



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE  
CITY OF GALLUP**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**



**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP**

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**Board of Directors**

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<b>Board Member</b>	<b>Title</b>
Alfred Abeita	Board Chairman
Joe Zecca	Board Vice-Chair
Jimmy Saucedo	Commissioner
Roger Morris	Commissioner
Vacant	Resident Member

**Administration**

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<b>Name</b>	<b>Title</b>
Richard Kontz	Executive Director



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management of  
Gallup Housing Authority,  
Gallup, New Mexico  
and  
Mr. Tim Keller, New Mexico State Auditor

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Gallup Housing Authority (the Housing Authority), a component unit of the City of Gallup, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's 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 respective financial position of the business-type activities and each major fund of the Housing Authority, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 18 to the financial statements, the 2016 beginning balance of net position has been restated due to incorrect GASB 68 related calculations in fiscal year 2015, and for the repayment of prior year funds determined to be ineligible.

**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 and Net Pension Liabilities, listed as "Required Supplemental 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements and budgetary comparison 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 supplemental 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 supplemental information (audited)" 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.

The other schedules listed as “other supplemental information (unaudited)” in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Housing Authority's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 17, 2016

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GALLUP HOUSING AUTHORITY  
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Management Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (NEEDS TO BE UPDATED)**

The primary focus of this MD&A is to discuss the financial statement for the Fiscal Year 2016 ending on June 30, 2016. Management will offer its opinion on the state of GHA finances and operations and goals and plans for improvement and addressing any audit findings which were noted.

**Programs under GHA Management and Operation:**

The GHA has four significant programs. They are described as follows:

- The *Low Rent Public Housing Program* consists of 267 dwelling units of which 253 (94.8%) were under lease at Fiscal Year-end; 11 units (4.1%) were unavailable for leasing due to structural foundation issues or being planned for demolition; and leaving 3 (1.1%) available for possible leasing once units were prepped for leasing by Maintenance staff. After demolition of 4 units by FY2017 year-end GHA will have 263 units under Housing management. Funding is provided annually by U.S. Department of Housing & Urban Development and through a formula Based Operating Subsidy calculated on the number of dwelling rents leased by the tenants. These operating fund payments can be drawn down from the Federal government on the first of each month. Fund 01 contains the accounting transaction records for the Public Housing Program.
- The *Capital Fund Program* is also a formula based program from HUD based on occupied building units in the GHA inventory. The purpose of this program is to provide funding for the modernization and improvement of Low Rent Housing under GHA management including surrounding eligible site improvements and for eligible community facilities (i.e. community parks). For FY2015 GHA was awarded \$339,706 in CFP funds and \$338,689 was expended as of Fiscal Year-end leaving a balance of \$1,016.60 in obligated grant funds remaining. For FY2016 GHA was awarded \$347,586 in CFP funds and \$595.56 expended as of Fiscal Year-end leaving a balance of \$311,990 in grant funds remaining. It is anticipated the GHA will receive \$345,000 to \$355,000 per year in CFP grant funds for the foreseeable future in which GHA can plan for improvement over the next five years. These resources primarily provide funds for capital improvements for the current dwelling structures and site improvements. A limited amount can be used to support operations, management improvements and major equipment purchases (i.e. vehicles) so long as those items are programmed in the required 5-year plans that must be submitted to HUD and approved by HUD prior to use of the CFP grant funds. Fund 02 contains the accounting transaction records for the Capital Fund Program grants.
- The *Housing Choice Voucher Program* provides housing rental assistance to aid low income families in paying rent to private land lords for affordable decent, safe and sanitary rental housing. The GHA provides rental assistance in the form of a monthly housing assistance payment to a landlord on behalf of the tenant. The difference between what the GHA provides and the total rental amount must be paid by the Tenant. For example: Total rent may be \$550 per month and GHA has determined the tenant is eligible for \$350 a month in housing rental assistance and therefore the tenant will pay \$200 per month out of pocket. Under the HCV program operates two sub-programs: The regular Section 8 HCV program and the VASH HCV program. GHA is currently authorized to issue 38 regular section 8 vouchers and 25 VASH vouchers. GHA at year-end had 17 tenants were housed under regular section 8 vouchers and 17 tenants were housed under VASH vouchers for a total of 34 tenants receiving housing rental assistance under the HCV programs. Funds for vouchers are provided by HUD to make rental assistance payments on behalf



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of eligible tenants. HUD also provides an administrative fee to GHA for the purpose of covering the administrative costs of the program. The administrative fee is computed by HUD on an annual basis and does not adequately cover the total cost of administering the programs. Fund 03 contains the accounting transaction records for the Housing Choice Voucher Program (both the regular Section 8 HCV program and the VASH HCV program).

- The *Section 8 Mod Rehab Single Room Occupancy (SRO) Program* is a rental assistance program whereby rental assistance payments are restricted to particular units to provide housing for homeless individuals. Tenants typically pay rent which is 30 percent of their adjusted gross income. The remaining portion of the rent is paid to the landlord by the Housing Authority. The Gallup Housing Authority had 8 tenants under this program. At year-end GHA was made aware that the non-profit organization which is responsible for screening for eligibility of tenants the 8 units set aside in the site-based complex have been notified by HUD that all of their tenants were deemed to be ineligible for housing assistance through this program. By year-end two tenants have moved out and the Non-profit was directed by HUD to phase out the remaining tenants and replace them with eligible tenants. Fund 06 contains the accounting transaction records for the Section 8 Mod Rehab Single Room Occupancy (SRO) Program.

**Overview of the Financial Statements**

The financial statements are comprised of three individual statements. These statements include:

**The Statement of Net Assets** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2016, to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related to financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2016.

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Management Discussion and Analysis (Unaudited)  
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**Financial Highlights**

- The Gallup Housing Authority's net position decreased from \$8,055,660 to \$8,053,918 a slight decrease as opposed to an 8% decrease last fiscal year. The total assets also increased by \$21,336 as opposed to a decreased of \$174,561 last fiscal year.
- Total revenues increased from \$1,788,811 to \$2,125,365 an increase of \$336,412 or 19% as opposed to a 16% decrease of \$345,890 last fiscal year-end.
- Total expenses decreased by \$19,152, from \$2,142,411 to \$2,123,401 for the current year. This represents a decrease of 1% as opposed to an increase of 12% last fiscal year-end.

**Housing Authority Activities & Highlights:**

The Housing Authority's overall financial position for the past two years is summarized below based on the information in the current and prior financial statements. The table below provides the asset, liability, and net position (equity) comparisons for the year ended June 30, 2016, and June 30, 2015.

**Summary of Statement of Net Position  
As of June 30,**

	2016	2015	Percent Change
<b>Assets:</b>			
Current assets	\$ 653,417	618,291	6%
Capital assets, net	8,078,246	8,134,710	-1%
Total assets	<u>8,731,663</u>	<u>8,753,001</u>	
Deferred outflows of resources	90,058	41,035	119%
<b>Total assets and deferred     outflows of resources</b>	<u>\$ 8,821,721</u>	<u>8,794,036</u>	
<b>Liabilities:</b>			
Current liabilities	\$ 231,703	182,679	27%
Non-current liabilities	522,945	402,834	30%
Total liabilities	<u>754,648</u>	<u>585,513</u>	
Deferred inflows of resources	13,155	152,863	-91%
<b>Net position:</b>			
Investment in capital assets	8,078,246	8,134,710	-1%
Unrestricted	(24,328)	(91,317)	-73%
Restricted for Housing Assistance	-	12,267	
Total net position	<u>8,053,918</u>	<u>8,055,660</u>	
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 8,821,721</u>	<u>8,794,036</u>	

**Current Assets**

Current assets increased by \$35,126. Unrestricted cash and investments increased from \$288,591 to \$331,551, an increase of \$42,960 from June 30, 2015 to June 30, 2016. Restricted cash amounted to \$53,772 as of June 30, 2016, which are the Tenant Security Deposits held in escrow by the Authority.

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Account Fraud receivable (net) at June 30, 2016, was reported as \$51,538, primarily due to an amount owed by the previous Executive Director.

**Noncurrent Assets**

Noncurrent assets decreased from \$8,134,708 on June 30, 2015 to \$8,078,246 on June 30, 2016, a decrease of \$56,462.

**Current Liabilities**

Current liabilities increased \$49,024 or 26.8% from the previous fiscal year. This is primarily due to reclassification copier lease from long term liability to current liability, acknowledgement of debt owed to NNMFA, accounts payable to vendors, compensated absences and accrued payroll.

**Non-Current Liabilities**

Non-current liabilities increased by \$120,111, again due primarily to the recording of pension liabilities in the current year.

**Net Position**

The overall net position of the Authority decreased by \$1,742 from June 30, 2015 to June 30, 2016 as opposed to a decrease of \$688,002 from the FY2014 to FY2015 year-ends. The restricted component of the financial position held for HAP payments decreased from \$12,267 for June 30, 2015 to \$-0- for June 30, 2016.

The Authority's unrestricted component of net position changed from \$(91,317) to \$(24,328) for the current year. The primary reason for the change relates to the recording of pension liabilities, as a result of the implementation of GASB #68.

The table below summarizes the overall operations for the past two years for the years ending June 30, 2016, and June 30, 2015.

**Summary of Statement of Revenues,  
Expenditures, and Changes in Fund Net Position  
As of June 30,**

<b>Revenues:</b>	<u>2016</u>	<u>2015</u>	<u>Percent Change</u>
Operating revenues	\$ 2,101,153	1,786,484	18%
Non-operating revenues (expenses)	<u>24,212</u>	<u>2,469</u>	881%
Total revenues	2,125,365	1,788,953	
 <b>Expenses:</b>			
Personnel services	726,349	662,100	10%
Other operating expenses	1,092,099	1,175,278	-7%
Depreciation	<u>304,953</u>	<u>305,175</u>	0%
Total expenses	<u>2,123,401</u>	<u>2,142,553</u>	
 <b>Change in net position</b>	 \$ <u>1,964</u>	 <u>(353,600)</u>	

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Management Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016**

**Results of Operations**

**Revenues**

- Revenues of the Authority are generated principally from Operating Subsidy and Capital Grants from the U.S. HUD, dwelling rents and various other tenant late fees, charges for damages and other charges/fees.
- The Authority's operating revenues from Operating Subsidy grants amounted to \$707,110 or \$58,925 monthly and Tenant rents amounted to \$700,528, which amounts to \$58,377 monthly. This was primarily due to the Authority staff being more aggressive in tenant rent collections and having units "made ready for rent" quickly so that units can be rented in a timely manner to reduce loss of revenue. Units leased increased from 2,773 to 2918 which directly relates to increased Operating Subsidy funds. As a result, the Authority has raised the occupancy rate from the 86-87% range to 90-92% range and seeks to raise the rate in FY2017 to the 95 to 96% range.
- Non-operating revenues increased significantly from \$2,469 to \$24,379. This includes: excess utility charges, late fees, insurance proceeds, maintenance charges for tenant damages to units, and fraud recovery.
- The Authority received \$153,375 in HAP funds this year with an additional \$22,830 for HAP Admin fees; \$13,773 for port-ins from other Housing Authorities; and \$1,253 for Port-in Admin fees.
- The Authority received \$18,601 in SRO funds to make tenant landlord payments and \$6,867 in SRO admin fees. As indicated under the Program description this program may be in jeopardy since the current the "site-based" landlord is in non-compliance with HUD on tenant eligibility issues.
- Capital grants when awarded allow the Authority to obligate and expend them over a 3-year period. This Fiscal Year the Authority received \$255,719 to cover 2015 CFP grant fund expenditures; and \$596 to cover 2016 CFP grant fund expenditures. By the end of FY2017 remaining 2015 CFP funds will be expended and it is anticipated the 100% of the 2016 CFP funds will be obligated with 85 to 90% expended.
- Overall, total revenues (Operating and Capital funds) increased by \$336,412 or 19% mainly due to adopting a "business mentality" in operations.

**Expenses**

- Overall total expenses decreased from \$2,142,553 for June 30, 2015 to \$2,123,401 for June 30, 2016, a decrease of \$19,152 or a 1% decrease. Significant changes are noted below:
  - Administrative costs were high at \$65,851 due primarily to \$38,721 paid for Administrative Services contracts which included a \$24,000 in fees paid to Bernalillo County Housing Department for training and technical assistance. This cost is no longer necessary.

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- Wages and Salaries have reached a peak of \$526,202 due the hiring of several higher qualified professional and technical staff employees in order to allow the Authority to operate in an ethical and professional manner. As a result, related payroll taxes, PERA contributions including PERA pick-up and Employee Health and medical benefits have all increased accordingly.
- Professional fees and expenses at \$43,732 due to the hiring of a Fee Accountant to provide technical assistance and training to help the authority to increase is capacity to properly maintain proper policies and procedures to maintain internal controls, conduct complete year-end closing, audit prep and FDS prep as well as paying for the annual required audit.
- Software vendor costs remain substantial at \$17,956 per annum.
- Utilities, which include telephone, water, sewer, electricity, natural gas, garbage collection and other related utilities continues to be substantial cost of \$337,630. The City of Gallup Joint Utilities provides water, sewer, electricity and garbage collection while Gas company of NM provided natural gas.
- General maintenance to repair and maintain all housing units is a major part of the operating budget at \$276,263. This includes general repair and dealing with site issues as well as refurbishing to make unit ready for leasing (termed unit turns). This does not include modernization paid for with Capital fund program grants.
- HAP and SRO expenses increased substantially to \$200,446 for landlord payments. This is due to the Authority being able to issue more Housing Choice vouchers for more tenants to be housing in private units.
- Depreciation expense decreased slightly from \$305,175 on June 30, 2015 to \$304,953 as of June 30, 2016.

**Capital Assets:**

As of June 30, 2016, the Gallup Housing Authority's net investment in capital assets was \$8,078,246 as compared to \$8,134,710 for June 30, 2015, which is a less than 1% drop in net investment in capital assets. This investment includes land, building, equipment, and construction in progress less accumulated depreciation. The amount doesn't include any debt related to the acquisition of these fixed assets.

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<b>Capital Assets</b>		<b>As of June 30,</b>		
	<u>2016</u>	<u>2015</u>	<u>Percent</u>	
			<u>Change</u>	
Land	\$ 1,593,833	1,593,833	0%	
Construction in Progress	596	2,456	-76%	
Buildings and improvements	13,644,350	13,386,176	2%	
Equipment - Dwellings	56,659	56,659	0%	
Equipment - Administration	447,607	481,535	-7%	
Total capital assets	<u>15,743,045</u>	<u>15,520,659</u>		
Less: Accumulated depreciation	<u>(7,664,799)</u>	<u>(7,385,949)</u>	4%	
Capital assets, net	<u>\$ 8,078,246</u>	<u>8,134,710</u>		

Additions to the building and improvements category are made up on Capital Fund Project funds, which include renovations to the housing units.

**Long Term Debt Liability**

The Authority classifies a portion of the employee's leave as long term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term was \$11,113. Based upon GASB 68 the Authority is required to show Pension Liability in the amount of \$511,832. An adjustment was made to expense the lease copier since it did not meet the requirements of a capital lease so no amount will be carried under Long Term Debt liability for FY2016 year-end.

**Prior Period Adjustments**

The Authority reported a \$42,957 in prior period adjustments to restate deferred outflows beginning FY2016 balance. An additional prior period adjustment for \$(46,663), was required to record funds due back to a grantor. Additional information can be found in the Notes to the Financial Statements.

**Request for Information**

This financial report is designed to provide a general overview of the Housing Authority's financial position as of June 30, 2016, for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address: Gallup Housing Authority, Richard Kontz, Executive Director, P.O. Box 1334, Gallup, NM 87305.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2016**

	<b>Low-Rent Public Housing (01 &amp; 02)</b>	<b>Section 8 Housing Choice Vouchers Program (03)</b>	<b>Moderate Rehabilitation Single-Room Occupancy (06)</b>	<b>State &amp; Local (07)</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents - unrestricted	\$ 179,415	135,513	16,623	-	331,551
Cash and cash equivalents - restricted	53,772	-	-	-	53,772
Grant receivables	5,384	7,179	-	-	12,563
Tenant receivables, net	5,330	-	-	-	5,330
Other accounts receivables, net	50,000	1,538	-	-	51,538
Prepaid expenses and other current assets	34,591	347	-	-	34,938
Inventory, net	64,081	-	-	-	64,081
Due from other funds	98,643	-	1,001	-	99,644
Total current assets	<u>491,216</u>	<u>144,577</u>	<u>17,624</u>	<u>-</u>	<u>653,417</u>
Non-current assets					
Land and construction in progress	1,594,429	-	-	-	1,594,429
Other capital assets, net of accumulated depreciation	6,483,817	-	-	-	6,483,817
Total non-current assets	<u>8,078,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,078,246</u>
Total assets	<u>8,569,462</u>	<u>144,577</u>	<u>17,624</u>	<u>-</u>	<u>8,731,663</u>
Deferred outflows of resources					
Pension deferral	89,163	895	-	-	90,058
Total deferred outflows of resources	<u>89,163</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>90,058</u>
Total assets and deferred outflows of resources	<u>\$ 8,658,625</u>	<u>145,472</u>	<u>17,624</u>	<u>-</u>	<u>8,821,721</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 12,643	81	1,721	18,663	33,108
Accrued payroll liabilities	17,893	2,820	-	-	20,713
Due to other funds	1,001	70,643	-	28,000	99,644
Tenant security deposits	53,772	-	-	-	53,772
Unearned revenue	10,354	529	-	-	10,883
Compensated absences	13,429	153	-	-	13,583
Total current liabilities	<u>109,092</u>	<u>74,226</u>	<u>1,721</u>	<u>46,663</u>	<u>231,703</u>
Non-current liabilities					
Compensated absences	10,988	126	-	-	11,113
Net pension liability	506,828	5,004	-	-	511,832
Total non-current liabilities	<u>517,816</u>	<u>5,130</u>	<u>-</u>	<u>-</u>	<u>522,945</u>
Total liabilities	<u>626,908</u>	<u>79,356</u>	<u>1,721</u>	<u>46,663</u>	<u>754,648</u>
Deferred inflows of resources					
Pension deferral	12,891	264	-	-	13,155
Total deferred outflows of resources	<u>12,891</u>	<u>264</u>	<u>-</u>	<u>-</u>	<u>13,155</u>
<b>NET POSITION</b>					
Investment in capital assets	8,078,246	-	-	-	8,078,246
Unrestricted	(59,420)	65,852	15,903	(46,663)	(24,328)
Restricted	-	-	-	-	-
Total net position	<u>8,018,826</u>	<u>65,852</u>	<u>15,903</u>	<u>(46,663)</u>	<u>8,053,918</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,658,625</u>	<u>145,472</u>	<u>17,624</u>	<u>-</u>	<u>8,821,721</u>

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2016**

	<b>Low-Rent Public Housing (01 &amp; 02)</b>	<b>Section 8 Housing Choice Vouchers Program (03)</b>	<b>Moderate Rehabilitation Single-Room Occupancy (06)</b>	<b>State &amp; Local (07)</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Rental revenue	\$ 700,528	-	-	-	700,528
Other tenant revenue	53,029	2,088	-	-	55,117
Subsidy grants	1,128,810	191,230	25,468	-	1,345,508
Total revenues	1,882,367	193,318	25,468	-	2,101,153
<b>OPERATING EXPENSES</b>					
Personnel services - salaries and wages	514,355	9,993	1,854	-	526,202
Personnel services - employee benefits	197,490	2,420	237	-	200,147
Administrative	65,591	197	63	-	65,851
Professional fees	43,710	22	-	-	43,732
Advertising	6,516	7	1	-	6,524
Supplies	32,280	154	20	-	32,454
Memberships and dues	8,463	14	3	-	8,480
Tenant services	17,956	-	-	-	17,956
Utilities	337,597	27	6	-	337,630
Maintenance and repairs	276,263	-	-	-	276,263
Insurance	73,881	1,069	-	-	74,950
Housing assistance	-	182,000	18,446	-	200,446
Bad debt	18,944	-	-	-	18,944
Staff training	6,914	566	116	-	7,596
Travel	1,273	-	-	-	1,273
Depreciation	304,953	-	-	-	304,953
Total operating expenses	1,906,186	196,469	20,746	-	2,123,401
Operating income (loss)	(23,819)	(3,151)	4,722	-	(22,248)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	17	14	-	-	31
Miscellaneous income	23,341	1,038	-	-	24,379
Interest expense - non-operating	(194)	(4)	-	-	(198)
Total non-operating revenues (expenses)	23,164	1,048	-	-	24,212
Change in net position	(655)	(2,103)	4,722	-	1,964
Beginning net position	7,976,954	67,525	11,181	-	8,055,660
Restatement	42,527	430	-	(46,663)	(3,706)
Beginning net position as restated	8,019,481	67,955	11,181	(46,663)	8,051,954
Ending net position	\$ 8,018,826	65,852	15,903	(46,663)	8,053,918

The accompanying notes are integral to these financial statements



STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Low-Rent Public Housing (01 & 02)	Section 8 Housing Choice Vouchers Program (03)	Moderate Rehabilitation Single-Room Occupancy (06)	State & Local (07)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from tenants	\$ 779,982	1,732	1,636	-	783,350
Payments to employees	(726,146)	(9,716)	(2,091)	-	(737,953)
Payments to suppliers	(935,571)	(173,550)	(13,628)	-	(1,122,749)
Receipts from subsidy grants	1,128,810	191,230	25,468	-	1,345,508
<i>Net cash provided (used) by operating activities</i>	<u>247,075</u>	<u>9,696</u>	<u>11,385</u>	-	<u>268,156</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Miscellaneous income	23,341	1,038	-	-	24,379
Interest income	17	14	-	-	31
<i>Net cash provided (used) by non-capital and related financing activities</i>	<u>23,358</u>	<u>1,052</u>	-	-	<u>24,410</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(256,314)	-	-	-	(256,314)
Interest payments	(194)	(4)	-	-	(198)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(256,508)</u>	<u>(4)</u>	-	-	<u>(256,512)</u>
Net increase (decrease) in cash and cash equivalents	13,925	10,744	11,385	-	36,054
Balances-beginning of year	220,442	124,780	5,238	-	350,460
Balances-end of year	<u>\$ 234,367</u>	<u>135,524</u>	<u>16,623</u>	-	<u>386,514</u>
<b>Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:</b>					
Operating income/(loss)	\$ (23,819)	(3,151)	4,722	-	(22,248)
Depreciation expense	304,953	-	-	-	304,953
Pension expense	(22,599)	(206)	-	-	(22,805)
Bad debt expense	18,944	-	-	-	18,944
Restatement	-	-	-	(46,663)	(46,663)
Change in assets and liabilities:					
Receivables	20,423	(885)	1,636	-	21,174
Prepaid expenses	(968)	8	-	-	(960)
Inventory	425	-	-	-	425
Accounts payable	(22,434)	(346)	1,721	18,663	(2,396)
Accrued liabilities	(1,303)	2,696	-	-	1,393
Due from/to	(42,150)	10,844	3,306	28,000	-
Tenant security deposits	4,170	-	-	-	4,170
Unearned revenue	1,832	529	-	-	2,361
Compensated absences	9,601	207	-	-	9,808
<i>Net cash provided (used) by operating activities</i>	<u>\$ 247,075</u>	<u>9,696</u>	<u>11,385</u>	-	<u>268,156</u>
Supplementary Disclosures					
Non-cash capital asset and lease adjustment	\$ (7,825)	(156)	-	-	
Restatement	\$ -	-	-	46,663	

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Gallup Housing Authority (the “Housing Authority”) was organized under New Mexico statutes to provide a conduit for housing funds for disadvantaged citizens of the City of Gallup, New Mexico (the “City”). The Housing Authority is a political subdivision of the State of New Mexico and a component unit of the City of Gallup, New Mexico.

The financial statements present only the financial position, results of operations and cash flows of the Housing Authority and are not intended to present fairly the City’s financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

This summary of significant accounting policies of the Housing Authority is presented to assist in the understanding of the Housing Authority’s financial statements. The financial statements and notes are the representation of the Housing Authority’s management who are responsible for their integrity and objectivity. The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following funds are maintained by the Housing Authority:

**Low Rent Public Housing Program:**

*Fund 01 – Low Rent Public Housing* – Funded through direct grants from the Department of Housing and Urban Development, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Housing Authority.

*Fund 02 - Public Housing Capital Fund Program* – This program, funded through direct grants from the Department of Housing and Urban Development, accounts for acquisition or modernization of capital assets or construction of capital projects.

**Section 8 Housing Choice Voucher Program:**

*Fund 03* - This program, funded through direct grants from the Department of Housing and Urban Development, provides rental assistance to qualified recipients through rent subsidies paid directly to third-party property owners.

**Section 8 Mod Rehab Single Room Occupancy (SRO):**

*Fund 06* – Program is a rental assistance program whereby rental assistance payments are restricted to particular units to provide housing for homeless individuals.

**State & Local:**

*Fund 07* – To record and disclose the debt/liability and payments on/to NMMFRA for the HRPR Grant award that was misused in prior years, and being paid back.

The Housing Authority has determined that all its funds are major funds.

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GALLUP HOUSING AUTHORITY  
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Notes to the Financial Statements  
For the Year Ended June 30, 2016**

**A. Reporting Entity**

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluation potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Housing Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Housing Authority has no component units; however, the Housing Authority is a component unit of the City of Gallup.

The City of Gallup issues separately audited financial statements. Additional information regarding the City of Gallup may be obtained directly from their administrative office as follows: *City of Gallup Finance Department, 110 West Aztec Avenue, Gallup, New Mexico 87301.*

**B. Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Housing Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted; and unrestricted components.

All of the Housing Authority's programs are accounted for as one business-type activity for financial reporting purposes. The Housing Authority's proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Housing Authority's financial statements.

**C. Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

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Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is received.

The Housing Authority has entered into contracts with the U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects and to administer the federal Section 8 Housing Choice Vouchers Program, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 Housing Choice Vouchers Program. Such contributions are reflected as operating grant revenue. Contributions received from HUD for capital additions and improvements are reported as capital grant revenue.

**D. Cash and Cash Equivalents**

The Housing Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Agency of the United States. The Housing Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10- 10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments, such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value. For the purpose of the Statement of Cash Flows, the Housing Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**E. Accounts Receivable and Accounts Payable**

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**F. Inventories**

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as an expenditure at the time of consumption. Inventory for the Housing Authority is valued at cost.

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**G. Restricted Cash and Cash Equivalents**

Certain resources set aside in escrow for security deposits of \$53,772, held as insurance against the non-payment for services rendered, are classified on the Statement of Net Position as restricted because their use is limited. In addition, pursuant to guidance from HUD cash equal to ending Housing Assistance Payments (HAP) equity of \$53,772 is reported as restricted, as the use of those funds is limited.

**H. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Housing Authority's financial statements. Prepaid expenses mostly consisted of various prepaid insurance policies totaling \$29,743 at June 30, 2016.

**I. Capital Assets**

Capital assets, which include property, plant, and equipment, are defined by the Housing Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Housing Authority during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property and equipment of the Housing Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Classification</u>	<u>Estimated Useful Life</u>
Buildings and improvements	40 years
Equipment - dwelling	5 - 7 years
Equipment - administration	5 - 7 years

**J. Accrued Expenses**

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current and noncurrent maturities of compensated absences, discussed more fully below.

**K. Compensated Absences**

The Housing Authority's policy allows employees to accumulate no more than sixty (60) hours of annual leave. All excess annual leave shall be forfeited, if not used, unless extenuating circumstances warrant approval by the Housing Authority management to buy back that portion of an employee's annual leave that exceeds the allowable carry forward balance. Qualified employees are entitled to earn annual leave at a rate based on length of employment that varies from 6.7 to 13.3 hours per month.

Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the program that will pay it. Amounts of vested

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or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position.

**L. Net Position**

The proprietary fund financial statements utilize a net position presentation. Net position is categorized in the following three categories: investment in capital assets (net of related debt), restricted and unrestricted.

1. *Investment in capital assets (net of related debt)* – Is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Housing Authority did not have any related debt during the year ended June 30, 2016.
2. *Restricted net position* – Consist of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.
3. *Unrestricted net position* – Consist of assets, deferred outflows, less liabilities, deferred inflows, after the amount invested in capital assets and any restricted and designated net position have been subtracted.

**M. Unrestricted and Restricted Resources**

Certain resources set aside for housing assistance payments, as well as security deposits held as insurance against the non-payment for services rendered, are classified on the balance sheet as restricted because their use is limited.

When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**N. Inter-program Transactions**

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as a reduction of expenses in the fund that is reimbursed.

All other inter-program transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-program transfers are reported as operating transfers.

Offsetting inter-program transactions are eliminated for financial statement presentation.

**O. Use of Estimates**

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

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**P. Budgets**

The Housing Authority's Board of Commissioners is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures at the legal level of budgetary control, which is at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation. Budgetary data for the Housing Authority's programs are prepared on a calendar year basis.

HUD does not require the presentation of the budgets in the audit report. The inclusion of the budget in the audit report would be misleading as the audit report is as of June 30, 2016 and the HUD budget period is not complete as of that date.

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

The Housing Authority has the following deferred outflows of resources as of June 30, 2016:

<b><u>Deferred Outflows of Resources</u></b>	
	<b><u>2016</u></b>
Pension deferrals	\$ <b><u>90,058</u></b>
Total deferred outflows of resources	\$ <b><u>90,058</u></b>

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Housing Authority has the following deferred outflows of resources as of June 30, 2016:

<b><u>Deferred Inflows of Resources</u></b>	
	<b><u>2016</u></b>
Pension deferrals	\$ <b><u>13,155</u></b>
Total deferred inflows of resources	\$ <b><u>13,155</u></b>

**R. Evaluation of Subsequent Events**

Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are issued. The Housing Authority recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The Housing Authority's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before financial statements are available to be issued. The organization has evaluated subsequent events through November 17, 2016, which is the date the financial statements were available to be issued.

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GALLUP HOUSING AUTHORITY  
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**NOTE 2—CASH AND CASH EQUIVALENTS**

The Housing Authority’s cash balances consist of demand deposits. The Housing Authority’s cash balances totaled the following as of June 30:

<b>Cash and Cash Equivalents</b>	<b>2016</b>
Unrestricted	
Pinnacle Bank	\$ <b>238,119</b>
US Bank	<b>90,171</b>
Wells Fargo	<b>3,061</b>
Petty cash	<b>200</b>
Total unrestricted	<b>331,551</b>
Restricted Cash	
Pinnacle Bank - Tenant security deposits	<b>53,772</b>
Total restricted	<b>53,772</b>
Total cash and cash equivalents	<b>\$ 385,323</b>

State statutes authorize the investment of the Housing Authority’s funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. All invested funds of the Housing Authority properly following State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Housing Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are back by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Specific details of the collateralization of the Housing Authority’s deposits are included on the Schedule of Cash and Investments and Schedule of Collateral as listed in the table of contents.



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**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority’s deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposits be collateralized by the depository thrift or banking institution. At present, state statute requires that a minimum of 50% of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2016, the Housing Authority’s bank and investment balances of \$385,322 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	\$ -
Uninsured, collateral held by the pledging banks, but not in the name of the Housing Authority	46,791
	<u>\$ 46,791</u>

As of June 30, 2016, all the Housing Authority’s uninsured deposits were collateralized with securities held by pledging financial institution’s trust department or agent in the Housing Authority’s name.

Specific details of the collateralization of the Housing Authority’s deposits are included on the Schedule of Collateral as listed in the table of contents.

**NOTE 3—RECEIVABLES**

As of June 30, 2016 the Housing Authority had the following outstanding receivables:

<u>Type</u>	<u>2016</u>
Grants receivable	\$ 12,563
Tenant receivables	6,294
Other receivables	106,538
Allowance for doubtful accounts	<u>(55,964)</u>
Total	<u>\$ 69,431</u>

**NOTE 4—INTER-PROGRAM BALANCES AND TRANSFERS**

The Housing Authority records interfund transfers to reflect activity occurring between funds. There were no interfund transfers as of June 30, 2016.

The Housing Authority recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other funding measures could be obtained

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All interfund receivables/payables are expected to be repaid within one year. Interfund balances as of June 30, 2016 are as follows:

<u>Due From</u>	<u>Due To</u>	<u>2016</u>
Section 8 Housing Choice Vouchers Program	Low-Rent Public Housing	\$ 70,643
State & Local	Low-Rent Public Housing	28,000
Low-Rent Public Housing	Moderate Rehabilitation Single-Room Occupancy	1,001
		<u>\$ 99,644</u>

All offsetting inter-program balances and transfers are eliminated from presentation in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

**NOTE 5—ACCRUED LIABILITIES**

Accrued liabilities at June 30, consist of the following:

<u>Type</u>	<u>2016</u>
Accrued wages	\$ 18,712
Accrued taxes and benefits	2,001
Total	<u>\$ 20,713</u>

**NOTE 6—UNEARNED REVENUE**

Unearned revenues at June 30, consist of the following:

<u>Type</u>	<u>2016</u>
Tenant prepaid rent	\$ 10,883
Total	<u>\$ 10,883</u>

**NOTE 7—PERA PENSION PLAN**

**A—Plan Description**

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

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**B—Funding Policy**

The Housing Authority contributes to the Municipal Plan #3. Under Municipal Plan #3, state statute requires that plan members contribute 14.65% of their gross salary. The Housing Authority is required to contribute 9.55% of the gross covered salary. In 1990, under the municipal employer “option”, the Housing Authority Board of Commissioners passed a resolution making the Housing Authority responsible for making contributions of 75% of its employees’ member contributions. As a result, the current plan members’ share is 3.66% and the Housing Authority’s share is 20.54%. The contribution requirements of plan members and the Housing Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Housing Authority’s contributions to PERA for the fiscal years ending June 30, 2016, 2015 and 2014 were \$88,867, \$40,482, and \$36,612, respectively, which equal the amount of the required contributions for each fiscal year

**NOTE 8—PENSION PLAN AND POST EMPLOYMENT BENEFITS**

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, 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.

**General Information about the Pension Plan**

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

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.

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

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**Contributions.** The contribution requirements of defined benefit plan members and the Housing Authority 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 and 32 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf).

The PERA coverage option that applies to the Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Housing Authority were \$44,395 and employer paid member benefits that were “picked up” by the employer were \$44,472 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015. 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. The Housing Authority’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 year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. 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 Fund Division; Municipal General Division,** at June 30, 2016, the Housing Authority reported a liability of \$511,832 for its proportionate share of the net pension liability. At June 30, 2015, the Housing Authority’s proportion was 0.0502 percent, which changed from its proportion measured as of June 30, 2014 of .0500 percent.

For the year ended June 30, 2016, the Housing Authority recognized PERA Fund Division; Municipal General Division pension expense of \$88,867.

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

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	11,337
Changes of assumptions	-	199
Net difference between projected and actual earnings on pension plan investments	-	1,619
Change in proportion and differences between Housing Authority contributions and proportionate share of contributions	1,191	-
Housing Authority contributions subsequent to the measurement date	88,867	-
<b>Total</b>	<u>\$ 90,058</u>	<u>13,155</u>

\$88,867 reported as deferred outflows of resources related to pensions resulting from the Housing Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2017	\$ 13,274
2018	13,274
2019	13,274
2020	(27,795)
2021	(63)
Thereafter	-

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

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Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013

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

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

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

**Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Housing Authority's net pension liability in each Page 7 PERA Fund Division that the Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

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<u>PERA Fund Division - Municipal General Division</u>	<u>1% Decrease (6.75)%</u>	<u>Current Discount Rate (7.75)%</u>	<u>1% Increase (8.75)%</u>
Housing Authority's proportionate share of the net pension liability	\$ 871,448	\$ 511,832	\$ 212,837

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB 68, paragraphs 122 and 124.

**NOTE 9—POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**A—Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the 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.

**B—Funding Policy**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary.

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2016, 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. 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.

The Housing Authority's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$10,398, \$8,795, and \$6,045, respectively, which equal the required contributions for each year.

**NOTE 10—PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are summarized as follows:

<b>Business Type Activities</b>	<b>Balance 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance 2016</b>
Capital assets not being depreciated:					
Land	\$ 1,593,833	-	-	-	1,593,833
Construction in progress	2,456	596	-	(2,456)	596
Total capital assets not being depreciated	<u>1,596,289</u>	<u>596</u>	<u>-</u>	<u>(2,456)</u>	<u>1,594,429</u>
Capital assets being depreciated:					
Buildings and improvements	13,386,176	255,718	-	2,456	13,644,350
Equipment - Dwellings	56,659	-	-	-	56,659
Equipment - Administration	481,535	-	(33,928)	-	447,607
Total capital assets being depreciated	<u>13,924,370</u>	<u>255,718</u>	<u>(33,928)</u>	<u>2,456</u>	<u>14,148,616</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(6,945,011)	(280,039)	-	-	(7,225,050)
Equipment - Dwellings	(64,281)	-	-	-	(64,281)
Equipment - Administration	(376,657)	(24,914)	26,103	-	(375,468)
<b>Total accumulated depreciation</b>	<u>(7,385,949)</u>	<u>(304,953)</u>	<u>26,103</u>	<u>-</u>	<u>(7,664,799)</u>
Total capital assets being depreciated	<u>6,538,421</u>	<u>(49,235)</u>	<u>(7,825)</u>	<u>2,456</u>	<u>6,483,817</u>
Capital assets, net	<u>\$ 8,134,710</u>	<u>(48,639)</u>	<u>(7,825)</u>	<u>-</u>	<u>8,078,246</u>



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For the year ended June 30, 2016, depreciation expense was \$304,953. As of the year ended June 30, 2016, the Housing Authority had no idle equipment.

**NOTE 11—CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2016</b>	<b>Due Within One Year</b>
Compensated absences \$	14,889	33,786	(23,979)	24,696	13,583
Net pension liability	390,054	162,813	(41,035)	511,832	-
Total	<u>\$ 404,943</u>	<u>196,599</u>	<u>(65,014)</u>	<u>536,528</u>	<u>13,583</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal years 2016 or 2015.

**NOTE 12—RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority has joined together with other housing authorities throughout the country and obtained insurance through the Housing Authority Insurance Group, a Housing Authority risk pool currently operating as a common risk management and insurance program for member units. The Housing Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred to the risk pool.

**NOTE 13—LEASE COMMITMENTS**

The Housing Authority entered into a lease beginning in August 2014 for a copier. The term of the lease is 60 months, with a base monthly rate of \$198.09. Rental expenses under the lease in 2016 were \$2,377.

During FY15 this lease was presented as a capital lease. After further review it was determined that the lease agreement did not meet the requirements to be a capital lease. Due to the immaterial nature of the lease, it was corrected in FY16, without a restatement.

The future remaining lease payments under these agreements are as follows:

<b>Year Ended</b>	<b>Lease Payments</b>
2017	\$ 2,377
2018	2,377
2019	2,377
2020	198
2021	-
Thereafter	-
Total	<u>\$ 7,329</u>

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**NOTE 14—CONTINGENT LIABILITY**

*Legal Proceedings* — The Housing Authority is subject to various legal proceedings that arise in the ordinary course of the Authority’s operations. In the opinion of the Housing Authority’s management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the Housing Authority.

*Federal Grants* – The Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

*PERA Reimbursement* – At the end of fiscal year 2016, the Housing Authority identified an issue related to PERA contributions paid out of the employee’s salary and wages. Although all PERA contributions paid to the retirement plan appear to be properly remitted, it was determined that in prior years, the Housing Authority had elected to pick-up a portion of the employee’s portion, but had not consistently reimbursed the employees for this agreed-upon amount.

The following table outlines the additional reimbursement that may be due to current and former employees, by fiscal year:

<b>Year Ended</b>	<b>Amount Due</b>
1995-2008	\$ -
2009	1,000
2010	1,000
2011	925
2012	2,481
2013	1,336
2014	5,198
2015	6,276
2016	6,540
Total	\$ <u>24,756</u>

Due to the uncertainty of legal obligations, the Housing Authority is consulting an attorney to determine the actual obligations, if any, regarding reimbursement to current and former employees. Since the legal obligations are uncertain, no amount has been recorded on the financial statements. Once the Housing Authority receives guidance regarding their obligations accounts will be adjusted accordingly.

**NOTE 15 – RESTRICTED NET POSITION**

Certain resources are classified on the Statement of Net Position as restricted because their use is limited. Resources are set aside for Housing Assistance Payments (HAP), as the use of those funds is restricted by enabling legislation. As of June 30, 2016, the Housing Authority did not have any restricted net position due to them deleting the program held HAP reserves during FY2016.

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**NOTE 16 – CONCENTRATIONS**

Substantially all revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Housing Authority's continued compliance with grant provisions and the continuance of the grant programs by this U.S. Governmental agency.

**NOTE 17 – DEFICIT FUND BALANCE**

The following funds incurred a deficit fund balance at June 30, 2016:

<u>Fund</u>	<u>Amount</u>
State & Local (07)	\$ <b>(46,663)</b>

Management intends to transfer sufficient funds from the Low-Rent Public Housing Fund to cover any deficits.

**NOTE 18 – RESTATEMENTS**

Restatements were made as follows for June 30:

<u>Fund</u>	<u>Description</u>	<u>2016</u>
Low-Rent Public Housing (01 & 02)	Per GASB 68 recalculations; to record additional deferred outflows on contributions after the measurement date in FY 2015.	\$ <b>42,527</b>
Section 8 Housing Choice Voucher Program (03)	Per GASB 68 recalculations; to record additional deferred outflows on contributions after the measurement date in FY 2015.	<b>430</b>
State & Local (07)	Repayment of 2012 grant funds that were determined to be spent on ineligible expenses.	<b>(46,663)</b>
Total restatements		\$ <b><u>(3,706)</u></b>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Housing Choice Voucher Program	14.871	\$ 176,205
Low Rent Public Housing Program	* 14.850	707,110
Public Housing Capital Fund Program	14.872	421,700
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	25,468
Total Direct from U.S. Housing and Urban Development		<u>1,330,483</u>
Total Expenditures of Federal Awards		<u>\$ 1,330,483</u>

\* = Denotes major program

**Reconciliation of federal expenditures to federal revenues:**

Federal revenue per Statement of Activities	\$ 1,345,508
Federal awards expended per SEFA	<u>1,330,483</u>
Difference - due to not all grants are reimbursement based	<u>\$ 15,025</u>

**SELECTED DISCLOSURES:**

**1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

**2 - Non-Cash Federal Assistance**

No non-cash federal assistance was received during the year ended June 30, 2016.

**3 - Subrecipients**

The organization provided no federal awards presented above to sub-recipients during the year.

**4 - Federal Insurance**

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

**5 - Indirect Cost Rate**

The organization did not use the 10 percent de minimis indirect cost rate.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY OF GALLUP HOUSING AUTHORITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;  
MUNICIPAL GENERAL DIVISION  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
LAST 10 FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>
The Housing Authority's proportion of the net pension liability (asset) (%)	0.0502%	0.0500%
The Housing Authority's proportionate share of the net pension liability (asset) (\$)	\$ 511,832	390,054
The Housing Authority's covered-employee payroll	\$ 524,348	423,893
The Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98%	92%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\*The 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, the Housing Authority will present information for those years for which information is available.

**Notes to Required Supplementary Information:**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY OF GALLUP HOUSING AUTHORITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION  
LAST 10 FISCAL YEARS\***

	2016	2015
Contractually required contribution	\$ 88,867	84,410
Contributions in relation to the contractually required contribution	88,867	84,410
Contribution deficiency (excess)	\$ -	-
Housing Authority's covered-employee payroll	\$ 524,348	423,893
Contributions as a percentage of covered-employee payroll	16.95%	19.91%

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

**Notes to Required Supplementary Information:**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**Additional Note:** The Contribution amounts in fiscal year 2015 have been updated due to a restatement. See Note 18 in the Notes to the Financial Statements for more information.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
SCHEDULE OF CASH AND CASH EQUIVALENTS  
AS OF JUNE 30, 2016**

<b>Financial Institution</b>	<b>Account Type</b>	<b>Reconciled Balance</b>	<b>Balance Per Bank</b>	<b>Treasury Obligations or FDIC Coverage</b>	<b>Total Uninsured</b>	<b>Required Collateral Coverage</b>	<b>Collateral Requirement</b>	<b>Collateral Pledged</b>	<b>Over/ (Under) Collateralized</b>
Petty cash	Petty cash	\$ 200							
Pinnacle Bank	Checking	291,891	296,791	250,000	46,791	50%	23,396	173,158	149,763
US Bank	Checking	90,171	94,959	94,959	-	50%	-	-	-
Wells Fargo	Checking	3,061	3,061	3,061	-	50%	-	-	-
Total cash and cash equivalents		<u>\$ 385,323</u>	<u>394,811</u>	<u>348,020</u>	<u>46,791</u>		<u>23,396</u>	<u>173,158</u>	<u>149,763</u>

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
SCHEDULE OF COLLATERAL  
AS OF JUNE 30, 2016**

<u>Bank</u>	<u>CUSIP</u>	<u>Amount Pledged</u>	<u>Coupon or Rate</u>	<u>Maturity Date</u>
Pinnacle Bank GNMA2 4202	#36202EU31	\$ 173,158	4.500%	8/20/2023
		\$ <u>173,158</u>		

See Independent Auditor's Report



STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
FINANCIAL DATA SCHEDULE - BALANCE SHEET  
AS OF JUNE 30, 2016

Line Item Number	Description	14.249 Section 8 Moderate						
		Project Total	14.871 Housing Choice Vouchers	Rehabilitation Single Room Occupancy	2 State/Local	Subtotal	ELIM	Total
111	Cash - Unrestricted	\$ 179,415	135,513	16,623	-	331,551	-	331,551
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	53,772	-	-	-	53,772	-	53,772
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
<b>100</b>	<b>Total Cash</b>	<b>233,187</b>	<b>135,513</b>	<b>16,623</b>	<b>-</b>	<b>385,323</b>	<b>-</b>	<b>385,323</b>
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	5,384	7,179	-	-	12,563	-	12,563
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	6,294	-	-	-	6,294	-	6,294
126.1	Allowance for Doubtful Accounts -Tenants	(964)	-	-	-	(964)	-	(964)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128	Fraud Recovery	105,000	1,538	-	-	106,538	-	106,538
128.1	Allowance for Doubtful Accounts - Fraud	(55,000)	-	-	-	(55,000)	-	(55,000)
129	Accrued Interest Receivable	-	-	-	-	-	-	-
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>60,714</b>	<b>8,717</b>	<b>-</b>	<b>-</b>	<b>69,431</b>	<b>-</b>	<b>69,431</b>
131	Investments - Unrestricted	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	34,591	347	-	-	34,938	-	34,938
143	Inventories	80,114	-	-	-	80,114	-	80,114
143.1	Allowance for Obsolete Inventories	(16,033)	-	-	-	(16,033)	-	(16,033)
144	Inter Program Due From	98,643	-	1,001	-	99,644	(99,644)	-
145	Assets Held for Sale	-	-	-	-	-	-	-
<b>150</b>	<b>Total Current Assets</b>	<b>491,216</b>	<b>144,577</b>	<b>17,624</b>	<b>-</b>	<b>653,417</b>	<b>(99,644)</b>	<b>553,773</b>
161	Land	1,593,833	-	-	-	1,593,833	-	1,593,833
162	Buildings	13,644,350	-	-	-	13,644,350	-	13,644,350
163	Furniture, Equipment & Machinery - Dwellings	56,660	-	-	-	56,660	-	56,660
164	Furniture, Equipment & Machinery - Administration	432,804	14,802	-	-	447,606	-	447,606
165	Leasehold Improvements	-	-	-	-	-	-	-
166	Accumulated Depreciation	(7,649,997)	(14,802)	-	-	(7,664,799)	-	(7,664,799)
167	Construction in Progress	596	-	-	-	596	-	596
168	Infrastructure	-	-	-	-	-	-	-
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>8,078,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,078,246</b>	<b>-</b>	<b>8,078,246</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-
<b>180</b>	<b>Total Non-Current Assets</b>	<b>8,078,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,078,246</b>	<b>-</b>	<b>8,078,246</b>
200	Deferred Outflow of Resources	87,983	884	-	-	88,867	-	88,867
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 8,657,445</b>	<b>145,461</b>	<b>17,624</b>	<b>-</b>	<b>8,820,530</b>	<b>(99,644)</b>	<b>8,720,886</b>
311	Bank Overdraft	\$ -	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	11,112	81	-	-	11,193	-	11,193
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	17,893	2,820	-	-	20,713	-	20,713
322	Accrued Compensated Absences - Current Portion	13,429	153	-	-	13,582	-	13,582
324	Accrued Contingency Liability	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	1,721	-	1,721	-	1,721
332	Account Payable - PHA Projects	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	18,663	18,663	-	18,663
341	Tenant Security Deposits	53,772	-	-	-	53,772	-	53,772
342	Unearned Revenue	10,354	529	-	-	10,883	-	10,883
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	1,531	-	-	-	1,531	-	1,531
347	Inter Program - Due To	1,001	70,643	-	28,000	99,644	(99,644)	-
348	Loan Liability - Current	-	-	-	-	-	-	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>109,092</b>	<b>74,226</b>	<b>1,721</b>	<b>46,663</b>	<b>231,702</b>	<b>(99,644)</b>	<b>132,058</b>

STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
FINANCIAL DATA SCHEDULE - BALANCE SHEET  
AS OF JUNE 30, 2016

Line Item Number	Description	14.249 Section 8 Moderate				Subtotal	ELIM	Total
		Project Total	14.871 Housing Choice Vouchers	Rehabilitation Single Room Occupancy	2 State/Local			
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	10,988	126	-	-	11,114	-	11,114
355	Loan Liability - Non Current	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	506,828	5,004	-	-	511,832	-	511,832
<b>350</b>	<b>Total Non-Current Liabilities</b>	<u>517,816</u>	<u>5,130</u>	<u>-</u>	<u>-</u>	<u>522,946</u>	<u>-</u>	<u>522,946</u>
<b>300</b>	<b>Total Liabilities</b>	626,908	79,356	1,721	46,663	754,648	(99,644)	655,004
400	Deferred Inflow of Resources	12,891	264	-	-	13,155	-	13,155
508.4	Net Investment in Capital Assets	8,078,246	-	-	-	8,078,246	-	8,078,246
511.4	Restricted Net Position	-	-	-	-	-	-	-
512.4	Unrestricted Net Position	(60,600)	65,841	15,903	(46,663)	(25,519)	-	(25,519)
<b>513</b>	<b>Total Equity - Net Assets / Position</b>	<u>8,017,646</u>	<u>65,841</u>	<u>15,903</u>	<u>(46,663)</u>	<u>8,052,727</u>	<u>-</u>	<u>8,052,727</u>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity - Net</b>	\$ <u>8,657,445</u>	<u>145,461</u>	<u>17,624</u>	<u>-</u>	<u>8,820,530</u>	<u>(99,644)</u>	<u>8,720,886</u>

STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES  
AS OF JUNE 30, 2016

Line Item Number	Description	14.249 Section 8					Subtotal	ELIM	Total
		Project Total	14.871 Housing Choice Vouchers	Rehabilitation Single Room Occupancy	2 State/Local				
70300	Net Tenant Rental Revenue	\$ 700,528	-	-	-	700,528	-	700,528	
70400	Tenant Revenue - Other	28,307	-	-	-	28,307	-	28,307	
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>728,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>728,835</b>	<b>-</b>	<b>728,835</b>	
70600	HUD PHA Operating Grants	872,495	176,205	25,468	-	1,074,168	-	1,074,168	
70610	Capital Grants	256,315	-	-	-	256,315	-	256,315	
70710	Management Fee	-	-	-	-	-	-	-	
70720	Asset Management Fee	-	-	-	-	-	-	-	
70730	Book Keeping Fee	-	-	-	-	-	-	-	
70740	Front Line Service Fee	-	-	-	-	-	-	-	
70750	Other Fees	-	-	-	-	-	-	-	
<b>70700</b>	<b>Total Fee Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
70800	Other Government Grants	-	-	-	-	-	-	-	
71100	Investment Income - Unrestricted	17	14	-	-	31	-	31	
71200	Mortgage Interest Income	-	-	-	-	-	-	-	
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	
71400	Fraud Recovery	24,722	2,088	-	-	26,810	-	26,810	
71500	Other Revenue	23,340	16,064	-	-	39,404	-	39,404	
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	
72000	Investment Income - Restricted	-	-	-	-	-	-	-	
<b>70000</b>	<b>Total Revenue</b>	<b>1,905,724</b>	<b>194,371</b>	<b>25,468</b>	<b>-</b>	<b>2,125,563</b>	<b>-</b>	<b>2,125,563</b>	
91100	Administrative Salaries	236,334	8,580	1,854	-	246,768	-	246,768	
91200	Auditing Fees	20,170	-	-	-	20,170	-	20,170	
91300	Management Fee	-	-	-	-	-	-	-	
91310	Book-keeping Fee	-	-	-	-	-	-	-	
91400	Advertising and Marketing	6,516	7	1	-	6,524	-	6,524	
91500	Employee Benefit contributions - Administrative	70,471	1,562	236	-	72,269	-	72,269	
91600	Office Expenses	53,886	195	146	-	54,227	-	54,227	
91700	Legal Expense	1,099	22	-	-	1,121	-	1,121	
91800	Travel	1,273	-	-	-	1,273	-	1,273	
91810	Allocated Overhead	-	-	-	-	-	-	-	
91900	Other	88,028	764	63	-	88,855	-	88,855	
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>477,777</b>	<b>11,130</b>	<b>2,300</b>	<b>-</b>	<b>491,207</b>	<b>-</b>	<b>491,207</b>	
92000	Asset Management Fee	-	-	-	-	-	-	-	
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	
92200	Relocation Costs	-	-	-	-	-	-	-	
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	
92400	Tenant Services - Other	17,956	-	-	-	17,956	-	17,956	
<b>92500</b>	<b>Total Tenant Services</b>	<b>17,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,956</b>	<b>-</b>	<b>17,956</b>	
93100	Water	80,750	-	-	-	80,750	-	80,750	
93200	Electricity	86,102	-	-	-	86,102	-	86,102	
93300	Gas	64,396	-	-	-	64,396	-	64,396	
93400	Fuel	-	-	-	-	-	-	-	
93500	Labor	-	-	-	-	-	-	-	
93600	Sewer	40,383	-	-	-	40,383	-	40,383	
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	
93800	Other Utilities Expense	16,869	-	-	-	16,869	-	16,869	
<b>93000</b>	<b>Total Utilities</b>	<b>288,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288,500</b>	<b>-</b>	<b>288,500</b>	
94100	Ordinary Maintenance and Operations - Labor	278,020	1,413	-	-	279,433	-	279,433	
94200	Ordinary Maintenance and Operations - Materials and Other	163,322	-	-	-	163,322	-	163,322	
94300	Ordinary Maintenance and Operations Contracts	155,812	-	-	-	155,812	-	155,812	
94500	Employee Benefit Contributions - Ordinary Maintenance	82,727	108	-	-	82,835	-	82,835	
<b>94000</b>	<b>Total Maintenance</b>	<b>679,881</b>	<b>1,521</b>	<b>-</b>	<b>-</b>	<b>681,402</b>	<b>-</b>	<b>681,402</b>	
95100	Protective Services - Labor	-	-	-	-	-	-	-	
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-	
95300	Protective Services - Other	-	-	-	-	-	-	-	
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	
<b>95000</b>	<b>Total Protective Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
96110	Property Insurance	46,447	-	-	-	46,447	-	46,447	
96120	Liability Insurance	22,786	895	-	-	23,681	-	23,681	
96130	Workmen's Compensation	12,448	-	-	-	12,448	-	12,448	
96140	All Other Insurance	4,648	174	-	-	4,822	-	4,822	
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>86,329</b>	<b>1,069</b>	<b>-</b>	<b>-</b>	<b>87,398</b>	<b>-</b>	<b>87,398</b>	
96200	Other General Expenses	-	-	-	-	-	-	-	
96210	Compensated Absences	33,025	761	-	-	33,786	-	33,786	
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	
96400	Bad debt - Tenant Rents	18,944	-	-	-	18,944	-	18,944	
96500	Bad debt - Mortgages	-	-	-	-	-	-	-	
96600	Bad debt - Other	-	-	-	-	-	-	-	
96800	Severance Expense	-	-	-	-	-	-	-	
<b>96000</b>	<b>Total Other General Expenses</b>	<b>51,969</b>	<b>761</b>	<b>-</b>	<b>-</b>	<b>52,730</b>	<b>-</b>	<b>52,730</b>	

STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES  
AS OF JUNE 30, 2016

Line Item Number	Description	14.249 Section 8					ELIM	Total
		Project Total	14.871 Housing Choice Vouchers	Moderate Rehabilitation Single Room Occupancy	2 State/Local	Subtotal		
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	194	4	-	-	198	-	198
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-
<b>96700</b>	<b>Total Interest Expense and Amortization Cost</b>	<u>194</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>198</u>	<u>-</u>	<u>198</u>
<b>96900</b>	<b>Total Operating Expenses</b>	<u>1,602,606</u>	<u>14,485</u>	<u>2,300</u>	<u>-</u>	<u>1,619,391</u>	<u>-</u>	<u>1,619,391</u>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<u>303,118</u>	<u>179,886</u>	<u>23,168</u>	<u>-</u>	<u>506,172</u>	<u>-</u>	<u>506,172</u>
97100	Extraordinary Maintenance	-	-	-	-	-	-	-
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	167,724	18,446	-	186,170	-	186,170
97350	HAP Portability-In	-	14,276	-	-	14,276	-	14,276
97400	Depreciation Expense	304,953	-	-	-	304,953	-	304,953
97500	Fraud Losses	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-
<b>90000</b>	<b>Total Expenses</b>	<u>1,907,559</u>	<u>196,485</u>	<u>20,746</u>	<u>-</u>	<u>2,124,790</u>	<u>-</u>	<u>2,124,790</u>
10010	Operating Transfer In	158,885	-	-	-	158,885	(158,885)	-
10020	Operating Transfer Out	(158,885)	-	-	-	(158,885)	158,885	-
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-
10094	Transfers between Project and Program - Out	-	-	-	-	-	-	-
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<u>(1,835)</u>	<u>(2,114)</u>	<u>4,722</u>	<u>-</u>	<u>773</u>	<u>-</u>	<u>773</u>
11020	Required Annual Debt Principal Payments	\$ -	-	-	-	-	-	-
11030	Beginning Equity	8,491,815	72,544	11,181	-	8,575,540	-	8,575,540
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(472,334)	(4,589)	-	(46,663)	(523,586)	-	(523,586)
11050	Changes in Compensated Absence Balance	-	-	-	-	-	-	-
11060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-
11070	Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-	-
11080	Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-	-
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-
11100	Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	65,841	-	-	65,841	-	65,841
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-
11190	Unit Months Available	<u>3,138</u>	<u>446</u>	<u>96</u>	<u>-</u>	<u>3,680</u>	<u>-</u>	<u>3,680</u>
11210	Number of Unit Months Leased	<u>2,918</u>	<u>446</u>	<u>93</u>	<u>-</u>	<u>3,457</u>	<u>-</u>	<u>3,457</u>
11270	Excess Cash	\$ <u>150,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,444</u>	<u>-</u>	<u>150,444</u>
11610	Land Purchases	-	-	-	-	-	-	-
11620	Building Purchases	\$ <u>256,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,315</u>	<u>-</u>	<u>256,315</u>
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)  
FOR THE YEAR ENDED JUNE 30, 2016

Prepared by: Telisia Montano; Accountant  
Date: 9/30/16

#	RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/ Out-of State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor instate and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
1.	RFQ #2015-05-15	RFQ	Urlaub & Co, PLLC	\$ 60,000.00	\$ 60,000.00	Urlaub & Co, PLLC PO Box 2663, Ada, OK 74821 Accounting & Consulting Group, LLP Albuquerque, NM 87110 Hawkins / Ash CPA's 500 2nd St S, La Crosse, WI 54601 Casterline Associates, PC Valley Forge Office Colony 11 Davis Road, Suite 225 Valley Forge, Pennsylvania 19482	No Yes No No	No No No No	TA with Year-end closing; Annual Audit preparation; filing of FDS with HUD; and Updating Internal Control policies and written procedures
2.	RFQ #2015-09	RFQ	SB Builders	\$ 56,900.00	\$ 61,629.81	SB Builders PO BOX 2481 Gallup, NM 87305 Arviso Construction PO Box 441 Ft. Wingate, NM 87316 Bonaguidi Construction 300 E Aztec Ave. Gallup, NM 87301 Murphey Builders 808 S. Boardman Gallup, NM 87301 Dream Works Builders 105 W HWY 66 Gallup, NM 87301	Yes Yes Yes Yes Yes	No No No No No	Vacant Unit turn contract - 5 units with options for additional units as needed
3.	IFB #2015-11	IFB	Southwest construction and Landscaping	\$ 153,735.00	\$ 153,735.00	Southwest Construction & Landscaping 5708 Creggs St. NW, Albuquerque, NM 87120 LAM Corporation 317 Bortot Gallup, NM 87301 Four Seasons Construction, LLC PO Box 1018 Ganado, AZ 86505 SB Builders PO BOX 2481 Gallup, NM 87305 All American Steel Erection & Construction, INC 415 Hassler Valley Road Gallup, NM 87305	Yes Yes Yes Yes Yes	No No No No No	Modernization of 9 housing units



**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 Directors and Management of  
Gallup Housing Authority,  
Gallup, New Mexico  
and  
Mr. Tim Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Gallup Housing Authority (the Housing Authority), a component unit of the City of Gallup, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority’s basic financial statements, and the related budget comparison of the Housing Authority, presented as supplementary information, and have issued our report thereon dated November 17, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies; 2016-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

**Housing Authority's Response to Findings**

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

**Purpose of This Report**

This 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 17, 2016



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

Board of Directors and Management of  
Gallup Housing Authority,  
Gallup, New Mexico  
and  
Mr. Tim Keller, New Mexico State Auditor

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

We have audited the Gallup Housing Authority (the Housing Authority), a component unit of the City of Gallup, 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 Housing Authority’s major federal programs for the year ended June 30, 2016. The Housing 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor’s Responsibility**

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

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

**Opinion on Each Major Federal Program**

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



**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The Housing Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 17, 2016

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are  
Not considered to be material weaknesses?  Yes  No

Non-compliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are  
Not considered to be material weaknesses?  Yes  No

Type of auditor’s report issued on major programs Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section 2 CFR section 200.516(a)?  Yes  No

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
14.850	Low Rent Public Housing Program	U.S. Dept. of Housing and Urban Development

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk Auditee? No

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

<b>Reference #</b>	<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Type of Finding</b>
<b>Prior Year Findings</b>			
2012-002 [12-02]	Internal Control/Segregation of Duties	<b>Resolved</b>	<b>A</b>
2012-009 [12-09]	Cash Deposits Not Made Timely	<b>Resolved</b>	<b>G</b>
2013-001 [13-01]	Lack of Proper Documentation in Tenant Files	<b>Resolved</b>	<b>E, F</b>
2014-001	Travel and Per Diem	<b>Resolved</b>	<b>G</b>
<b>Current Year Findings</b>			
2016-001	Vacated Tenant's Files Lacking Required Documentation	Current	F
2016-002	Incorrect PERA Contribution Reimbursements to Employees, Net Pension Liability Calculations, and PERA expense account coding	Current	B

\* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting
- D.** Material Weakness in Internal Control Over Compliance of Federal Awards
- E.** Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F.** Instance of Noncompliance of Federal Awards
- G.** Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

**CURRENT YEAR FINDINGS**

**2016-001 – VACATED TENANT’S FILES LACKING REQUIRED DOCUMENTATION**

**Type of Finding:** F

**Funding Agency:** U.S. Department of Housing and Urban Development

**Title:** Low Rent Public Housing Program

**CFDA:** 14.850

**Award#:** Multiple

**Award Period:** Multiple

**Estimated Questioned Costs:** N/A

**Statement of Condition**

Of the 25 tenants tested for eligibility, 3 tenants were missing 2 required HUD forms; (1) 52675 Debts owed to Public Housing Agencies and Terminations and (2) “What you should know about EIV”. During follow up with the Housing Manager, it was determined that all 3 tenants were no longer tenants with the Gallup Housing Authority.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

During testing of all the other tenants, it was noted that the forms were completed in all active tenant files, and in the files of tenants who had vacated after November 1, 2015, with the exception of one of the three tenants.

**Criteria**

**HUD Form 52675**

HUD requires PHAs, which administers Public Housing, Section 8 Housing Choice Voucher (including the Disaster Housing Assistance Program), Section 8 Moderate Rehabilitation, and Project-Base Voucher housing programs, to report certain information at the conclusion of a tenant's participation in a HUD rental assistance program. This notice provides the participant with information on what information the PHA is required to provide HUD, who will have access to this information, how this information is used and your rights. PHAs are required to provide this notice to all applicants and program participants and the participant are required to acknowledge receipt of this notice by signing page 2. Each adult household member must sign this form.

**"What you should know about EIV"**

This form is required to be signed to acknowledge receipt of the guide. This is a part of HUD's Enterprise Income Verification System (EIV).

**Cause**

The previous staff was unaware certain forms were required by HUD.

**Effect**

The Housing Authority could be at risk of not being in compliance with U.S. Department of Housing and Urban Development requirements, and risks losing their funding.

**Recommendation**

We recommend that the Housing Authority continue with their current policies and procedures regarding completion of required documentation and ensure its inclusion in each tenant's file. We believe the Housing Authority has the current procedures in place that will result in resolving this finding in FY2017.

**Management Response**

Prior staff, who have all left the agency, did not consistently comply with this HUD requirement regarding HUD Form 52675 and ensuring receipt of the "What you should know about EIV" guide by having the tenants sign an acknowledgement. Gallup Housing Authority, on its own initiative, hired Bernalillo Housing Department to conduct an operational assessment of GHA housing management operations in October, 2015 through February, 2016. As a result of this assessment, Training and Technical assistance was provided to the current staff to enhance compliance in operations. As a result, this deficiency had already been corrected for current tenants beginning November 1, 2015. Current staff cannot correct the deficiencies in tenant files when the tenants have moved out or in one case where the tenant is deceased. On the one noted as occurring after the November 1, 2015 date, that particular tenant was scheduled to come in for annual re-certification in November and the form would have been updated at that point in time but the Tenant opted to move-out.

**Finding resolved timeline:** For current tenants and going forward, this finding has already been resolved.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

Designated of employee position responsible for meeting this deadline: The GHA Housing Manager and the GHA Housing Assistant(s)

**2016-002 – INCORRECT PERA CONTRIBUTION REIMBURSEMENTS TO EMPLOYEES,  
NET PENSION LIABILITY CALCULATIONS AND PERA EXPENSE ACCOUNT CODING**

**Type of Finding: B**

**Statement of Condition**

During the audit, it was determined there were multiple issues with the PERA calculations during previous years, and related Net Pension calculations, and employee reimbursed amounts. The following issues were found:

1. In June 2016, the Housing Authority was made aware of Resolution No 90-6, by the Gallup Housing Authority's Board of Commissioners, from June 20, 1990, that the Housing Authority would pay 75% of the employee's PERA contribution rate. This amount is called the Employer Picked-Up Amount. It was determined that the rate being used for the picked-up portion had not been updated for years. As a result, the employees were reimbursed an incorrect amount, and had overpaid their portion to PERA.

During the audit, the GHA created a schedule back to the fiscal year 2005 (which is how far their software goes back). Then they determined the correct pick-up rate, and the amount the GHA was supposed to contribute on behalf of the employee, each pay period. Then this amount was compared to what the GHA actually reimbursed the employees. As a result of the process, it was determined that roughly \$25,000 was not correctly reimbursed to the employees. This resulted in a contingent liability as identified in Note 14 in the Notes to the Financial Statements.

2. During the audit, it was determined that the Net Pension Liability calculations in FY15 were incorrectly recorded. The calculations did not include the Employer Picked-Up portion in the total contributions made in FY15, and the schedule used to prepare the Net Pension Liability amount and related Deferred Inflows/Outflows was incorrect. As a result, there was a restatement recorded in FY16 in order to correct the beginning balances and present correct amounts going forward. See Note 18 for more information regarding the restatement.
3. The picked-up portion of the PERA expense is currently being recorded in the Housing Authority's Salaries expense account. As a result, the PERA expense accounts do not reconcile to the PERA reconciliation and confirmation.

**Criteria**

1. Resolution No. 90-06 from June 20, 1990 states; Pursuant to Section 10-11-5 NMSA (1907 Repl.) the Housing Authority is the City of Gallup hereby elects to be responsible for making contributions of 75% of its employees' member contributions in the Municipal Division." "This resolution is effective with the first pay period of the month of October 1989."
2. The Net Pension Liability (GASB 68) excel workbook.
3. Best business practices require that the Housing Authority correctly allocate expense types to their allotted account codes, in order to ensure correct coding and correct payment balances. Additionally, the GHA should be able to reconcile all GL accounts to the appropriate support.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

**Cause**

1. The Housing Authority's staff was not aware of the resolution, and did not update the rate in the calculations.
2. The Net Pension Liability workbook provided by the Office of the State Auditor in 2015, to be used to calculate the FY15 balances, was not used by the Housing Authority's consulting accountants. As a result, the calculations were inaccurate. Additionally, the consulting accountants and prior auditor was unaware of the picked-up portion and did not factor it into the calculations.
3. The software was set up incorrectly with this type of account coding and had not been corrected.

**Effect**

1. The Housing Authority could potentially owe employees from previous years' reimbursements since it appears the GHA did not pay the correct portion as set forth by the resolution. This could open the GHA up for a special audit and/or legal action.
2. The accounts related to the Net Pension Liability calculations are incorrect and this could result in incorrect reporting to PERA and therefore cause mistakes in PERA's GASB 68 annual reports.
3. The amount paid to PERA by the GHA cannot be reconciled to the account code. Due to the inability to reconcile the GL account, the payments made to PERA could be incorrect.

**Recommendation**

1. We recommend the Housing Authority stay vigilant in updating the pick-up rate, each year, when the PERA contribution rates are released. Additionally, we recommend the GHA consult a legal counsel regarding the incorrect rate being used, and determine the GHA responsibility, if any, to employees.
2. We recommend that the Net Pension Liability excel workbook used by the auditor in FY16 be used by the GHA's consulting accountants, in order to calculate the liability, deferred inflows, deferred outflows, and pension expense entries.
3. We recommend the GHA correct the account coding from the payroll module, to have the PERA expense that the employer is required to pay go to one account code and the employer picked-up expense go to another account code. Additionally, we recommend the GHA reconcile the expense accounts to their PERA reconciliation at year-end.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Question Costs  
For the Year Ended June 30, 2016**

**Management Response**

Prior staff, who have all left the agency, did not notify anyone of the existence of the June 20, 1999 Board approved resolution #90-6 regarding the “PERA pick-up” requirements. Over time, as the GHA switched plans and as the PERA rates changed, the Payroll system was not always updated accordingly. GHA hired a new Fee Accountant in 2015 and they provided technical assistance to GHA to record the Net Pension Liabilities for 2015, in order to bring GHA complaint with GASB 68. In June, 2016, the GHA Accountant, after consulting with the State PERA office, determined that the pick-up was not being calculated correctly and then corrected the situation from that point going-forward. GHA did determine the possible amounts owed to employee back to 2005 based on available employee records and will be seeking legal advice on this matter as recommended in the Audit report. Regarding proper account coding, software adjustments will be made to ensure internal accounting records can be reconciled internally as well as matched to PERA record.

Finding resolved timeline: Legal consultation – by February 28, 2017. Internal procedure and proper account coding and software adjustments – by December 31, 2016 depending on a timely response from Fee Accountant and Software vendor on corrections needed.

Designated of employee position responsible for meeting this deadline: The GHA Accountant and the GHA Executive Director

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Exit Conference  
For the Year Ended June 30, 2016**

An exit conference was held in a closed session on November 17, 2016, at the Housing Authority's offices in Gallup, New Mexico. In attendance were the following:

Representing the Housing Authority:

Richard Kontz	Executive Director
Telisia Montano	Accountant
Michael Burnside	Projects Coordinator
Joe Zecca	Board Vice-Chair
Roger Morris	Commissioner

Representing Hinkle + Landers, PC:

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Katelyn Constantin	Audit Manager

**FINANCIAL STATEMENTS**

The financial statements of the Housing Authority as of June 30, 2016, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.