

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 benefit changes in recent years are described in Note 1 of the PERA FY 2018 audit available at

https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018.pdf.

There were no changes to the benefit terms which impact the measurements provided in the Albuquerque Pooled OPEB Trust.

There were no changes to the benefit terms which impact the measurements provided in the Life Insurance OPEB plan.

Changes in assumptions:

The public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018, report are available at

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf>

The results as of June 30, 2019 were developed by a one-year roll forward of the results from the July 1, 2018 valuation. The actuarial assumptions are contained in GASB 75 Actuarial Report submitted as an Appendix to the Albuquerque Pooled OPEB Trust Plan separate report.

Changes in assumptions and methods are described at page 53 of the Actuarial Valuation.

ALBUQUERQUE HOUSING AUTHORITY
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Albuquerque, New Mexico
June 30, 2019

Statement and Certification of Actual Capital Fund Program Costs

Grant Year NM02P001501-12

1 The actual program costs of Phase NM02P001501-12 are as follows:

| | |
|--|-------------------|
| Funds Approved | \$ 1,094,328 |
| Funds Expended | <u>644,604</u> |
| Excess/(Deficiency) of Funds to be Recaptured | <u>\$ 449,724</u> |
| | |
| Funds Advanced | \$ 1,094,328 |
| Funds Expended | <u>644,604</u> |
| Excess/(Deficiency) of Funds Advanced to be Recaptured | <u>\$ 449,724</u> |

2 There were no additions during the audit period.

3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate as submitted to HUD for approval is in agreement with the PHA's records.

4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
Albuquerque, New Mexico
June 30, 2019

Statement and Certification of Actual Capital Fund Program Costs

Grant Year NM02P001501-13

1 The actual program costs of Phase NM02P001501-13 are as follows:

| | |
|---------------------------------------|------------------|
| Funds Approved | \$ 1,034,062 |
| Funds Expended | <u>1,034,062</u> |
| Excess/(Deficiency) of Funds | <u>\$ -</u> |
| | |
| Funds Advanced | \$ 1,034,062 |
| Funds Expended | <u>1,034,062</u> |
| Excess/(Deficiency) of Funds Advanced | <u>\$ -</u> |

2 There were no additions during the audit period.

3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate as submitted to HUD for approval is in agreement with the PHA's records.

4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

ALBUQUERQUE HOUSING AUTHORITY
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Albuquerque, New Mexico
June 30, 2019

Statement and Certification of Actual Capital Fund Program Costs

Grant Year NM02P001501-14

1 The actual program costs of Phase NM02P001501-14 are as follows:

| | |
|---------------------------------------|--------------------|
| Funds Approved | \$ 1,102,309 |
| Funds Expended | <u>1,102,309</u> |
| Excess/(Deficiency) of Funds | <u><u>\$ -</u></u> |
| Funds Advanced | \$ 1,102,309 |
| Funds Expended | <u>1,102,309</u> |
| Excess/(Deficiency) of Funds Advanced | <u><u>\$ -</u></u> |

2 There were no additions during the audit period.

3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate as submitted to HUD for approval is in agreement with the PHA's

4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
Albuquerque, New Mexico
June 30, 2019

Statement and Certification of Actual Capital Fund Program Costs

Grant Year NM02P001501-15

1 The actual program costs of Phase NM02P001501-15 are as follows:

| | |
|---------------------------------------|--------------------|
| Funds Approved | \$ 1,128,695 |
| Funds Expended | <u>1,128,695</u> |
| Excess/(Deficiency) of Funds | <u><u>\$ -</u></u> |
| Funds Advanced | \$ 1,128,695 |
| Funds Expended | <u>1,128,695</u> |
| Excess/(Deficiency) of Funds Advanced | <u><u>\$ -</u></u> |

2 There were no additions during the audit period.

3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate as submitted to HUD for approval is in agreement with the PHA's

4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
Albuquerque, New Mexico
June 30, 2019

Statement and Certification of Actual Capital Fund Program Costs

Grant Year NM02P001501-16

1 The actual program costs of Phase NM02P001501-16 are as follows:

| | |
|---------------------------------------|--------------------|
| Funds Approved | \$ 1,170,833 |
| Funds Expended | <u>1,170,833</u> |
| Excess/(Deficiency) of Funds | <u><u>\$ -</u></u> |
| | |
| Funds Advanced | \$ 1,170,833 |
| Funds Expended | <u>1,170,833</u> |
| Excess/(Deficiency) of Funds Advanced | <u><u>\$ -</u></u> |

2 There were no additions during the audit period.

3 The total program costs as stated on the Annual Statement/Performance and Evaluation Report is in agreement with the Actual Modernization Cost Certificate as submitted to HUD for approval is in agreement with the PHA's

4 All Capital Fund Program costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2019

| <u>Account Description</u> | Low-Rent Public Hsg 14,850 | CDBG 14,218 | Housing Choice Vouchers 14,871 | Sec 8 Moderate Rehabilitation SRO 14,259 | Mainstream Voucher 14,879 |
|---|----------------------------------|----------------|---|---|---------------------------------|
| ASSETS & DEFERRED OUTFLOWS: | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash: | | | | | |
| Cash - unrestricted | \$ 4,221,928 | \$ - | \$ 4,640,858 | \$ 115,672 | \$ 59,755 |
| Cash - restricted - modernization & development | 243,382 | - | - | - | - |
| Cash - restricted - other | 11,494 | - | 691,894 | - | 9,577 |
| Cash - tenant security deposits | 232,423 | - | - | - | - |
| Total Cash | 4,709,227 | - | 5,332,752 | 115,672 | 69,332 |
| Accounts and notes receivables: | | | | | |
| Accounts receivable - PHA projects | - | - | - | - | - |
| Accounts receivable - HUD | 111,773 | - | - | - | - |
| Accounts receivable - other government | - | - | - | - | - |
| Accounts receivable - miscellaneous | - | - | - | - | - |
| Accounts receivable - tenants rents | 65,799 | - | - | - | - |
| Allowance for doubtful accounts - tenants | (8,835) | - | - | - | - |
| Allowance for doubtful accounts - other | - | - | - | - | - |
| Notes receivable - current | - | - | - | - | - |
| Fraud recovery | - | - | 167,728 | - | - |
| Allowance for doubtful accounts - fraud | - | - | (167,728) | - | - |
| Accrued interest receivable | - | - | - | - | - |
| Total receivables - net | 168,737 | - | - | - | - |
| Other current assets: | | | | | |
| Investments - unrestricted | - | - | - | - | - |
| Investments - restricted | - | - | - | - | - |
| Prepaid expenses and other assets | 3,299 | - | - | - | - |
| Inventories | - | - | - | - | - |
| Allowance for obsolete inventories | - | - | - | - | - |
| Assets held for sale | - | - | - | - | - |
| Interprogram (due from) | 1,209,926 | - | 49,348 | - | - |
| TOTAL CURRENT ASSETS | 6,091,189 | - | 5,382,100 | 115,672 | 69,332 |
| NONCURRENT ASSETS: | | | | | |
| Capital Assets: | | | | | |
| Land | 3,767,389 | - | - | - | - |
| Buildings | 66,979,244 | - | - | - | - |
| Furniture & equipment - dwelling | - | - | - | - | - |
| Furniture & equipment - admin | 506,916 | - | 311,589 | - | - |
| Improvements | 323,461 | - | - | - | - |
| Work in process | 111,773 | - | - | - | - |
| Accumulated depreciation | (52,622,694) | - | (190,926) | - | - |
| Total capital assets - net | 19,066,089 | - | 120,663 | - | - |
| Notes receivable - noncurrent | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| Net pension asset | - | - | - | - | - |
| Investment in joint ventures | - | - | - | - | - |
| TOTAL NONCURRENT ASSETS | 19,066,089 | - | 120,663 | - | - |
| TOTAL ASSETS | 25,157,278 | - | 5,502,763 | 115,672 | 69,332 |
| DEFERRED OUTFLOWS OF RESOURCES | 512,546 | - | 391,574 | - | - |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$ 25,669,824 | \$ - | \$ 5,894,337 | \$ 115,672 | \$ 69,332 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2019

| <u>Account Description</u> | Blended Component Unit | HOME Investment Partnerships 14,239 | Lower Income Section 8 Moderate 14,856 | Central Office Cost Center | Elimination | TOTAL |
|---|---------------------------|--|---|----------------------------------|-----------------------|----------------------|
| ASSETS & DEFERRED OUTFLOWS: | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash: | | | | | | |
| Cash - unrestricted | \$ 293,739 | \$ 45,525 | \$ 28,533 | \$ 5,816,621 | \$ - | \$ 15,222,631 |
| Cash - restricted - modernization & development | - | - | - | - | - | 243,382 |
| Cash - restricted - other | - | - | - | 4,285 | - | 717,250 |
| Cash - tenant security deposits | - | - | - | - | - | 232,423 |
| Total Cash | 293,739 | 45,525 | 28,533 | 5,820,906 | - | 16,415,686 |
| Accounts and notes receivables: | | | | | | |
| Accounts receivable - PHA projects | - | - | - | - | - | - |
| Accounts receivable - HUD | - | - | - | 172,117 | - | 283,890 |
| Accounts receivable - other government | - | 109,136 | - | 604,840 | - | 713,976 |
| Accounts receivable - miscellaneous | - | - | - | - | - | - |
| Accounts receivable - tenants rents | - | - | - | - | - | 65,799 |
| Allowance for doubtful accounts - tenants | - | - | - | - | - | (8,835) |
| Allowance for doubtful accounts - other | - | - | - | - | - | - |
| Notes receivable - current | - | - | - | - | - | - |
| Fraud recovery | - | - | - | - | - | 167,728 |
| Allowance for doubtful accounts - fraud | - | - | - | - | - | (167,728) |
| Accrued interest receivable | - | - | - | - | - | - |
| Total receivables - net | - | 109,136 | - | 776,957 | - | 1,054,830 |
| Other current assets: | | | | | | |
| Investments - unrestricted | - | - | - | - | - | - |
| Investments - restricted | - | - | - | - | - | - |
| Prepaid expenses and other assets | - | - | - | 60,676 | - | 63,975 |
| Inventories | - | - | - | 90,280 | - | 90,280 |
| Allowance for obsolete inventories | - | - | - | (4,514) | - | (4,514) |
| Assets held for sale | - | - | - | - | - | - |
| Interprogram (due from) | - | - | - | 2,035,894 | (3,295,168) | - |
| TOTAL CURRENT ASSETS | 293,739 | 154,661 | 28,533 | 8,780,199 | (3,295,168) | 17,620,257 |
| NONCURRENT ASSETS: | | | | | | |
| Capital Assets: | | | | | | |
| Land | - | - | - | - | - | 3,767,389 |
| Buildings | - | - | - | 2,589,636 | - | 69,568,880 |
| Furniture & equipment - dwelling | - | - | - | 729,858 | - | 729,858 |
| Furniture & equipment - admin | - | - | - | - | - | 818,505 |
| Improvements | - | - | - | - | - | 323,461 |
| Work in process | - | - | - | 172,117 | - | 283,890 |
| Accumulated depreciation | - | - | - | (3,379,704) | - | (56,193,324) |
| Total capital assets - net | - | - | - | 111,907 | - | 19,298,659 |
| Notes receivable - noncurrent | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Net pension asset | - | - | - | - | - | - |
| Investment in joint ventures | - | - | - | - | - | - |
| TOTAL NONCURRENT ASSETS | - | - | - | 111,907 | - | 19,298,659 |
| TOTAL ASSETS | 293,739 | 154,661 | 28,533 | 8,892,106 | (3,295,168) | 36,918,916 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | - | - | - | 758,863 | - | 1,662,983 |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$ 293,739 | \$ 154,661 | \$ 28,533 | \$ 9,650,969 | \$ (3,295,168) | \$ 38,581,899 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2019

| <u>Account Description</u> | Low-Rent Public Hsg 14,850 | CDBG 14,218 | Housing Choice Vouchers 14,871 | Sec 8 Moderate Rehabilitation SRO 14,259 | Mainstream Voucher 14,879 |
|---|----------------------------------|----------------|---|---|---------------------------------|
| LIABILITIES, DEFERRED INFLOWS & NET POSITION: | | | | | |
| LIABILITIES: | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable < 90 days | - | - | - | - | - |
| Accrued salaries/payroll withholding | 22,181 | - | 22,107 | - | - |
| Accrued compensated absences | 20,585 | - | 22,557 | - | - |
| Accrued contingency liability | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - |
| Accounts payable - HUD PHA programs | - | - | - | 3,778 | - |
| Accounts payable - other gov. | - | - | - | - | - |
| Tenant security deposits | 232,423 | - | - | - | - |
| Unearned revenue | - | - | - | - | - |
| Current portion of L-T debt - capital projects | 171,911 | - | - | - | - |
| Current portion of L-T debt - operating borrowings | - | - | - | - | - |
| Other current liabilities | 123,305 | - | 64,484 | - | - |
| Accrued liabilities - other | 339 | - | 49,510 | - | - |
| Interprogram (due to) | 1,529,217 | - | 302,424 | 49,592 | - |
| TOTAL CURRENT LIABILITIES | 2,099,961 | - | 461,082 | 53,370 | - |
| NONCURRENT LIABILITIES: | | | | | |
| Long-term debt, net of current - capital projects | 3,880,166 | - | - | - | - |
| Long-term debt, net of current - operating borrowings | - | - | - | - | - |
| Accrued comp. absences - long term | 26,504 | - | 17,847 | - | - |
| Accrued pension | 2,321,904 | - | 1,887,716 | - | - |
| Noncurrent liabilities - other | - | - | 15,997 | - | - |
| TOTAL NONCURRENT LIABILITIES | 6,228,574 | - | 1,921,560 | - | - |
| TOTAL LIABILITIES | 8,328,535 | - | 2,382,642 | 53,370 | - |
| DEFERRED INFLOWS OF RESOURCES | 393,417 | - | 325,971 | - | - |
| NET POSITION: | | | | | |
| Net investment in capital assets | 15,014,012 | - | 120,663 | - | - |
| Restricted | 131,571 | - | 777,500 | 58,874 | 9,577 |
| Unrestricted | 1,802,289 | - | 2,287,561 | 3,428 | 59,755 |
| TOTAL NET POSITION | 16,947,872 | - | 3,185,724 | 62,302 | 69,332 |
| TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION | \$ 25,669,824 | \$ - | \$ 5,894,337 | \$ 115,672 | \$ 69,332 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
NET POSITION ACCOUNTS
JUNE 30, 2019

| <u>Account Description</u> | <u>Blended Component Unit</u> | <u>HOME Investment Partnerships 14.239</u> | <u>Lower Income Section 8 Moderate 14.856</u> | <u>Central Office Cost Center</u> | <u>Elimination</u> | <u>TOTAL</u> |
|---|-----------------------------------|--|---|---|-----------------------|----------------------|
| LIABILITIES, DEFERRED INFLOWS & NET POSITION: | | | | | | |
| LIABILITIES: | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable < 90 days | - | - | - | 201,374 | - | 201,374 |
| Accrued salaries/payroll withholding | - | - | - | 29,476 | - | 73,764 |
| Accrued compensated absences | - | - | - | 30,790 | - | 73,932 |
| Accrued contingency liability | - | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - | - |
| Accounts payable - HUD PHA programs | - | - | 1,860 | - | - | 5,638 |
| Accounts payable - other gov. | - | - | - | - | - | - |
| Tenant security deposits | - | - | - | - | - | 232,423 |
| Unearned revenue | - | - | - | - | - | - |
| Current portion of L-T debt - capital projects | - | - | - | - | - | 171,911 |
| Current portion of L-T debt - operating borrowings | - | - | - | 15,847 | - | 15,847 |
| Other current liabilities | - | - | - | - | - | 187,789 |
| Accrued liabilities - other | - | - | - | 276 | - | 50,125 |
| Interprogram (due to) | - | 154,661 | - | 1,259,274 | (3,295,168) | - |
| TOTAL CURRENT LIABILITIES | - | 154,661 | 1,860 | 1,537,037 | (3,295,168) | 1,012,803 |
| NONCURRENT LIABILITIES: | | | | | | |
| Long-term debt, net of current - capital projects | - | - | - | - | - | 3,880,166 |
| Long-term debt, net of current - operating borrowings | - | - | - | 95,083 | - | 95,083 |
| Accrued comp. absences - long term | - | - | - | 55,683 | - | 100,034 |
| Accrued pension | - | - | - | 3,352,713 | - | 7,562,333 |
| Noncurrent liabilities - other | - | - | - | - | - | 15,997 |
| TOTAL NONCURRENT LIABILITIES | - | - | - | 3,503,479 | - | 11,653,613 |
| TOTAL LIABILITIES | - | 154,661 | 1,860 | 5,040,516 | (3,295,168) | 12,666,416 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | 567,195 | - | 1,286,583 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | - | - | - | 111,907 | - | 15,246,582 |
| Restricted | - | - | 26,673 | - | - | 1,004,195 |
| Unrestricted | 293,739 | - | - | 3,931,351 | - | 8,378,123 |
| TOTAL NET POSITION | 293,739 | - | 26,673 | 4,043,258 | - | 24,628,900 |
| TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION | \$ 293,739 | \$ 154,661 | \$ 28,533 | \$ 9,650,969 | \$ (3,295,168) | \$ 38,581,899 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Account Description</u> | Low-Rent Public Hsg 14.850 | CDBG 14.218 | Housing Choice Vouchers 14.871 | Sec 8 Moderate Rehabilitation SRO 14.249 | Mainstream Voucher 14.879 |
|---|----------------------------------|----------------------------|---|---|---------------------------------|
| REVENUES: | | | | | |
| Net tenant rental revenue | \$ 2,229,931 | \$ - | \$ - | \$ - | \$ - |
| Tenant revenue - other | - | - | - | - | - |
| Total tenant revenue | <u>2,229,931</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| HUD PHA grants - operating | 4,068,929 | 3,200,918 | 27,028,356 | 57,509 | 305,108 |
| HUD PHA grants - capital | 172,046 | - | - | - | - |
| Management fee | - | - | - | - | - |
| Asset management fee | - | - | - | - | - |
| Bookkeeping fee | - | - | - | - | - |
| Front line service fee | - | - | - | - | - |
| Other fees | - | - | - | - | - |
| Investment income - unrestricted | - | - | - | - | - |
| Mortgage interest income | - | - | - | - | - |
| Proceeds from disposition of assets held for sale | - | - | - | - | - |
| Fraud income | - | - | 103,232 | - | - |
| Other revenue | 107,503 | - | 4,606 | - | - |
| Investment income - restricted | - | - | - | - | - |
| Gain/(loss) on disposition | - | - | - | - | - |
| TOTAL REVENUES | <u>\$ 6,578,409</u> | <u>\$ 3,200,918</u> | <u>\$ 27,136,194</u> | <u>\$ 57,509</u> | <u>\$ 305,108</u> |
| EXPENSES: | | | | | |
| Administrative: | | | | | |
| Administrative salaries | \$ 445,055 | \$ - | \$ 713,259 | \$ - | \$ 61 |
| Auditing fees | 6,401 | - | 4,307 | 500 | - |
| Management fees | 581,608 | - | 541,984 | - | - |
| Bookkeeping fees | 86,709 | - | 336,443 | - | - |
| Advertising & marketing | - | - | - | - | - |
| Employee benefits - administrative | 382,285 | - | 653,990 | - | 27 |
| Office expense | 279,775 | - | 344,495 | - | 24,450 |
| Legal expense | 109,144 | - | 91,720 | 9,486 | 500 |
| Travel expense | 5,195 | - | 14,669 | - | - |
| Other operating - administrative | 58,078 | - | 14,716 | - | 9,500 |
| Total Administrative Expense | <u>1,954,250</u> | <u>-</u> | <u>2,715,583</u> | <u>9,986</u> | <u>34,538</u> |
| Asset management fee | 119,920 | - | - | - | - |
| Tenant Services: | | | | | |
| Tenant services - salaries | - | - | - | - | - |
| Relocation costs | - | - | - | - | - |
| Employee benefits - tenant services | - | - | - | - | - |
| Other tenant services | 12,302 | - | 17,663 | - | - |
| Total Tenant Services | <u>12,302</u> | <u>-</u> | <u>17,663</u> | <u>-</u> | <u>-</u> |
| Utilities: | | | | | |
| Water | 604,040 | - | 252 | - | - |
| Electricity | 206,166 | - | 17,062 | - | - |
| Gas | 86,478 | - | 5,901 | - | - |
| Sewer | - | - | - | - | - |
| Other utilities | - | - | - | - | - |
| Employee benefits - utilities | - | - | - | - | - |
| Total Utilities Expense | <u>896,684</u> | <u>-</u> | <u>23,215</u> | <u>-</u> | <u>-</u> |
| Ordinary Maintenance & Operation: | | | | | |
| Labor | 302,142 | - | 273 | - | - |
| Materials | 357,379 | - | 1,335 | - | - |
| Employee benefit contributions | 334,257 | - | - | - | - |
| Contract costs - garbage removal | - | - | - | - | - |
| Contract costs - heating & cooling | - | - | - | - | - |
| Contract costs - snow removal | - | - | - | - | - |
| Contract costs - elevator maintenance | - | - | - | - | - |
| Contract costs - landscape maintenance | - | - | - | - | - |
| Contract costs - unit turnaround | - | - | - | - | - |
| Contract costs - electrical | - | - | - | - | - |
| Contract costs - plumbing | - | - | - | - | - |
| Contract costs - extermination | - | - | - | - | - |
| Contract costs - janitorial | - | - | - | - | - |
| Contract costs - routine maintenance | - | - | - | - | - |
| Contract costs - other | 1,822,795 | - | 84,579 | - | - |
| Total Ordinary Maintenance & Operation | <u>2,816,573</u> | <u>-</u> | <u>86,187</u> | <u>-</u> | <u>-</u> |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Account Description</u> | Low-Rent | | Housing | Sec 8 Moderate | Mainstream |
|--|-----------------------|---------------------|---------------------|------------------|------------------|
| | Public Hsg | CDBG | Choice | Rehabilitation | Voucher |
| | 14,850 | 14,218 | 14,871 | 14,249 | 14,879 |
| Protective Services: | | | | | |
| Protective services - salaries | - | - | - | - | - |
| Protective services - other contract costs | - | - | - | - | - |
| Employee benefits - protective services | - | - | - | - | - |
| Other protective services | - | - | - | - | - |
| Total Protective Services | - | - | - | - | - |
| Insurance Premiums: | | | | | |
| Property insurance | - | - | - | - | - |
| Liability insurance | - | - | - | - | - |
| Workmen's compensation | - | - | - | - | - |
| Insurance - other | 283,790 | - | 32,127 | - | - |
| Total Insurance Premiums | 283,790 | - | 32,127 | - | - |
| General Expenses: | | | | | |
| Other general expense | - | - | 9,339 | - | 638 |
| Compensated absences | (12,430) | - | 13,510 | - | - |
| Payments in lieu of taxes | - | - | - | - | - |
| Bad debt - tenant rents | 136,307 | - | 3,785 | - | - |
| Bad debt - mortgages | - | - | - | - | - |
| Bad debt - other | - | - | - | - | - |
| Severance expense | - | - | - | - | - |
| Total General Expenses | 123,877 | - | 26,634 | - | 638 |
| Financial Expenses: | | | | | |
| Interest expense - mortgage payable | 160,753 | - | - | - | - |
| Interest expense - notes payable | - | - | - | - | - |
| Amortization - issuance costs | - | - | - | - | - |
| Total Financial Expenses | 160,753 | - | - | - | - |
| TOTAL OPERATING EXPENSE | 6,368,149 | - | 2,901,409 | 9,986 | 35,176 |
| EXCESS OPERATING REVENUE | 210,260 | 3,200,918 | 24,234,785 | 47,523 | 269,932 |
| Other Expenses: | | | | | |
| Extraordinary maintenance | 181,476 | - | - | - | - |
| Casualty losses | 66,949 | - | - | - | - |
| Housing assistance payments | - | - | 24,032,208 | 44,095 | 258,902 |
| Fraud Losses | - | - | 170,492 | - | - |
| Depreciation expense | 1,258,609 | - | 2,324 | - | - |
| Total Other Expenses | 1,507,034 | - | 24,205,024 | 44,095 | 258,902 |
| TOTAL EXPENSES | 7,875,183 | - | 27,106,433 | 54,081 | 294,078 |
| EXCESS OF REVENUE OVER EXPENSES | \$ (1,296,774) | \$ 3,200,918 | \$ 29,761 | \$ 3,428 | \$ 11,030 |
| Operating transfer - in | 121,202 | - | - | - | - |
| Operating transfer - out | (121,202) | - | - | - | - |
| Extraordinary items, net gain/loss | - | - | - | - | - |
| Special items (net gain/loss) | - | - | - | - | - |
| Inter project excess cash transfer - in | - | - | - | - | - |
| Inter project excess cash transfer - out | - | - | - | - | - |
| Transfer of equity | 3,200,918 | (3,200,918) | - | - | - |
| Prior period adjustments/equity transfers | 141,517 | - | - | - | - |
| Beginning Net Position | 14,902,211 | - | 3,155,963 | 58,874 | 58,302 |
| Ending Net Position | \$ 16,947,872 | \$ - | \$ 3,185,724 | \$ 62,302 | \$ 69,332 |
| Administrative Fund Equity | 0 | 0 | 2,553,681 | 0 | 0 |
| Housing Choice Voucher Equity | 0 | 0 | 632,043 | 0 | 0 |
| Units Available | 11,222 | 0 | 52,512 | 144 | 600 |
| Units Leased | 10,794 | 0 | 43,537 | 124 | 570 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

| | Blended Component Unit | HOME Investment Partnerships 14.239 | Lower Incomece Section 8 Moderate 14.856 | Central Office Cost Center | Elimination | TOTAL |
|---|---------------------------|--|---|----------------------------------|-----------------------|----------------------|
| REVENUES: | | | | | | |
| Net tenant rental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,229,931 |
| Tenant revenue - other | - | - | - | - | - | - |
| Total tenant revenue | - | - | - | - | - | 2,229,931 |
| HUD PHA grants - operating | - | 218,988 | 36,802 | - | - | 34,916,610 |
| HUD PHA grants - capital | - | - | - | 172,117 | - | 344,163 |
| Management fee | - | - | - | 1,123,592 | (1,123,592) | - |
| Asset management fee | - | - | - | 119,920 | (119,920) | - |
| Bookkeeping fee | - | - | - | 423,152 | (423,152) | - |
| Front line service fee | - | - | - | 664,643 | (664,643) | - |
| Other fees | - | - | - | 175,425 | (175,425) | - |
| Investment income - unrestricted | - | - | - | 151,670 | - | 151,670 |
| Mortgage interest income | - | - | - | - | - | - |
| Proceeds from disposition of assets held for sale | - | - | - | - | - | - |
| Fraud income | - | - | - | - | - | 103,232 |
| Other revenue | 187,680 | - | - | 187,656 | - | 487,445 |
| Investment income - restricted | - | - | - | - | - | - |
| Gain/(loss) on disposition | - | - | - | - | - | - |
| TOTAL REVENUES | \$ 187,680 | \$ 218,988 | \$ 36,802 | \$ 3,018,175 | \$ (2,506,732) | \$ 38,233,051 |
| EXPENSES: | | | | | | |
| Administrative: | | | | | | |
| Administrative salaries | \$ - | \$ 13,095 | \$ 269 | \$ 1,034,482 | \$ - | \$ 2,206,221 |
| Auditing fees | - | - | 500 | 23,030 | - | 34,738 |
| Management fees | - | - | - | - | (1,123,592) | - |
| Bookkeeping fees | - | - | - | - | (423,152) | - |
| Advertising & marketing | - | - | - | - | - | - |
| Employee benefits - administrative | - | 6,437 | 126 | 929,733 | - | 1,972,598 |
| Office expense | - | - | 5,697 | 129,371 | - | 783,788 |
| Legal expense | - | - | - | 20,319 | - | 231,169 |
| Travel expense | - | - | - | 18,380 | - | 38,244 |
| Other operating - administrative | - | - | - | - | - | 82,294 |
| Total Administrative Expense | - | 19,532 | 6,592 | 2,155,315 | (1,546,744) | 5,349,052 |
| Asset management fee | - | - | - | - | (119,920) | - |
| Tenant Services: | | | | | | |
| Tenant services - salaries | - | - | - | - | - | - |
| Relocation costs | - | - | - | - | - | - |
| Employee benefits - tenant services | - | - | - | - | - | - |
| Other tenant services | - | - | - | 455 | - | 30,420 |
| Total Tenant Services | - | - | - | 455 | - | 30,420 |
| Utilities: | | | | | | |
| Water | - | - | - | 877 | - | 605,169 |
| Electricity | - | - | - | 9,334 | - | 232,562 |
| Gas | - | - | - | 4,444 | - | 96,823 |
| Sewer | - | - | - | - | - | - |
| Other utilities | - | - | - | - | - | - |
| Employee benefits - utilities | - | - | - | - | - | - |
| Total Utilities Expense | - | - | - | 14,655 | - | 934,554 |
| Ordinary Maintenance & Operation: | | | | | | |
| Labor | - | - | - | 219,439 | - | 521,854 |
| Materials | - | - | - | 67,009 | - | 425,723 |
| Employee benefit contributions | - | - | - | 137,908 | - | 472,165 |
| Contract costs - garbage removal | - | - | - | - | - | - |
| Contract costs - heating & cooling | - | - | - | - | - | - |
| Contract costs - snow removal | - | - | - | - | - | - |
| Contract costs - elevator maintenance | - | - | - | - | - | - |
| Contract costs - landscape maintenance | - | - | - | - | - | - |
| Contract costs - unit turnaround | - | - | - | - | - | - |
| Contract costs - electrical | - | - | - | - | - | - |
| Contract costs - plumbing | - | - | - | - | - | - |
| Contract costs - extermination | - | - | - | - | - | - |
| Contract costs - janitorial | - | - | - | - | - | - |
| Contract costs - routine maintenance | - | - | - | - | - | - |
| Contract costs - other | - | - | - | 195,520 | (840,068) | 1,262,826 |
| Total Ordinary Maintenance & Operation | - | - | - | 619,876 | (840,068) | 2,682,568 |

HOUSING AUTHORITY OF THE CITY OF ALBUQUERQUE
Albuquerque, New Mexico

FINANCIAL DATA SUBMISSION SUMMARY
REVENUES, EXPENSES AND CHANGES IN NET POSITION ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019

| | Blended Component Unit | HOME Investment Partnerships 14.239 | Lower Incomece Section 8 Moderate 14.856 | Central Office Cost Center | Elimination | TOTAL |
|--|---------------------------|--|---|----------------------------------|--------------------|----------------------|
| Protective Services: | | | | | | |
| Protective services - salaries | - | - | - | - | - | - |
| Protective services - other contract costs | - | - | - | - | - | - |
| Employee benefits - protective services | - | - | - | - | - | - |
| Other protective services | - | - | - | - | - | - |
| Total Protective Services | - | - | - | - | - | - |
| Insurance Premiums: | | | | | | |
| Property insurance | - | - | - | - | - | - |
| Liability insurance | - | - | - | - | - | - |
| Workmen's compensation | - | - | - | - | - | - |
| Insurance - other | - | - | - | 66,980 | - | 382,897 |
| Total Insurance Premiums | - | - | - | 66,980 | - | 382,897 |
| General Expenses: | | | | | | |
| Other general expense | - | - | - | - | - | 9,977 |
| Compensated absences | - | - | - | 3,107 | - | 4,187 |
| Payments in lieu of taxes | - | - | - | - | - | - |
| Bad debt - tenant rents | - | - | - | - | - | 140,092 |
| Bad debt - mortgages | - | - | - | - | - | - |
| Bad debt - other | - | - | - | - | - | - |
| Severance expense | - | - | - | - | - | - |
| Total General Expenses | - | - | - | 3,107 | - | 154,256 |
| Financial Expenses: | | | | | | |
| Interest expense - mortgage payable | - | - | - | 13,443 | - | 174,196 |
| Interest expense - notes payable | - | - | - | - | - | - |
| Amortization - issuance costs | - | - | - | - | - | - |
| Total Financial Expenses | - | - | - | 13,443 | - | 174,196 |
| TOTAL OPERATING EXPENSE | - | 19,532 | 6,592 | 2,873,831 | (2,506,732) | 9,707,943 |
| EXCESS OPERATING REVENUE | 187,680 | 199,456 | 30,210 | 144,344 | - | 28,525,108 |
| Other Expenses: | | | | | | |
| Extraordinary maintenance | - | - | - | 383,202 | - | 564,678 |
| Casualty losses | - | - | - | - | - | 66,949 |
| Housing assistance payments | - | 199,456 | 32,305 | - | - | 24,566,966 |
| Fraud Losses | - | - | - | - | - | 170,492 |
| Depreciation expense | - | - | - | 146,449 | - | 1,407,382 |
| Total Other Expenses | - | 199,456 | 32,305 | 529,651 | - | 26,776,467 |
| TOTAL EXPENSES | - | 218,988 | 38,897 | 3,403,482 | (2,506,732) | 36,484,410 |
| EXCESS OF REVENUE OVER EXPENSES | \$ 187,680 | \$ - | \$ (2,095) | \$ (385,307) | \$ - | \$ 1,748,641 |
| Operating transfer - in | - | - | - | - | - | 121,202 |
| Operating transfer - out | - | - | - | - | - | (121,202) |
| Extraordinary items, net gain/loss | - | - | - | - | - | - |
| Special items (net gain/loss) | - | - | - | - | - | - |
| Inter project excess cash transfer - in | - | - | - | - | - | - |
| Inter project excess cash transfer - out | - | - | - | - | - | - |
| Transfer of equity | - | - | - | - | - | - |
| Prior period adjustments/equity transfers | - | - | - | - | - | 141,517 |
| Beginning Net Position | 106,059 | - | 28,768 | 4,428,565 | - | 22,738,742 |
| Ending Net Position | \$ 293,739 | \$ - | \$ 26,673 | \$ 4,043,258 | \$ - | \$ 24,628,900 |
| Administrative Fund Equity | 0 | 0 | 0 | 0 | 0 | 2,553,681 |
| Housing Choice Voucher Equity | 0 | 0 | 0 | 0 | 0 | 632,043 |
| Units Available | 0 | 768 | 84 | 0 | 0 | 65,330 |
| Units Leased | 0 | 233 | 78 | 0 | 0 | 55,336 |

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF DEPOSITS AND INVESTMENTS
June 30, 2019

| Account Name | Type of Account | Bank Balance | Outstanding (checks) deposits | Book Balance |
|--|-----------------|----------------------|-------------------------------|----------------------|
| Deposits | | | | |
| Wells Fargo | | | | |
| Housing Authority - Section 8 | Checking | \$ 5,494,708 | (10,855) | \$ 5,483,853 |
| Rio Vista Developer LLC | Checking | 293,739 | - | 293,739 |
| Housing Authority - Public Housing | Checking | 4,032,416 | (456,260) | 3,576,156 |
| Housing Authority - Public Housing FSS | Checking | 11,494 | - | 11,494 |
| Housing Authority - Section 8 FSS | Checking | 59,851 | 5,492 | 65,343 |
| Bank of America | | | | |
| Housing Authority - EPC Cash | Checking | <u>65,514</u> | <u>-</u> | <u>65,514</u> |
| | | 9,957,722 | (461,623) | 9,496,099 |
| Investments | | | | |
| Local Government Investment Pool | | | | |
| LGIP Fund Pool - 4101 | Investment | <u>6,919,587</u> | <u>-</u> | <u>6,919,587</u> |
| Total cash and investments | | <u>\$ 16,877,309</u> | <u>\$ (461,623)</u> | <u>\$ 16,415,686</u> |

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019

AHA's deposit accounts at the 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 | CUSIP NUMBER | MATURITY | FAIR MARKET VALUE |
|---------------|-------------------------------|---------------------|-----------------|--------------------------|
| FMAC | FGPC | 3128MMU27 | 5/1/2031 | 5,025,616.67 |
| FMAC | FGPC | 31292LFZ3 | 4/1/2042 | 5,198,873.48 |
| | | | Total: | 10,224,490.15 |

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

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING, AND OTHER AGREEMENTS
June 30, 2019

| 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 (COA) and Albuquerque Housing Authority (AHA) | 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. 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. | 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 (BERNCO) and Albuquerque Housing Authority (AHA) | BERNCO 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. | 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 (BERNCO) and Albuquerque Housing Authority (AHA) | BERNCO 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) through its contract with New Mexico Interactive (NMI) Contract No. 90-333-00-06613 and Albuquerque Housing Authority, for the purpose of providing the user access to the New Mexico Interactive OnLine Services driver history records, motor vehicle records and/or driver monitoring) to provide information to complement the identification of individuals or vehicles pertaining to official business duties. | 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 (AHA) | COR 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. | 3/1/2013 | Ongoing unless terminated by either party | n/a | n/a | all parties |
| Memorandum of understanding between New Mexico Taxation & Revenue Department's Motor Vehicle Division (through New Mexico Interactive) & Albuquerque Housing Authority | Albuquerque Housing Authority (AHA) and NM T&R Dept Motor Vehicle | AHA and NM T&R Dept Motor Vehicle | BCHD desires to engage the services of AHA to perform technical assistance services for BHCD's Administrative Plan for Housing Quality Standards (HQS) and Rent Reasonableness Data Collection under HUD regulations | 7/23/2014 | 30 day notice in writing by either party | n/a | n/a | all parties |
| Intergovernmental Agreement between the City of Albuquerque and City of Albuquerque and Albuquerque Housing Authority for the Albuquerque group benefit participation | Albuquerque Housing Authority | COA and AHA | 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 reerred to AHA through the Albuquerque Heading Home | 7/1/2017 | 6/30/2018 | 75 employees x \$30., plus \$500 billable | \$ 2,750.00 | all parties |
| Interagency Agreement by and between the Albuquerque Housing Authority (AHA) and the Bernalillo County housing Department (BCHD) | AHA and BCHD | AHA and BCHD | | 12/7/2016 | continue for 24 months unless sooner terminated in accordance with Seciton 6 of this agreement (30 day written notice). | \$ - | \$ | - 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 | | 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 Commissioners of the
Albuquerque Housing Authority and
Brian S. Colón, ESQ.
New Mexico State Auditor
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Albuquerque Housing Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

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

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 scheduled of findings and questioned costs as Finding 2019-001 (2018-001) that we consider to be a significant deficiency.

Management's Response to Finding

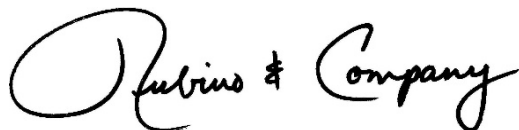
Management has provided its response to our finding in a separate memorandum included in this report on page 79. We did not audit management's response, and accordingly, we express no opinion on it.

Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style.

Bethesda, Maryland
November 27, 2019



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

Board of Commissioners of the
Albuquerque Housing Authority and
Brian S. Colón, ESQ.
New Mexico State Auditor
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Albuquerque Housing Authority's (the Authority's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2019. The Authority'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Programs

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

The logo for Rubino & Company is written in a cursive, handwritten style. The word "Rubino" is on the left, followed by an ampersand "&" in the middle, and the word "Company" is on the right. The letters are fluid and connected.

Bethesda, Maryland
November 27, 2019

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

| <u>Federal Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--|--------------------------------|--|---------------------------------------|
| Department of Housing and Urban Development Programs | | | |
| Housing Voucher Cluster: | | | |
| Housing Choice Vouchers | 14.871 | N/A | \$ 27,028,356 |
| Mainstream Vouchers | 14.879 | N/A | 305,108 |
| Low Rent Public Housing | 14.850 | N/A | 3,947,727 |
| Capital Fund Program | 14.872 | N/A | 465,365 |
| Section 8 Project-Based Cluster: | | | |
| Section 8 Moderate Rehabilitation | 14.856 | N/A | 36,802 |
| Section 8 Moderate Rehabilitation - Single Room Occupancy | 14.249 | N/A | <u>57,509</u> |
| Total Direct Expenditures | | | <u>31,840,867</u> |
| Pass through the City of Albuquerque Family and Community Development Department: | | | |
| HOME Investment Partnerships Program | 14.239 | 707791 | <u>218,988</u> |
| Pass through from the City of Albuquerque | | | |
| Community Development Block Grant/Entitlement Grant | 14.218 | | <u>3,200,918</u> |
| Total Department of Housing and Urban Development | | | <u>35,260,773</u> |
| TOTAL FEDERAL EXPENDITURES | | | <u>\$ 35,260,773</u> |

See Notes to the Schedule

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the Albuquerque Housing Authority (Authority) under the program of the federal government for the year ended June 30, 2019. 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 the Authority, it is not intended to and does not present the financial position or changes in net position for the Authority.

2. 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 under the Uniform Guidance.

3. SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended June 30, 2019.

4. INDIRECT COST RATE

The Authority has not elected to use the 10% de minimis cost rate.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material Weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 5. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of Uniform Guidance? | No |

7. Identification of Major Programs:

| <u>Federal Grantor/Program Title</u> | <u>CFDA No.</u> | | |
|--|-----------------|----|------------|
| U.S. Department of Housing and Urban Development (HUD): | | | |
| Housing Voucher Cluster | 14.871/14.879 | \$ | 27,028,356 |
| Community Development Block Grant Disaster Recovery Grants | 14.218 | \$ | 3,200,918 |
| Capital Fund Program | 14.872 | \$ | 465,365 |

- | | |
|---|--------------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 1,057,823 |
| 9. Auditee qualified as low-risk auditee under Uniform Guidance, section 530? | No |

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001 (2018-001): Internal Control over Financial Reporting, Significant deficiency (Repeated and Modified)

Condition: During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting, as described below, which are identified as a significant deficiency in internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America, AU-C Section 265 ("AU-C 265"). The deficiencies are as follows:

- **Financial statement presentation:** We have noted that the unaudited financial data schedule that is utilized as the PHA's underlying financial statements did not agree with the general ledger and contained various errors that led to the submission to be rejected by the Real Estate Assessment Center. Significant errors existed regarding the presentation of cash balances, inter-program balances/eliminations and the duplicate additions in reporting of capital assets.
- **Accounts Payable Cutoff testing:** As part of our audit, we review transactions subsequent transactions to ensure that all activities applicable to the fiscal period are included in the financial statements. During our testing, we noted that \$283,890 of Capital Fund accruals were not included in the June 30, 2019 financial statements nor were any expenses reported on the Schedule of Federal Awards included in the June 30, 2019 unaudited submission to REAC. Accordingly, adjustments totaling \$465,365 were required to accurately report program activities for the year ended June 30, 2019.

As a result of the above, the Authority's unaudited FDS filing was incorrect as it needed significant adjustments for balances including cash, capital assets, other revenue, net position, etc.

Context: This issue is a continuation of an issue identified in a prior period and is a repeat of Finding 20018-001 in the audit of the fiscal year ended June 30, 2018.

Criteria: The Authority should have the necessary controls over the financial reporting process to detect material misstatements without Auditor detection.

Questioned Costs: None.

Management's Progress for prior year: The Authority established controls to ensure that year-end recorded balances appear reasonable and appropriate so that the unaudited FDS filing does not have significant errors. There is a lag time between capital fund vendors paid and HUD reimbursement of such funds and accruals will need to be established for that gap period. This would include a careful review of the general ledger and activity and comparison to the draft unaudited FDS before filing.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Finding 2019-001 (2018-001): Internal Control over Financial Reporting, Significant deficiency (Repeated and Modified)

Effect: Accounts are misstated and 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 misstatements stated in the condition. Additional time and effort was needed to research these errors and prepare correcting entries.

Cause: While some improvements were noted from the prior period, due to position vacancies, the Authority did not have the necessary controls over the financial reporting process to detect material misstatements.

Auditor's Recommendations: The Authority should establish controls to ensure that year-end recorded balances appear reasonable and appropriate so that the unaudited FDS filing does not have significant errors. This would include a careful review of the general ledger and activity and comparison to the draft unaudited FDS before filing.

Management's Response to Finding: We concur with the recommendation and the Director of Finance will establish controls to ensure that year-end recorded balances appear reasonable and appropriate so that the unaudited FDS filing does not have significant errors. This would include a careful review of the general ledger and activity and comparison to the draft unaudited FDS before filing.

Responsible Party: Barbara D'Onofrio, Director of Finance, (505) 764-3936.

Anticipated Completion Date: June 30, 2020.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None reported.

SECTION IV – STATE OF NEW MEXICO AUDIT FINDINGS (NMAC 2.2.2):

None reported.



A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2019

Financial Statement Findings

2018-001 Internal Control over Capital Assets - Material Weakness Repeated/Modified

Federal Award Findings

2018-002 Late Reporting - Finding that does not rise to the level of a significant deficiency Cleared

Other Non-Compliance

2018-003 Reporting - Other, non-compliance Cleared



Corrective Action Plan:

Finding 2019-001: Internal Control over Financial Reporting
Summary:

During our audit of the Authority's financial statements, we detected certain deficiencies in internal control over financial reporting, as described below, which are identified as a significant deficiency in internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America, AU-C Section 265 ("AU-C 265"). The deficiencies are as follows:

- **Financial statement presentation:** We have noted that the unaudited financial data schedule that is utilized as the PHA's underlying financial statements did not agree with the general ledger and contained various errors that led to the submission to be rejected by the Real Estate Assessment Center. Significant errors existed regarding the presentation of cash balances, inter-program balances/eliminations and the duplicate additions in reporting of capital assets.
- **Accounts Payable Cutoff testing:** As part of our audit, we review transactions subsequent transactions to ensure that all activities applicable to the fiscal period are included in the financial statements. During our testing, we noted that \$283,890 of Capital Fund accruals were not included in the June 30, 2019 financial statements nor were any expenses reported on the Schedule of Federal Awards included in the June 30, 2019 unaudited submission to REAC. Accordingly, adjustments totaling \$465,365 were required to accurately report program activities for the year ended June 30, 2019.

As a result of the above, the Authority's unaudited FDS filing was incorrect as it needed significant adjustments for balances including cash, capital assets, other revenue, net position, etc.

Corrective Action:

We concur with the recommendation and we will establish controls to ensure that year-end recorded balances appear reasonable and appropriate so that the unaudited FDS filing does not have significant errors. This would include a careful review of the general ledger and activity and comparison to the draft unaudited FDS before filing.

ALBUQUERQUE HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF ALBUQUERQUE, NEW MEXICO
EXIT CONFERENCE
June 30, 2019

An exit conference was held on November 20, 2019, and attended by the following:

City of Albuquerque Personnel:

Pamela Fanelli, CMA, MBA
City Controller

Marianne Kemp, CPA, CGFM, CGMA / FA
Grant Administration

Monica Montoya,
Community Services Division Manage / FCS

Stephanie Manzanares
Sr. Principal Accountant/FCS

Albuquerque Housing Authority Board of Housing Commissioners:

Janet M. McHard, CPA, CFE, MAFF, CFF
Chairperson

Stephen Vogel
Commissioner

Albuquerque Housing Authority Personnel:

Linda Bridge, MBA
Executive Director

Thea Guerin
Deputy Director

Barbara D'Onofrio
Director of Finance

Frederick Shendo
Accounting Manager

Rubino & Company, Chartered Personnel:

Philippe Lindsay, CPA
Sr. Engagement Director

Vidur Bhalla
Supervisor

Financial Statement Preparation:

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