



# 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, 2019**



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

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**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
AS OF JUNE 30, 2019**

**Board of Directors**

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

**Administrative Officers**

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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  
Mr. Brian Colón, State Auditor  
State of New Mexico, Office of the 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, 2019, 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, 2019, 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.

**Other Matters****Required Supplementary Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Housing Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the financial data schedule required by the U.S. Department of Housing and Urban Development, and the other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the financial data schedule, and other schedules listed as other supplementary information in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, 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.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle + Landers, P.C.  
Albuquerque, NM  
October 28, 2019

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The primary focus of this MD&A is to discuss the financial statement for the fiscal year 2019 ending on June 30, 2019. Management will offer its opinion on the state of Gallup Housing Authority (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 263 dwelling units after 4 units were demolished this year. Of these 254 [97%] were under lease at year-end. 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 FY2017 CFP grant award of \$361,504 and was totally expended as of year-end. For FY2018 GHA received CFP grant award of \$558,595 and had an obligated but unexpended balance of \$2,936 at Fiscal Year-end. 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.

In Fiscal Year 2018 Gallup Housing Authority applied for an Emergency Safety and Security grant offered under the CFP program and on September received a grant award notice for \$250,000. These funds are restricted to providing security and emergency fencing for housing developments experiencing higher normal crime levels. A portion of the funds can be used for operating costs. As of Fiscal Year-end had expended \$22,031 leaving a remaining balance of \$227,969 remaining.

- The *Housing Choice Voucher Program* provides housing rental assistance to aid low income families in paying rent to private land lords for affordable, decent and safe rental housing. The GHA provides rental assistance in the form of a monthly 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 15 tenants were housed under regular section 8 vouchers and 24 tenants were housed under VASH vouchers for a total



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MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

of 39 tenants receiving housing rental assistance under the HCV programs. Funds for vouchers are provided by HUD to make rental assistance payments on behalf 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. Due to non-compliance issues with the agency providing the 8 units at the Lexington Hotel the number dropped one authorized tenant and unfortunately by year-end GHA still has only one authorized client. HUD has now allowed to utilize these vouchers for any qualified landlord as opposed to only one site-based landlord. 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, 2019, 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, 2019.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**Financial Highlights**

- The Gallup Housing Authority's net position increased from \$6,823,926 to \$7,168,686, an increase of \$344,760 or 5%.
- Total Assets and Deferred Outflows increased by \$406,910 or a 5% over last year going from \$8,512,929 to \$8,919,839.
- Total revenues increased from \$1,975,190 to \$2,823,444, an increase of \$848,254 or 43% as compared to last fiscal year-end.
- Total expenses increased by \$142,182, from \$2,366,502 to \$2,478,684 compared to last fiscal year-end. This represents an increase of 6%.

**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, 2019, and June 30, 2018.

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

|   | <u>2019</u>                | <u>2018</u>             | <u>Percent<br/>Change</u> |
|---|----------------------------|-------------------------|---------------------------|
| <b>Assets:</b>  |                            |                         |                           |
| Current assets  | \$ 877,104                 | 647,884                 | 35%                       |
| Non-current assets  | <u>7,809,294</u>           | <u>7,653,572</u>        | 2%                        |
| Total assets  | 8,686,398                  | 8,301,456               |                           |
| Deferred outflows of resources  | <u>233,441</u>             | <u>211,473</u>          | 10%                       |
| <b>Total assets and deferred<br/>    outflows of resources</b>                | <b>\$ <u>8,919,839</u></b> | <b><u>8,512,929</u></b> | <b>5%</b>                 |
| <br><b>Liabilities:</b>   |                            |                         |                           |
| Current liabilities   | \$ 152,002                 | 215,128                 | -29%                      |
| Non-current liabilities   | <u>1,377,099</u>           | <u>1,306,797</u>        | 5%                        |
| Total liabilities   | 1,529,101                  | 1,521,925               | 0%                        |
| <br>Deferred inflows of resources   | <u>222,052</u>             | <u>167,078</u>          | 33%                       |
| <br><b>Net position:</b>  |                            |                         |                           |
| Investment in capital assets  | 7,708,545                  | 7,600,482               | 1%                        |
| Unrestricted  | <u>(539,859)</u>           | <u>(776,556)</u>        | -30%                      |
| Total net position  | <u>7,168,686</u>           | <u>6,823,926</u>        | 5%                        |
| <b>Total liabilities, deferred inflows<br/>of resources, and net position</b> | <b>\$ <u>8,919,839</u></b> | <b><u>8,512,929</u></b> |                           |

**STATE OF NEW MEXICO  
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MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**Current Assets**

Current assets increased from \$647,884 to \$877,104, an increase of \$229,220 or 35%. Unrestricted cash and investments increased from \$492,325 to \$722,037, an increase of \$229,712 from June 30, 2018 to June 30, 2019.

**Noncurrent Assets**

Noncurrent assets increased from \$7,653,572 on June 30, 2018 to \$7,809,294 on June 30, 2019, an increase of \$155,722, or 2%. Restricted cash amounted to \$54,086 as of June 30, 2019, which are the Tenant Security Deposits held in escrow by the Authority.

**Current Liabilities**

Current liabilities decreased from \$215,128 to \$152,002, a decrease of \$63,126 or 29% from the previous year. This is primarily due to accounts payable to vendors, compensated absences and accrued payroll.

**Non-Current Liabilities**

Non-current liabilities increased by \$70,302 or 5%, due primarily to change in net pension and net OPEB liabilities in the current year.

**Net Position**

The overall net position of the Authority increased by \$344,760 from June 30, 2018 to June 30, 2019, which amounts to a 5% increase.

The Authority's unrestricted component of net position changed from \$(776,556) to \$(539,859) for a 30% decrease in the current year. The primary reason for the change is due to a positive change in net position.

The table below summarizes the overall operations for the past two years for the years ending June 30, 2019, and June 30, 2018.

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

|                                   | <u>2019</u>           | <u>2018</u>          | <u>Percent<br/>Change</u> |
|-----------------------------------|-----------------------|----------------------|---------------------------|
| <b>Revenues:</b>                  |                       |                      |                           |
| Operating revenues                | \$ 1,902,922          | 1,666,650            | 14%                       |
| Non-operating revenues (expenses) | <u>920,522</u>        | <u>308,540</u>       | 198%                      |
| Total revenues                    | 2,823,444             | 1,975,190            | 43%                       |
| <br><b>Expenses:</b>              |                       |                      |                           |
| Personnel services                | 741,246               | 731,925              | 1%                        |
| Other operating expenses          | 1,389,164             | 1,271,337            | 9%                        |
| Depreciation                      | <u>348,274</u>        | <u>333,240</u>       | 5%                        |
| Total expenses                    | <u>2,478,684</u>      | <u>2,336,502</u>     | 6%                        |
| <br><b>Change in net position</b> | <br>\$ <u>344,760</u> | <br><u>(361,312)</u> |                           |

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**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 total HUD Operating Subsidy grant revenues available during this Fiscal Year amounted to \$840,761.
- Tenant rents amounted to \$810,639, which amounts to \$67,553 monthly This was primarily due to Housing Management staff continuing aggressive monitoring of rent collections and having units “made ready for rent” in a timelier manner. Unit months leased increased to 3,057 or 97% occupancy. This also directly relates to increased operating subsidy funds.
- Non-operating revenues increased from \$308,549 to \$920,522. This is mostly due to changes in capital grant funding. Additionally, this area includes: excess utility charges, late fees, insurance proceeds, maintenance charges for tenant damages to units, and fraud recovery.
- The Authority received \$193,476 in HAP funds this year which includes \$27,849 for Administrative Fees and \$165,627 to make Housing Assistance payments to Landlords on behalf of HAP tenants. Unfortunately, HUD does not provide sufficient administrative fees to cover GHA’s administrative cost for the program. This Fiscal Year the Authority did not receive any funds for port-ins payments or Administrative Fees for the processing of Port-in tenants.
- The Authority received \$6,461 in SRO funds to make tenant landlord payments. As indicated under the Program description this program continues to experience some difficulty. With HUD authorization to use vouchers for any qualified landlord allow for the remaining 7 vouchers to be utilized.
- Capital grants when awarded allow the Authority to obligate and expend them over a 3-year period. Housing Authorities are allowed to drawdown funds to pay eligible expenditures. This Fiscal Year the Authority received \$156,328 to cover remaining 2017 CFP grant funds; received \$555,659 in 2018 CFP grant funds leaving \$2,937; received \$140,749 in 2019 CFP grant funds leaving \$449,301 remaining; and \$22,031 in 2018 ESSG grant funds leaving \$227,969 remaining.
- Overall, total revenues increased from \$1,975,190 in FY2018 to \$2,823,444 in FY2019 an increase of \$848,254 or 43%.

**Expenses**

- Overall total expenses increased from \$2,336,502 in FY2018 to \$2,478,684 in FY2019, an increase of \$142,182 or 6%.
- Administrative costs decreased from \$56,775 last fiscal year to \$41,224 this fiscal year, a 27% decrease. This was mainly due to the increased cost control.

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MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

- Personnel Services [wages, salaries and benefits] went from \$731,925 last fiscal year to \$741,246 an increase of \$9,321 or 1%. This was due mainly to increased cost of benefits.
- Professional fees and expenses increased from \$75,392 last fiscal year to \$84,493 this fiscal year an increase of \$9,101 or 12%. This was due to increased costs for Legal and Information Technology fees and expenses
- Software vendor costs have dropped substantially at \$6,219 per annum. New software and upgrades were not needed as much this year. Bringing on a new server and attendant software upgrades will occur in the next fiscal year.
- Utilities, which include telephone, water, sewer, electricity, natural gas, garbage collection and other related utilities continues increased from \$394,934 last fiscal year to \$387,400 for this fiscal year, an increase of \$7,534 or 2%. This is due to a increased cost of City of Gallup utilities [water, sewer and electricity].
- General maintenance to repair and maintain all housing units and Authority property and equipment increased from \$401,501 last fiscal year to \$437,230 this fiscal year, an increase of \$35,729 or 9%. 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 landlord payment expenses increased from \$157,193 last fiscal year to \$170,523 this fiscal year, an increase of \$13,330 or 8%. This is due to the Authority being able to issue more Housing Choice vouchers for more tenants to be housing with private landlords.
- Collection losses increased from \$34,114 last fiscal year to \$60,075 this fiscal year, an increase of \$25,961 or 76%. This is mainly due to the Housing Manager enforcing all major lease violations regarding non-payment of rent and to eliminate threats to the community. There was an increase in violations this fiscal year.
- Depreciation expense increased from \$333,240 last fiscal year to \$348,274 this fiscal year, an increase of \$15,034 or 5%. This is related to the increase in capital assets and their related depreciation expense.

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MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**Capital Assets:**

As of June 30, 2019, the Gallup Housing Authority's net investment in capital assets was \$7,708,545 as compared to \$7,600,482 for June 30, 2018, which is a 1% increase 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.

| <b>Capital Assets<br/>As of June 30,</b> |                     |                    |                           |
|--|---------------------|--------------------|---------------------------|
|  | <u>2019</u>         | <u>2018</u>        | <u>Percent<br/>Change</u> |
| Land                                     | \$ 1,593,833        | 1,593,833          | 0%                        |
| Construction in Progress                 | 51,275              | 27,078             | 100%                      |
| Buildings and improvements               | 14,136,774          | 13,838,852         | 2%                        |
| Equipment - Dwellings                    | 56,659              | 56,659             | 0%                        |
| Equipment - Administration               | 519,845             | 485,997            | 7%                        |
| Total capital assets                     | <u>16,358,386</u>   | <u>16,002,419</u>  |                           |
| Less: Accumulated depreciation           | <u>(8,649,841)</u>  | <u>(8,401,937)</u> | 3%                        |
| Capital assets, net                      | <u>\$ 7,708,545</u> | <u>7,600,482</u>   | 1%                        |

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 \$13,267. Based upon GASB 68 the Authority is required to show Net Pension Liability in the amount of \$832,251. Based upon GASB 75 the Authority is required to show Net OPEB Liability in the amount of \$464,404.

**Request for Information**

This financial report is designed to provide a general overview of the Housing Authority's financial position as of June 30, 2019, 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, 2019**

|  | <b>Low-Rent<br/>Public<br/>Housing<br/>(01 &amp; 02)</b> | <b>Section 8<br/>Housing<br/>Choice Vouchers<br/>Program<br/>(03)</b> | <b>Moderate<br/>Rehabilitation<br/>Single-Room<br/>Occupancy<br/>(06)</b> | <b>State<br/>&amp;<br/>Local<br/>(07)</b> | <b>Management<br/>Fund<br/>Account<br/>(08)</b> | <b>Total</b>     |
|--|--|---|---|---|---|------------------|
| <b>ASSETS</b>  |  |   |   |   |   |                  |
| Current assets   |  |   |   |   |   |                  |
| Cash and cash equivalents - unrestricted                           | \$ 615,249   | 70,688  | 33,852  | -   | 2,248   | 722,037          |
| Grant receivables  | 56,475   | 4,151   | -   | -   | -   | 60,626           |
| Tenant receivables, net  | 23,522   | -   | -   | -   | -   | 23,522           |
| Prepaid expenses and other current assets                          | 18,070   | 358   | -   | -   | -   | 18,428           |
| Inventory, net   | 47,011   | -   | -   | -   | -   | 47,011           |
| Due from other funds   | 4,948  | 532   | -   | -   | -   | 5,480            |
| Total current assets   | <u>765,275</u>   | <u>75,729</u>   | <u>33,852</u>   | <u>-</u>                                  | <u>2,248</u>                                    | <u>877,104</u>   |
| Non-current assets   |  |   |   |   |   |                  |
| Cash and cash equivalents - restricted                             | 54,086   | -   | -   | -   | -   | 54,086           |
| Due from other funds   | 46,663   | -   | -   | -   | -   | 46,663           |
| Land and construction in progress                                  | 1,645,108  | -   | -   | -   | -   | 1,645,108        |
| Other capital assets, net of accumulated depreciation              | 6,063,362  | 75  | -   | -   | -   | 6,063,437        |
| Total non-current assets   | <u>7,809,219</u>   | <u>75</u>   | <u>-</u>  | <u>-</u>                                  | <u>-</u>  | <u>7,809,294</u> |
| Total assets   | <u>8,574,494</u>   | <u>75,804</u>   | <u>33,852</u>   | <u>-</u>                                  | <u>2,248</u>                                    | <u>8,686,398</u> |
| Deferred outflows of resources                                     |  |   |   |   |   |                  |
| Pension deferral   | 219,969  | 4,018   | -   | -   | -   | 223,987          |
| OPEB deferral  | 9,129  | 325   | -   | -   | -   | 9,454            |
| Total deferred outflows of resources                               | <u>229,098</u>   | <u>4,343</u>  | <u>-</u>  | <u>-</u>                                  | <u>-</u>  | <u>233,441</u>   |
| Total assets and deferred outflows of resources                    | <u>\$ 8,803,592</u>                                      | <u>80,147</u>   | <u>33,852</u>   | <u>-</u>                                  | <u>2,248</u>                                    | <u>8,919,839</u> |
| <b>LIABILITIES</b>   |  |   |   |   |   |                  |
| Current liabilities  |  |   |   |   |   |                  |
| Accounts payable   | \$ 44,794  | 496   | 3,733   | -   | -   | 49,023           |
| Accrued payroll liabilities  | 19,765   | 599   | -   | -   | -   | 20,364           |
| Due to other funds   | -  | 4,027   | 532   | -   | 921   | 5,480            |
| Tenant security deposits   | 54,086   | -   | -   | -   | -   | 54,086           |
| Unearned revenue   | 9,782  | -   | -   | -   | -   | 9,782            |
| Compensated absences   | 13,037   | 230   | -   | -   | -   | 13,267           |
| Total current liabilities  | <u>141,464</u>   | <u>5,352</u>  | <u>4,265</u>  | <u>-</u>                                  | <u>921</u>                                      | <u>152,002</u>   |
| Non-current liabilities  |  |   |   |   |   |                  |
| Compensated absences   | 33,658   | 113   | -   | -   | -   | 33,771           |
| Due to other funds   | -  | -   | -   | 46,663                                    | -   | 46,663           |
| Net pension liability  | 820,816  | 11,445  | -   | -   | -   | 832,261          |
| Net OPEB liability   | 448,417  | 15,987  | -   | -   | -   | 464,404          |
| Total non-current liabilities                                      | <u>1,302,891</u>   | <u>27,545</u>   | <u>-</u>  | <u>46,663</u>                             | <u>-</u>  | <u>1,377,099</u> |
| Total liabilities  | <u>1,444,355</u>   | <u>32,897</u>   | <u>4,265</u>  | <u>46,663</u>                             | <u>921</u>                                      | <u>1,529,101</u> |
| Deferred inflows of resources                                      |  |   |   |   |   |                  |
| Pension deferral   | 56,830   | 1,160   | -   | -   | -   | 57,990           |
| OPEB deferral  | 158,414  | 5,648   | -   | -   | -   | 164,062          |
| Total deferred inflows of resources                                | <u>215,244</u>   | <u>6,808</u>  | <u>-</u>  | <u>-</u>                                  | <u>-</u>  | <u>222,052</u>   |
| <b>NET POSITION</b>  |  |   |   |   |   |                  |
| Investment in capital assets                                       | 7,708,470  | 75  | -   | -   | -   | 7,708,545        |
| Unrestricted   | <u>(564,477)</u>   | <u>40,367</u>   | <u>29,587</u>   | <u>(46,663)</u>                           | <u>1,327</u>                                    | <u>(539,859)</u> |
| Total net position   | <u>7,143,993</u>   | <u>40,442</u>   | <u>29,587</u>   | <u>(46,663)</u>                           | <u>1,327</u>                                    | <u>7,168,686</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 8,803,592</u>                                      | <u>80,147</u>   | <u>33,852</u>   | <u>-</u>                                  | <u>2,248</u>                                    | <u>8,919,839</u> |

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, 2019

|  | Low-Rent<br>Public<br>Housing<br>(01 & 02) | Section 8<br>Housing<br>Choice Vouchers<br>Program<br>(03) | Moderate<br>Rehabilitation<br>Single-Room<br>Occupancy<br>(06) | State<br>&<br>Local<br>(07) | Management<br>Fund<br>Account<br>(08) | Total            |
|--|--|--|--|-----------------------------|---------------------------------------|------------------|
| <b>OPERATING REVENUES</b>                        |  |  |  |                             |                                       |                  |
| Rental revenue                                   | \$ 810,639                                 | -  | -  | -                           | -                                     | 810,639          |
| Other tenant revenue                             | 51,585                                     | -  | -  | -                           | -                                     | 51,585           |
| Subsidy grants                                   | 840,761                                    | 193,476  | 6,461  | -                           | -                                     | 1,040,698        |
| Total revenues                                   | <u>1,702,985</u>                           | <u>193,476</u>   | <u>6,461</u>   | <u>-</u>                    | <u>-</u>                              | <u>1,902,922</u> |
| <b>OPERATING EXPENSES</b>                        |  |  |  |                             |                                       |                  |
| Personnel services - salaries and wages          | 456,502                                    | 13,687   | 370  | -                           | 481                                   | 471,040          |
| Personnel services - employee benefits           | 263,520                                    | 6,643  | 43   | -                           | -                                     | 270,206          |
| Administrative                                   | 39,268                                     | 1,923  | 33   | -                           | -                                     | 41,224           |
| Professional fees                                | 83,632                                     | 458  | 403  | -                           | -                                     | 84,493           |
| Advertising                                      | 13,902                                     | 268  | 7  | -                           | -                                     | 14,177           |
| Supplies   | 46,577                                     | 1,044  | 28   | -                           | -                                     | 47,649           |
| Memberships and dues                             | 5,072                                      | 57   | 2  | -                           | -                                     | 5,131            |
| Tenant services                                  | 19,569                                     | -  | -  | -                           | -                                     | 19,569           |
| Utilities  | 394,852                                    | 80   | 2  | -                           | -                                     | 394,934          |
| Maintenance and repairs                          | 437,230                                    | -  | -  | -                           | -                                     | 437,230          |
| Insurance  | 84,916                                     | 1,859  | -  | -                           | -                                     | 86,775           |
| Housing assistance                               | -  | 168,183  | 2,340  | -                           | -                                     | 170,523          |
| Bad debt   | 60,075                                     | -  | -  | -                           | -                                     | 60,075           |
| Staff training                                   | 20,751                                     | 1,166  | 32   | -                           | -                                     | 21,949           |
| Travel   | 4,684                                      | 303  | 8  | -                           | 440                                   | 5,435            |
| Depreciation                                     | 348,246                                    | 28   | -  | -                           | -                                     | 348,274          |
| Total operating expenses                         | <u>2,278,796</u>                           | <u>195,699</u>   | <u>3,268</u>   | <u>-</u>                    | <u>921</u>                            | <u>2,478,684</u> |
| Operating income (loss)                          | (575,811)                                  | (2,223)  | 3,193  | -                           | (921)                                 | (575,762)        |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |  |  |  |                             |                                       |                  |
| Capital grants                                   | 874,167                                    | -  | -  | -                           | -                                     | 874,167          |
| Interest income                                  | 72   | 7  | 3  | -                           | 1                                     | 83               |
| Miscellaneous income                             | 45,342                                     | -  | 9  | -                           | 921                                   | 46,272           |
| Total non-operating revenues (expenses)          | <u>919,581</u>                             | <u>7</u>   | <u>12</u>  | <u>-</u>                    | <u>922</u>                            | <u>920,522</u>   |
| Income (loss) before contributions and transfers | <u>343,770</u>                             | <u>(2,216)</u>   | <u>3,205</u>   | <u>-</u>                    | <u>1</u>                              | <u>344,759</u>   |
| Transfers in                                     | -  | -  | -  | -                           | -                                     | -                |
| Transfers out                                    | -  | -  | -  | -                           | -                                     | -                |
| Change in net position                           | 343,770                                    | (2,216)  | 3,205  | -                           | 1                                     | 344,760          |
| Beginning net position                           | 6,800,223                                  | 42,658   | 26,382   | (46,663)                    | 1,326                                 | 6,823,926        |
| Ending net position                              | <u>\$ 7,143,993</u>                        | <u>40,442</u>  | <u>29,587</u>  | <u>(46,663)</u>             | <u>1,327</u>                          | <u>7,168,686</u> |



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, 2019

|   | Low-Rent<br>Public<br>Housing<br>(01 & 02) | Section 8<br>Housing<br>Choice Vouchers<br>Program<br>(03) | Moderate<br>Rehabilitation<br>Single-Room<br>Occupancy<br>(06) | State<br>&<br>Local<br>(07) | Management<br>Fund<br>Account<br>(08) | Total            |
|---|--|--|--|-----------------------------|---------------------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |  |  |                             |                                       |                  |
| Receipts from tenants   | \$ 728,475                                 | (1,671)  | -  | -                           | 683                                   | 727,487          |
| Payments to employees   | (665,550)                                  | (19,673)   | (413)  | -                           | (481)                                 | (686,117)        |
| Payments to suppliers   | (1,141,175)                                | (192,717)  | 21,419   | -                           | (3,072)                               | (1,315,545)      |
| Receipts from subsidy grants  | 840,761                                    | 193,476  | 6,461  | -                           | -                                     | 1,040,698        |
| <i>Net cash provided (used) by operating activities</i>   | <u>(237,489)</u>                           | <u>(20,585)</u>  | <u>27,467</u>  | <u>-</u>                    | <u>(2,870)</u>                        | <u>(233,477)</u> |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>   |  |  |  |                             |                                       |                  |
| Miscellaneous income  | 45,342                                     | -  | 9  | -                           | 921                                   | 46,272           |
| <i>Net cash provided (used) by non-capital and related financing activities</i>                           | <u>45,342</u>                              | <u>-</u>   | <u>9</u>   | <u>-</u>                    | <u>921</u>                            | <u>46,272</u>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |  |  |  |                             |                                       |                  |
| Purchase of capital assets  | (456,337)                                  | -  | -  | -                           | -                                     | (456,337)        |
| Capital grants  | 874,167                                    | -  | -  | -                           | -                                     | 874,167          |
| <i>Net cash provided (used) by capital and related financing activities</i>                               | <u>417,830</u>                             | <u>-</u>   | <u>-</u>   | <u>-</u>                    | <u>-</u>                              | <u>417,830</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |  |  |                             |                                       |                  |
| Interest income   | 72   | 7  | 3  | -                           | 1                                     | 83               |
| <i>Net cash provided (used) by investing activities</i>   | <u>72</u>                                  | <u>7</u>   | <u>3</u>   | <u>-</u>                    | <u>1</u>                              | <u>83</u>        |
| Net increase (decrease) in cash and cash equivalents  | 225,755                                    | (20,578)   | 27,479   | -                           | (1,948)                               | 230,708          |
| Balances-beginning of year  | 443,580                                    | 91,266   | 6,373  | -                           | 4,196                                 | 545,415          |
| Balances-end of year  | <u>\$ 669,335</u>                          | <u>70,688</u>  | <u>33,852</u>  | <u>-</u>                    | <u>2,248</u>                          | <u>776,123</u>   |
| <b>Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:</b> |  |  |  |                             |                                       |                  |
| Operating income/(loss)   | \$ (575,811)                               | (2,223)  | 3,193  | -                           | (921)                                 | (575,762)        |
| Depreciation expense  | 348,246                                    | 28   | -  | -                           | -                                     | 348,274          |
| Pension expense   | 56,319                                     | 1,183  | -  | -                           | -                                     | 57,502           |
| OPEB expense  | (18,643)                                   | (665)  | -  | -                           | -                                     | (19,308)         |
| Bad debt expense  | 60,075                                     | -  | -  | -                           | -                                     | 60,075           |
| Change in assets and liabilities:   |  |  |  |                             |                                       |                  |
| Receivables   | (131,395)                                  | (1,671)  | -  | -                           | 683                                   | (132,383)        |
| Prepaid expenses  | (1,716)                                    | (24)   | -  | -                           | -                                     | (1,740)          |
| Inventory   | 6,961                                      | -  | -  | -                           | -                                     | 6,961            |
| Accounts payable  | 4,649                                      | 481  | 3,193  | -                           | -                                     | 8,323            |
| Accrued liabilities   | (2,280)                                    | 75   | -  | -                           | -                                     | (2,205)          |
| Due from/to   | (616)                                      | (17,833)   | 21,081   | -                           | (2,632)                               | -                |
| Tenant security deposits  | 996  | -  | -  | -                           | -                                     | 996              |
| Unearned revenue  | (3,350)                                    | -  | -  | -                           | -                                     | (3,350)          |
| Compensated absences  | 19,076                                     | 64   | -  | -                           | -                                     | 19,140           |
| <i>Net cash provided (used) by operating activities</i>   | <u>\$ (237,489)</u>                        | <u>(20,585)</u>  | <u>27,467</u>  | <u>-</u>                    | <u>(2,870)</u>                        | <u>(233,477)</u> |

**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, 2019**

**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* – This 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 NM MFA for the HPRP Grant award that was misused in prior years and being paid back.

**Management Fund Account:**

*Fund 08* – To account for non-federal funding and to account for any future potential earnings unrelated to federal funds.

**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, 2019**

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

**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.

**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, 2019**

**C. Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are not considered earned and are categorized as unearned revenue.

Grants and subsidies will be recognized as revenue when all applicable eligibility requirements have been met. For subsidy programs (i.e. Low Rent and Section 8 Certificate & Voucher Programs), the annual appropriation can be recognized upon approval of the annual budget. Subsidy revenues must be adjusted at year-end for contractual adjustments based on differences between estimated and actual funding requirements (for example when notification is received of the approved funding level for the subsidy program, the PHA may record a receivable and revenue for the award amount).

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.

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.

**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 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 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.

**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, 2019**

**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.

**G. Restricted Cash and Cash Equivalents**

Certain resources set aside in escrow for security deposits of \$54,086, 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 \$54,086 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 \$18,428 at June 30, 2019.

**I. Capital Assets**

Capital assets, which include property 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.

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.

**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, 2019**

**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 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, 2019.
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.

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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.

**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 is 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, 2019 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, 2019:

| <b><u>Deferred Outflows of Resources</u></b> |                          |
|--|--------------------------|
|  | <b><u>2019</u></b>       |
| Pension deferrals                            | \$ <b>223,987</b>        |
| OPEB deferrals                               | <b>9,454</b>             |
| Total deferred outflows of resources         | \$ <b><u>233,441</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, 2019:

| <b><u>Deferred Inflows of Resources</u></b> |                          |
|---|--------------------------|
|   | <b><u>2019</u></b>       |
| Pension deferrals                           | \$ <b>57,990</b>         |
| OPEB deferrals                              | <b>164,062</b>           |
| Total deferred inflows of resources         | \$ <b><u>222,052</u></b> |

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**R. 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 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's. 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.

**S. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**T. GASB 77 Disclosure**

The Housing Authority has no tax abatement agreements as of June 30, 2019, and therefore no disclosures under GASB 77 are required.

**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><u>Cash and Cash Equivalents</u></b>  | <b><u>2019</u></b> |
|--|--------------------|
| Unrestricted                             |                    |
| Pinnacle Bank                            | \$ 675,167         |
| US Bank                                  | 43,623             |
| Wells Fargo                              | 2,997              |
| Petty cash                               | 250                |
| Total unrestricted                       | <u>722,037</u>     |
| Restricted Cash                          |                    |
| Pinnacle Bank - Tenant security deposits | <u>54,086</u>      |
| Total restricted                         | <u>54,086</u>      |
| Total cash and cash equivalents          | <u>\$ 776,123</u>  |

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, 2019.

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.



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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, Cash Equivalents, and Pledged Collateral as listed in the table of contents.

**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, 2019, the Housing Authority's bank and investment balances of \$837,682 were exposed to custodial credit risk as follows:

|   |    |                       |
|---|----|-----------------------|
| Uninsured and uncollateralized (fully covered)  | \$ | -                     |
| Uninsured, collateral held by the pledging banks,<br>but not in the name of the Housing Authority |    | <u>509,560</u>        |
|   | \$ | <u><u>509,560</u></u> |

As of June 30, 2019, 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 Schedule of Cash, Cash Equivalents, and Pledged Collateral as listed in the table of contents.

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**NOTE 3—RECEIVABLES**

As of June 30, 2019 the Housing Authority had the following outstanding receivables:

| <b>Type</b>                     | <b>2019</b>      |
|---------------------------------|------------------|
| Grants receivable               | \$ <b>60,626</b> |
| Tenant receivables              | <b>36,875</b>    |
| Allowance for doubtful accounts | <b>(13,353)</b>  |
| Total                           | \$ <b>84,148</b> |

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

The Housing Authority records interfund transfers to reflect activity occurring between funds. There were no interfund transfers as of June 30, 2019.

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

The following interfund receivables/payables are expected to be repaid within one year. Current interfund balances as of June 30, 2019 are as follows:

| <b>Due From Fund</b>                               | <b>Due To Fund</b>                             | <b>2019</b>     |
|--|--|-----------------|
| (03) Section 8 Housing Choice Vouchers Program     | (01 & 02) Low-Rent Public Housing              | \$ <b>4,027</b> |
| (08) Management Fund Account                       | (01 & 02) Low-Rent Public Housing              | <b>921</b>      |
| (06) Moderate Rehabilitation Single-Room Occupancy | (03) Section 8 Housing Choice Vouchers Program | <b>532</b>      |
|  |  | \$ <b>5,480</b> |

The following interfund receivables/payables are not expected to be repaid within one year. Non-current interfund balances as of June 30, 2019 are as follows:

| <b>Due From Fund</b> | <b>Due To Fund</b>                | <b>2019</b>      |
|----------------------|-----------------------------------|------------------|
| (07) State & Local   | (01 & 02) Low-Rent Public Housing | \$ <b>46,663</b> |
|                      |                                   | \$ <b>46,663</b> |

This outstanding non-current balance resulted from disallowed expenses which occurred in fiscal year 2013. As a result, the Housing Authority was required to repay the funds to the grantor. The Housing Authority's Low-Rent Public Housing Fund (01 & 02) paid for the repayment which created the outstanding interfund activity on behalf of the State & Local Fund (07). Until the Housing Authority receives permission from HUD to use Operating Subsidy funds or generates enough non-federal income to cover the outstanding balance, this interfund balance will remain. The balance is not expected to be collected in the subsequent year.

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**NOTE 5—ACCRUED LIABILITIES**

Accrued liabilities at June 30, consist of the following:

| <b>Type</b>                 | <b>2019</b>             |
|-----------------------------|-------------------------|
| Accrued payroll liabilities | \$ <b>20,364</b>        |
| Total                       | \$ <b><u>20,364</u></b> |

**NOTE 6—UNEARNED REVENUE**

Unearned revenues at June 30, consist of the following:

| <b>Type</b>         | <b>2019</b>            |
|---------------------|------------------------|
| Tenant prepaid rent | \$ <b>9,782</b>        |
| Total               | \$ <b><u>9,782</u></b> |

**NOTE 7—PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are summarized as follows:

| <b>Business Type Activities</b>            | <b>Balance<br/>2018</b> | <b>Additions</b> | <b>Deletions</b> | <b>Reclass</b> | <b>Balance<br/>2019</b> |
|--|-------------------------|------------------|------------------|----------------|-------------------------|
| Capital assets not being depreciated:      |                         |                  |                  |                |                         |
| Land                                       | \$ 1,593,833            | -                | -                | -              | <b>1,593,833</b>        |
| Construction in progress                   | 27,078                  | 51,275           | -                | (27,078)       | <b>51,275</b>           |
| Total capital assets not being depreciated | 1,620,911               | 51,275           | -                | (27,078)       | <b>1,645,108</b>        |
| Capital assets being depreciated:          |                         |                  |                  |                |                         |
| Buildings and improvements                 | 13,838,852              | 371,214          | (100,370)        | 27,078         | <b>14,136,774</b>       |
| Equipment - Dwellings                      | 56,659                  | -                | -                | -              | <b>56,659</b>           |
| Equipment - Administration                 | 485,997                 | 33,848           | -                | -              | <b>519,845</b>          |
| Total capital assets being depreciated     | 14,381,508              | 405,062          | (100,370)        | 27,078         | <b>14,713,278</b>       |
| <b>Less accumulated depreciation for:</b>  |                         |                  |                  |                |                         |
| Buildings and improvements                 | (7,909,196)             | (319,825)        | 100,370          | -              | <b>(8,128,651)</b>      |
| Equipment - Dwellings                      | (56,659)                | -                | -                | -              | <b>(56,659)</b>         |
| Equipment - Administration                 | (436,082)               | (28,449)         | -                | -              | <b>(464,531)</b>        |
| <b>Total accumulated depreciation</b>      | (8,401,937)             | (348,274)        | 100,370          | -              | <b>(8,649,841)</b>      |
| Total capital assets being depreciated     | 5,979,571               | 56,788           | -                | 27,078         | <b>6,063,437</b>        |
| Capital assets, net                        | \$ 7,600,482            | 108,063          | -                | -              | <b>7,708,545</b>        |

For the year ended June 30, 2019, depreciation expense was \$348,274. As of the year ended June 30, 2019, the Housing Authority had no idle equipment.

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**NOTE 8—CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

|                         | <b>Balance</b>      |                  |                  | <b>Balance</b>   | <b>Due</b>      |
|-------------------------|---------------------|------------------|------------------|------------------|-----------------|
|                         | <b>2018</b>         | <b>Additions</b> | <b>Deletions</b> | <b>2019</b>      | <b>Within</b>   |
|                         |                     |                  |                  |                  | <b>One Year</b> |
| Compensated absences \$ | 27,898              | 37,921           | (18,781)         | 47,038           | 13,267          |
| Net pension liability   | 763,991             | 110,309          | (42,039)         | 832,261          | -               |
| Net OPEB liability      | 527,487             | -                | (63,083)         | 464,404          | -               |
| Total                   | <u>\$ 1,319,376</u> | <u>148,230</u>   | <u>(123,903)</u> | <u>1,343,703</u> | <u>13,267</u>   |

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal years 2019 or 2018.

**NOTE 9—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).

**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. 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. Additionally, the Housing Authority has elected to pick-up a portion of the employee contributions. 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.

The following table details the actual contribution rates:

|                           | <b>Housing<br/>Authority<br/>With</b> |                 |              |
|---------------------------|---------------------------------------|-----------------|--------------|
|                           | <b>Pick-Up</b>                        | <b>Employee</b> | <b>Total</b> |
| Regular members <\$20,000 | 20.54%                                | 2.16%           | 22.70%       |
| Regular members >\$20,000 | 20.54%                                | 3.66%           | 24.20%       |

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The Housing Authority's contributions to PERA for the following fiscal years is identified below:

|  | <u>2019</u>       | <u>2018</u>    | <u>2017</u>    |
|--|-------------------|----------------|----------------|
| Housing Authority contributions                                    | \$ 43,734         | 40,415         | 46,639         |
| Housing Authority contributions<br>picked up on behalf of employee | 50,337            | 46,502         | 53,671         |
| Employee contributions   | 16,804            | 15,489         | 17,874         |
| Total contributions  | <u>\$ 110,875</u> | <u>102,406</u> | <u>118,184</u> |

**NOTE 10—PENSION PLAN AND POST EMPLOYMENT BENEFITS**

**General Information about the Pension Plan**

**Plan description.** *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits provided.** Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II.** The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer

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be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions.** See PERA’s publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year, 2019.

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

At June 30, 2019, the Housing Authority reported a liability of \$832,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Housing Authority’s proportion of the net pension liability was based on a projection of the Housing Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Housing Authority’s proportion was 0.0522%, which was a decrease of 0.0034% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Housing Authority recognized PERA Fund Division; Municipal General Division pension expense of \$102,859.

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

| <b><u>Municipal General Division</u></b>  | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|---|--|---|
| Differences between expected and actual experience  | \$ 24,054  | 21,851  |
| Changes of assumptions  | 75,456   | 4,785   |
| Net difference between projected and actual earnings on pension plan investments                                      | 61,725   | -   |
| Change in proportion and differences between Housing Authority contributions and proportionate share of contributions | 19,018   | 31,354  |
| Housing Authority contributions subsequent to the measurement date  | 43,734   | -   |
| <b>Total</b>  | <b>\$ <u>223,987</u></b>                             | <b><u>57,990</u></b>                                |

\$43,734 reported as deferred outflows of resources related to pensions resulting from the Housing Authority’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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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 | Amount    |
|------------|-----------|
| June 30:   | Amount    |
| 2020       | \$ 92,512 |
| 2021       | 29,054    |
| 2022       | (2,297)   |
| 2023       | 2,994     |
| 2024       | -         |
| Thereafter | -         |

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

|                                 |  |
|---------------------------------|--|
| <b>Actuarial valuation date</b> | June 30, 2017  |
| <b>Actuarial cost method</b>    | Entry Age Normal   |
| <b>Amortization method</b>      | Level Percentage of Pay  |
| <b>Amortization period</b>      | Solved for based on statutory rates  |
| <b>Asset valuation method</b>   |  |
| <b>Actuarial assumptions</b>    |  |
| Investment rate of return       | 7.25% annual rate, net of investment expense   |
| Projected benefit payment       | 100 years  |
| Payroll growth                  | 3.00%  |
| Projected salary increases      | 2.75% to 13.50% annual rate  |
| Includes inflation at           | 2.50%  |
|                                 | 2.75% all other years  |
| Mortality assumption            | The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. |
| Experience study dates          | July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)  |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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

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are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>All Funds - Asset Class</u>            | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Global Equity                             | 43.50%                   | 7.48%   |
| Risk Reduction & Mitigation               | 21.50%                   | 2.37%   |
| Credit Oriented Fixed Income              | 15.00%                   | 5.47%   |
| Real Assets to include Real Estate Equity | 20.00%                   | 6.48%   |
| Total                                     | <u>100.00%</u>           |   |

**Discount rate.** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate.** The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| <u>PERA Fund Division -<br/>Municipal General Division</u>           | <u>1% Decrease<br/>(6.25)%</u> | <u>Current<br/>Discount Rate<br/>(7.25)%</u> | <u>1% Increase<br/>(8.25)%</u> |
|--|--------------------------------|--|--------------------------------|
| Housing Authority's proportionate share of the net pension liability | \$ <u>1,282,459</u>            | \$ <u>832,261</u>                            | \$ <u>460,101</u>              |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at <http://www.nmpera.org/>.

**Payables to the pension plan.** At June 30, 2019, the Housing Authority had no outstanding contributions due to PERA for the year ended June 30, 2019.



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**NOTE 11—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 (NMRHCA). The NMRHCA 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 NMRHCA 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.

The Housing Authority’s contributions to NMRHCA for the following fiscal years is identified below:

|                                 | <u>2019</u>      | <u>2018</u>   | <u>2017</u>   |
|---------------------------------|------------------|---------------|---------------|
| Housing Authority contributions | \$ 9,454         | 9,221         | 9,997         |
| Employee contributions          | 4,725            | 4,921         | 4,998         |
| Total contributions             | <u>\$ 14,179</u> | <u>14,142</u> | <u>14,995</u> |

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**NOTE 12 —OPEB**

**General Information about the Pension Plan**

**Plan description.** Employees of the Housing Authority are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms.** At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

|  |         |
|--|---------|
| <b>Plan membership</b>                     |         |
| Current retirees and surviving spouses     | 51,205  |
| Inactive and eligible for deferred benefit | 11,471  |
| Current active members                     | 93,349  |
|  | 156,025 |
| <br><b>Active membership</b>               |         |
| State general                              | 19,593  |
| State police and corrections               | 1,886   |
| Municipal general                          | 17,004  |
| Municipal police                           | 3,820   |
| Municipal FTRE                             | 2,290   |
| Educational Retirement Board               | 48,756  |
|  | 93,349  |

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Housing Authority were \$9,454 for the year ended June 30, 2019.

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

At June 30, 2019, the Housing Authority reported a liability of \$464,404 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Housing Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Housing Authority's proportion was 0.01068 percent.

For the year ended June 30, 2019, the Housing Authority recognized OPEB expense of \$(9,954). At June 30, 2019 the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b><u>Deferred<br/>Outflows of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflows of<br/>Resources</u></b> |
|---|--|---|
| Differences between expected and actual experience                            | \$ -   | 27,496  |
| Net difference between actual and projected earnings on OPEB plan investments | -  | 5,796   |
| Changes of assumptions  | -  | 86,702  |
| Changes in proportion   | -  | 44,068  |
| Contributions subsequent to the measurement date                              | 9,454  | -   |
| Total   | <u>\$ 9,454</u>                                      | <u>164,062</u>                                      |

Deferred outflows of resources totaling \$9,454 represent Housing Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year Ended |    | Amount           |
|------------|----|------------------|
| June 30:   |    |                  |
| 2020       | \$ | (39,824)         |
| 2021       |    | (39,824)         |
| 2022       |    | (39,824)         |
| 2023       |    | (32,880)         |
| 2024       |    | (11,710)         |
| Total      | \$ | <u>(164,062)</u> |

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**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

|                               |   |
|-------------------------------|---|
| <b>Valuation date</b>         | June 30, 2017   |
| <b>Actuarial cost method</b>  | Entry age normal, level percent of pay, calculated on individual employee basis   |
| <b>Asset valuation method</b> | Market value of assets  |
| <b>Actuarial assumptions</b>  |   |
| Inflation                     | 2.50% for ERB members, 2.25% for PERA members   |
| Projected salary increases    | 3.25% to 12.50%, based on years of service, including inflation   |
| Investment rate of return     | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation   |
| Health care cost trend rate   | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs   |
| Mortality                     | ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality |

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

The best estimates for the long-term expected rate of return is summarized as follows:

| <b>Asset Class</b>            | <b>Long-Term<br/>Rate of Return</b> |
|-------------------------------|-------------------------------------|
| U.S. core fixed income        | 2.1%                                |
| U.S. equity - large cap       | 7.1%                                |
| Non U.S. - emerging markets   | 10.2%                               |
| Non U.S. - developed equities | 7.8%                                |
| Private equity                | 11.8%                               |
| Credit and structured finance | 5.3%                                |
| Real estate                   | 4.9%                                |
| Absolute return               | 4.1%                                |
| U.S. equity - small/mid cap   | 7.1%                                |

**Discount Rate.** The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their

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beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the Housing Authority, as well as what the Housing Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

| <u>1% Decrease<br/>(3.08%)</u> | <u>Current Discount<br/>(4.08%)</u> | <u>1% Increase<br/>(5.08%)</u> |
|--------------------------------|-------------------------------------|--------------------------------|
| \$ <u>562,039</u>              | \$ <u>464,404</u>                   | \$ <u>387,447</u>              |

The following presents the net OPEB liability of the Housing Authority, as well as what the Housing Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|--------------------|-------------------------------|--------------------|
| \$ <u>392,584</u>  | \$ <u>464,404</u>             | \$ <u>520,713</u>  |

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the Housing Authority had no outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**NOTE 13—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 14—LEASE COMMITMENTS**

The Housing Authority had no lease commitments as of June 30, 2019.

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FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 15—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.

**NOTE 16 – 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, 2019, the Housing Authority did not have any restricted net position.

**NOTE 17 – 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 18 – DEFICIT FUND BALANCE**

The following funds incurred a deficit fund balance at June 30, 2019:

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

This balance is not expected to be transfer in the subsequent fiscal year. See Note 4 for more detail about the balance.

**NOTE 19 – SIGNIFICANT TRANSACTIONS BETWEEN CITY OF GALLUP AND GALLUP HOUSING AUTHORITY**

Gallup Housing Authority, a component unit of the City of Gallup, granted the City of Gallup \$150,000 of Public Housing Capital Fund Program federal funds (CFDA #14.872) in fiscal year 2019. The funds were for the City’s Sky City Phase IV project.

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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>2019</u>            | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|
|   | Measurement Date as of |                      |                      |                      |                      |
|   | <u>June 30, 2018</u>   | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
| The Housing Authority's proportion of the net pension liability (asset) (%)   | 0.0522%                | 0.0556%              | 0.0542%              | 0.0502%              | 0.0500%              |
| The Housing Authority's proportionate share of the net pension liability (asset) (\$)                                   | \$ <u>832,261</u>      | <u>763,991</u>       | <u>865,934</u>       | <u>511,832</u>       | <u>390,054</u>       |
| The Housing Authority's covered payroll   | \$ <u>423,194</u>      | <u>488,366</u>       | <u>464,869</u>       | <u>429,686</u>       | <u>413,066</u>       |
| The Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 197%                   | 156%                 | 186%                 | 119%                 | 94%                  |
| Plan fiduciary net position as a percentage of the total pension liability  | 71.13%                 | 73.74%               | 69.18%               | 76.99%               | 81.29%               |

\**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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**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\***

|  | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|--|---------------|---------------|---------------|---------------|---------------|
| Statutory required contribution                                    | \$ 43,734     | 40,415        | 46,639        | 44,395        | 41,035        |
| Contributions in relation to the statutorily required contribution | <u>43,734</u> | <u>40,415</u> | <u>46,639</u> | <u>44,395</u> | <u>41,035</u> |
| Contribution deficiency (excess)                                   | <u>\$ -</u>   | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |

\**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2019**

**Changes of Benefit Terms:** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Changes of Assumptions:** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>



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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY OF GALLUP HOUSING AUTHORITY'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\***

|   | <u>2019</u>                   | <u>2018</u>          |
|---|-------------------------------|----------------------|
|   | <u>Measurement Date as of</u> |                      |
|   | <u>June 30, 2018</u>          | <u>June 30, 2017</u> |
| The Housing Authority's proportion of the net OPEB liability (asset) (%)  | 0.01068%                      | 0.01164%             |
| The Housing Authority's proportionate share of the net OPEB liability (asset) (\$)  | \$ 464,404                    | 527,487              |
| The Housing Authority's covered-employee payroll  | \$ 458,238                    | 484,881              |
| The Housing Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 101.35%                       | 108.79%              |
| Plan fiduciary net position as a percentage of the total OPEB liability   | 13.14%                        | 11.34%               |

\*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 available years.

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GALLUP HOUSING AUTHORITY  
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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY OF GALLUP HOUSING AUTHORITY'S CONTRIBUTIONS OPEB PLAN  
LAST 10 FISCAL YEARS\***

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| Contractually required contribution                                | \$ 16,689   | 36,962      |
| Contributions in relation to the statutorily required contribution | 16,486      | 18,551      |
| Contribution deficiency (excess)                                   | \$ 203      | 18,411      |
| Housing Authority's covered-employee payroll                       | \$ 458,238  | 484,881     |
| Contributions as a percentage of covered-employee payroll          | 3.60%       | 3.83%       |

\*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 available years.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2019**

**Changes of Benefit Terms:** There were no modifications to the benefit provisions as this is the second year of adoption of the OPEB accounting standard.

**Changes of Assumptions:** The New Mexico Retiree Health Care Authority Annual Actuarial Valuations as of June 2018 report is available by contacting the Authority at 4308 Carlisle Blvd. NE Suite 105, Albuquerque, NM 87107

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**SCHEDULE OF CASH, CASH EQUIVALENTS, AND PLEDGED COLLATERAL**  
**AS OF JUNE 30, 2019**

| <b>Financial Institution</b>                               | <b>Account Type</b> | <b>Pinnacle Bank</b> | <b>US Bank</b> | <b>Wells Fargo</b> | <b>Petty Cash</b> | <b>Reconciling Items</b> | <b>Book Balance</b> |
|--|---------------------|----------------------|----------------|--------------------|-------------------|--------------------------|---------------------|
| Cash and cash equivalents                                  |                     |                      |                |                    |                   |                          |                     |
| Low Rent Public Housing                                    | Checking*           | \$ 599,677           | -              | -                  | -                 | (31,298)                 | 568,379             |
| Section 8  | Checking*           | 70,688               | -              | -                  | -                 | -                        | 70,688              |
| SRO  | Checking*           | 33,852               | -              | -                  | -                 | -                        | 33,852              |
| Security Deposit   | Checking*           | 53,095               | -              | -                  | -                 | 991                      | 54,086              |
| Management Fund Checking Account                           | Checking*           | 2,248                | -              | -                  | -                 | -                        | 2,248               |
| Modernization  | Checking            | -                    | 75,125         | -                  | -                 | (31,502)                 | 43,623              |
| Wells Fargo Bank   | Checking*           | -                    | -              | 2,997              | -                 | -                        | 2,997               |
| Petty cash   | Petty cash          | -                    | -              | -                  | 250               | -                        | 250                 |
| Total cash and cash equivalents                            |                     | <u>\$ 759,560</u>    | <u>75,125</u>  | <u>2,997</u>       | <u>250</u>        | <u>(61,809)</u>          | <u>776,123</u>      |
| Total amount of deposit in bank                            |                     |                      |                |                    |                   |                          |                     |
|  |                     | \$ 759,560           | 75,125         | 2,997              | -                 | -                        |                     |
| FDIC/NCUA coverage   |                     | (250,000)            | (75,125)       | (2,997)            | -                 | -                        |                     |
| Total uninsured public funds                               |                     | 509,560              | -              | -                  | -                 | -                        |                     |
| 50% Collateral Requirement<br>(Section 6-10-17 NMSA 1978)  |                     |                      |                |                    |                   |                          |                     |
|  |                     | 254,780              | -              | -                  | -                 | -                        |                     |
|  |                     | 254,780              | -              | -                  | -                 | -                        |                     |
| Pledged security at:                                       |                     |                      |                |                    |                   |                          |                     |
| Pinnacle Bank - FNMA MA1366 3.00% - 31418AQU5 3/1/2033     |                     | 513,737              | -              | -                  | -                 | -                        |                     |
| Pinnacle Bank - GNMA2 4202 4.50% - 36202EU31 8/20/2023     |                     | 24,040               | -              | -                  | -                 | -                        |                     |
| Pinnacle Bank - GNMA 10 151 KG 2.50% - 38377NKA1 9/16/2039 |                     | 146,889              | -              | -                  | -                 | -                        |                     |
| Total collateral   |                     | 684,666              | -              | -                  | -                 | -                        |                     |
| Amount over/(under) collateralized                         |                     | <u>\$ 429,886</u>    | <u>-</u>       | <u>-</u>           | <u>-</u>          | <u>-</u>                 |                     |
| Amount over/(under) collateralized & insured               |                     | <u>\$ 679,886</u>    | <u>75,125</u>  | <u>2,997</u>       | <u>-</u>          | <u>-</u>                 |                     |
| Total book balance   |                     | <u>\$ 729,253</u>    | <u>43,623</u>  | <u>2,997</u>       | <u>250</u>        | <u>-</u>                 |                     |

\*denotes interest bearing account

STATE OF NEW MEXICO  
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FINANCIAL DATA SCHEDULE - BALANCE SHEET  
AS OF JUNE 30, 2019

| Line Item Number | Description   | Project Total       | 14-871 Housing Choice Vouchers | 14,249 Section 8 Moderate Rehabilitation Single Room Occupancy | 2 State/Local | 1 Business Activities | Subtotal         | ELIM            | Total            |
|------------------|---|---------------------|--------------------------------|--|---------------|-----------------------|------------------|-----------------|------------------|
| 111              | Cash - Unrestricted   | \$ 615,249          | 70,688                         | 33,852   | -             | 2,248                 | 722,037          | -               | 722,037          |
| 112              | Cash - Restricted - Modernization and Development                     | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 113              | Cash - Other Restricted   | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 114              | Cash - Tenant Security Deposits                                       | 54,086              | -                              | -  | -             | -                     | 54,086           | -               | 54,086           |
| 115              | Cash - Restricted for Payment of Current Liabilities                  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| <b>100</b>       | <b>Total Cash</b>   | <b>669,335</b>      | <b>70,688</b>                  | <b>33,852</b>  | <b>-</b>      | <b>2,248</b>          | <b>776,123</b>   | <b>-</b>        | <b>776,123</b>   |
| 121              | Accounts Receivable - PHA Projects                                    | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 122              | Accounts Receivable - HUD Other Projects                              | 56,475              | 4,151                          | -  | -             | -                     | 60,626           | -               | 60,626           |
| 124              | Accounts Receivable - Other Government                                | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 125              | Accounts Receivable - Miscellaneous                                   | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 126              | Accounts Receivable - Tenants   | 14,080              | -                              | -  | -             | -                     | 14,080           | -               | 14,080           |
| 126.1            | Allowance for Doubtful Accounts -Tenants                              | (5,861)             | -                              | -  | -             | -                     | (5,861)          | -               | (5,861)          |
| 126.2            | Allowance for Doubtful Accounts - Other                               | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 127              | Notes, Loans, & Mortgages Receivable - Current                        | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 128              | Fraud Recovery  | 22,795              | -                              | -  | -             | -                     | 22,795           | -               | 22,795           |
| 128.1            | Allowance for Doubtful Accounts - Fraud                               | (7,492)             | -                              | -  | -             | -                     | (7,492)          | -               | (7,492)          |
| 129              | Accrued Interest Receivable   | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| <b>120</b>       | <b>Total Receivables, Net of Allowances for Doubtful Accounts</b>     | <b>79,997</b>       | <b>4,151</b>                   | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>84,148</b>    | <b>-</b>        | <b>84,148</b>    |
| 131              | Investments - Unrestricted  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 132              | Investments - Restricted  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 135              | Investments - Restricted for Payment of Current Liability             | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 142              | Prepaid Expenses and Other Assets                                     | 18,070              | 358                            | -  | -             | -                     | 18,428           | -               | 18,428           |
| 143              | Inventories   | 52,234              | -                              | -  | -             | -                     | 52,234           | -               | 52,234           |
| 143.1            | Allowance for Obsolete Inventories                                    | (5,223)             | -                              | -  | -             | -                     | (5,223)          | -               | (5,223)          |
| 144              | Inter Program Due From  | 51,611              | 532                            | -  | -             | -                     | 52,143           | (52,143)        | -                |
| 145              | Assets Held for Sale  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| <b>150</b>       | <b>Total Current Assets</b>   | <b>866,024</b>      | <b>75,729</b>                  | <b>33,852</b>  | <b>-</b>      | <b>2,248</b>          | <b>977,853</b>   | <b>(52,143)</b> | <b>925,710</b>   |
| 161              | Land  | 1,593,833           | -                              | -  | -             | -                     | 1,593,833        | -               | 1,593,833        |
| 162              | Buildings   | 14,136,773          | -                              | -  | -             | -                     | 14,136,773       | -               | 14,136,773       |
| 163              | Furniture, Equipment & Machinery - Dwellings                          | 56,659              | -                              | -  | -             | -                     | 56,659           | -               | 56,659           |
| 164              | Furniture, Equipment & Machinery - Administration                     | 504,904             | 14,942                         | -  | -             | -                     | 519,846          | -               | 519,846          |
| 165              | Leasehold Improvements  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 166              | Accumulated Depreciation  | (8,634,974)         | (14,867)                       | -  | -             | -                     | (8,649,841)      | -               | (8,649,841)      |
| 167              | Construction in Progress  | 51,275              | -                              | -  | -             | -                     | 51,275           | -               | 51,275           |
| 168              | Infrastructure  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| <b>160</b>       | <b>Total Capital Assets, Net of Accumulated Depreciation</b>          | <b>7,708,470</b>    | <b>75</b>                      | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>7,708,545</b> | <b>-</b>        | <b>7,708,545</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>7,708,470</b>    | <b>75</b>                      | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>7,708,545</b> | <b>-</b>        | <b>7,708,545</b> |
| 200              | Deferred Outflow of Resources   | 229,098             | 4,343                          | -  | -             | -                     | 233,441          | -               | 233,441          |
| <b>290</b>       | <b>Total Assets and Deferred Outflow of Resources</b>                 | <b>\$ 8,803,592</b> | <b>80,147</b>                  | <b>33,852</b>  | <b>-</b>      | <b>2,248</b>          | <b>8,919,839</b> | <b>(52,143)</b> | <b>8,867,696</b> |
| 311              | Bank Overdraft  | \$ -                | -                              | -  | -             | -                     | -                | -               | -                |
| 312              | Accounts Payable <= 90 Days   | 18,958              | 496                            | -  | -             | -                     | 19,454           | -               | 19,454           |
| 313              | Accounts Payable >90 Days Past Due                                    | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 321              | Accrued Wage/Payroll Taxes Payable                                    | 19,765              | 599                            | -  | -             | -                     | 20,364           | -               | 20,364           |
| 322              | Accrued Compensated Absences - Current Portion                        | 13,037              | 230                            | -  | -             | -                     | 13,267           | -               | 13,267           |
| 324              | Accrued Contingency Liability   | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 325              | Accrued Interest Payable  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 331              | Accounts Payable - HUD PHA Programs                                   | -                   | -                              | 3,733  | -             | -                     | 3,733            | -               | 3,733            |
| 332              | Account Payable - PHA Projects  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 333              | Accounts Payable - Other Government                                   | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| 341              | Tenant Security Deposits  | 54,086              | -                              | -  | -             | -                     | 54,086           | -               | 54,086           |
| 342              | Unearned Revenue  | 9,782               | -                              | -  | -             | -                     | 9,782            | -               | 9,782            |
| 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   | 25,836              | -                              | -  | -             | -                     | 25,836           | -               | 25,836           |
| 347              | Inter Program - Due To  | -                   | 4,027                          | 532  | 46,663        | 921                   | 52,143           | (52,143)        | -                |
| 348              | Loan Liability - Current  | -                   | -                              | -  | -             | -                     | -                | -               | -                |
| <b>310</b>       | <b>Total Current Liabilities</b>                                      | <b>141,464</b>      | <b>5,352</b>                   | <b>4,265</b>   | <b>46,663</b> | <b>921</b>            | <b>198,665</b>   | <b>(52,143)</b> | <b>146,522</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, 2019

| Line Item Number | Description  | Project Total       | 14,871 Housing Choice Vouchers | 14,249 Section 8 Moderate Rehabilitation Single Room Occupancy | 2 State/Local   | 1 Business Activities | Subtotal         | ELIM            | Total            |
|------------------|--|---------------------|--------------------------------|--|-----------------|-----------------------|------------------|-----------------|------------------|
| 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                               | 33,658              | 113                            | -  | -               | -                     | 33,771           | -               | 33,771           |
| 355              | Loan Liability - Non Current   | -                   | -                              | -  | -               | -                     | -                | -               | -                |
| 356              | FASB 5 Liabilities   | -                   | -                              | -  | -               | -                     | -                | -               | -                |
| 357              | Accrued Pension and OPEB Liabilities                                     | 1,269,233           | 27,432                         | -  | -               | -                     | 1,296,665        | -               | 1,296,665        |
| <b>350</b>       | <b>Total Non-Current Liabilities</b>                                     | <u>1,302,891</u>    | <u>27,545</u>                  | -  | -               | -                     | <u>1,330,436</u> | -               | <u>1,330,436</u> |
| <b>300</b>       | <b>Total Liabilities</b>   | 1,444,355           | 32,897                         | 4,265  | 46,663          | 921                   | 1,529,101        | (52,143)        | 1,476,958        |
| 400              | Deferred Inflow of Resources   | 215,244             | 6,808                          | -  | -               | -                     | 222,052          | -               | 222,052          |
| 508.4            | Net Investment in Capital Assets   | 7,708,470           | 75                             | -  | -               | -                     | 7,708,545        | -               | 7,708,545        |
| 511.4            | Restricted Net Position  | -                   | -                              | -  | -               | -                     | -                | -               | -                |
| 512.4            | Unrestricted Net Position  | (564,477)           | 40,367                         | 29,587   | (46,663)        | 1,327                 | (539,859)        | -               | (539,859)        |
| <b>513</b>       | <b>Total Equity - Net Assets / Position</b>                              | <u>7,143,993</u>    | <u>40,442</u>                  | <u>29,587</u>  | <u>(46,663)</u> | <u>1,327</u>          | <u>7,168,686</u> | -               | <u>7,168,686</u> |
| <b>600</b>       | <b>Total Liabilities, Deferred Inflows of Resources and Equity - Net</b> | <u>\$ 8,803,592</u> | <u>80,147</u>                  | <u>33,852</u>  | -               | <u>2,248</u>          | <u>8,919,839</u> | <u>(52,143)</u> | <u>8,867,696</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, 2019

| Line Item Number | Description   | 14.871 Housing Choice Vouchers |                | 14.249 Section 8 Moderate Rehabilitation Single Room Occupancy |          | 2 State/Local | 1 Business Activities | Subtotal         | ELIM     | Total            |
|------------------|---|--------------------------------|----------------|--|----------|---------------|-----------------------|------------------|----------|------------------|
|                  |   | Project Total                  |                |  |          |               |                       |                  |          |                  |
| 70300            | Net Tenant Rental Revenue                                 | \$ 810,639                     | -              | -  | -        | -             | -                     | 810,639          | -        | 810,639          |
| 70400            | Tenant Revenue - Other                                    | 63,124                         | -              | -  | -        | -             | -                     | 63,124           | -        | 63,124           |
| <b>70500</b>     | <b>Total Tenant Revenue</b>                               | <b>873,763</b>                 | <b>-</b>       | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>              | <b>873,763</b>   | <b>-</b> | <b>873,763</b>   |
| 70600            | HUD PHA Operating Grants                                  | 1,292,439                      | 193,476        | 6,461  | -        | -             | -                     | 1,492,376        | -        | 1,492,376        |
| 70610            | Capital Grants  | 422,489                        | -              | -  | -        | -             | -                     | 422,489          | -        | 422,489          |
| 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>         | <b>-</b> | <b>-</b>         |
| 70800            | Other Government Grants                                   | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 71100            | Investment Income - Unrestricted                          | 72                             | 7              | 3  | -        | -             | 1                     | 83               | -        | 83               |
| 71200            | Mortgage Interest Income                                  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 71300            | Proceeds from Disposition of Assets Held for Sale         | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 71310            | Cost of Sale of Assets                                    | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 71400            | Fraud Recovery  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 71500            | Other Revenue   | 33,803                         | -              | 9  | -        | -             | 921                   | 34,733           | -        | 34,733           |
| 71600            | Gain or Loss on Sale of Capital Assets                    | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 72000            | Investment Income - Restricted                            | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| <b>70000</b>     | <b>Total Revenue</b>                                      | <b>2,622,566</b>               | <b>193,483</b> | <b>6,473</b>   | <b>-</b> | <b>-</b>      | <b>922</b>            | <b>2,823,444</b> | <b>-</b> | <b>2,823,444</b> |
| 91100            | Administrative Salaries                                   | 249,268                        | 13,687         | 370  | -        | -             | 481                   | 263,806          | -        | 263,806          |
| 91200            | Auditing Fees   | 15,620                         | 166            | 395  | -        | -             | -                     | 16,181           | -        | 16,181           |
| 91300            | Management Fee  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 91310            | Book-keeping Fee  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 91400            | Advertising and Marketing                                 | 13,902                         | 268            | 7  | -        | -             | -                     | 14,177           | -        | 14,177           |
| 91500            | Employee Benefit contributions - Administrative           | 117,505                        | 5,657          | 43   | -        | -             | -                     | 123,205          | -        | 123,205          |
| 91600            | Office Expenses   | 92,628                         | 2,244          | 68   | -        | -             | -                     | 94,940           | -        | 94,940           |
| 91700            | Legal Expense   | 21,776                         | 22             | 1  | -        | -             | -                     | 21,799           | -        | 21,799           |
| 91800            | Travel  | 4,684                          | 303            | 8  | -        | -             | 440                   | 5,435            | -        | 5,435            |
| 91810            | Allocated Overhead  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 91900            | Other   | 70,830                         | 2,295          | 36   | -        | -             | -                     | 73,161           | -        | 73,161           |
| <b>91000</b>     | <b>Total Operating - Administrative</b>                   | <b>586,213</b>                 | <b>24,642</b>  | <b>928</b>   | <b>-</b> | <b>-</b>      | <b>921</b>            | <b>612,704</b>   | <b>-</b> | <b>612,704</b>   |
| 92000            | Asset Management Fee                                      | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 92100            | Tenant Services - Salaries                                | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 92200            | Relocation Costs  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 92300            | Employee Benefit Contributions - Tenant Services          | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 92400            | Tenant Services - Other                                   | 5,129                          | -              | -  | -        | -             | -                     | 5,129            | -        | 5,129            |
| <b>92500</b>     | <b>Total Tenant Services</b>                              | <b>5,129</b>                   | <b>-</b>       | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>              | <b>5,129</b>     | <b>-</b> | <b>5,129</b>     |
| 93100            | Water   | 97,301                         | -              | -  | -        | -             | -                     | 97,301           | -        | 97,301           |
| 93200            | Electricity   | 97,985                         | -              | -  | -        | -             | -                     | 97,985           | -        | 97,985           |
| 93300            | Gas   | 64,570                         | -              | -  | -        | -             | -                     | 64,570           | -        | 64,570           |
| 93400            | Fuel  | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 93500            | Labor   | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 93600            | Sewer   | 56,509                         | -              | -  | -        | -             | -                     | 56,509           | -        | 56,509           |
| 93700            | Employee Benefit Contributions - Utilities                | -                              | -              | -  | -        | -             | -                     | -                | -        | -                |
| 93800            | Other Utilities Expense                                   | 16,276                         | -              | -  | -        | -             | -                     | 16,276           | -        | 16,276           |
| <b>93000</b>     | <b>Total Utilities</b>                                    | <b>332,641</b>                 | <b>-</b>       | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>              | <b>332,641</b>   | <b>-</b> | <b>332,641</b>   |
| 94100            | Ordinary Maintenance and Operations - Labor               | 207,234                        | -              | -  | -        | -             | -                     | 207,234          | -        | 207,234          |
| 94200            | Ordinary Maintenance and Operations - Materials and Other | 194,460                        | -              | -  | -        | -             | -                     | 194,460          | -        | 194,460          |
| 94300            | Ordinary Maintenance and Operations Contracts             | 232,434                        | -              | -  | -        | -             | -                     | 232,434          | -        | 232,434          |
| 94500            | Employee Benefit Contributions - Ordinary Maintenance     | 97,692                         | -              | -  | -        | -             | -                     | 97,692           | -        | 97,692           |
| <b>94000</b>     | <b>Total Maintenance</b>                                  | <b>731,820</b>                 | <b>-</b>       | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>              | <b>731,820</b>   | <b>-</b> | <b>731,820</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>         | <b>-</b> | <b>-</b>         |
| 96110            | Property Insurance  | 53,844                         | 1,098          | -  | -        | -             | -                     | 54,942           | -        | 54,942           |
| 96120            | Liability Insurance                                       | 25,533                         | 521            | -  | -        | -             | -                     | 26,054           | -        | 26,054           |
| 96130            | Workmen's Compensation                                    | 11,160                         | 228            | -  | -        | -             | -                     | 11,388           | -        | 11,388           |
| 96140            | All Other Insurance                                       | 5,539                          | 241            | -  | -        | -             | -                     | 5,780            | -        | 5,780            |
| <b>96100</b>     | <b>Total Insurance Premiums</b>                           | <b>96,076</b>                  | <b>2,088</b>   | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>              | <b>98,164</b>    | <b>-</b> | <b>98,164</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, 2019

| Line Item Number | Description   | Project Total    | 14.871 Housing Choice Vouchers | 14.249 Section 8 Moderate Rehabilitation Single Room Occupancy | 2 State/Local | 1 Business Activities | Subtotal         | ELIM      | Total            |
|------------------|---|------------------|--------------------------------|--|---------------|-----------------------|------------------|-----------|------------------|
| 96200            | Other General Expenses  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96210            | Compensated Absences  | 37,163           | 758                            | -  | -             | -                     | 37,921           | -         | 37,921           |
| 96300            | Payments in Lieu of Taxes   | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96400            | Bad debt - Tenant Rents   | 60,075           | -                              | -  | -             | -                     | 60,075           | -         | 60,075           |
| 96500            | Bad debt - Mortgages  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96600            | Bad debt - Other  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96800            | Severance Expense   | -                | -                              | -  | -             | -                     | -                | -         | -                |
| <b>96000</b>     | <b>Total Other General Expenses</b>                                     | <b>97,238</b>    | <b>758</b>                     | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>97,996</b>    | <b>-</b>  | <b>97,996</b>    |
| 96710            | Interest of Mortgage (or Bonds) Payable                                 | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96720            | Interest on Notes Payable (Short and Long Term)                         | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 96730            | Amortization of Bond Issue Costs  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| <b>96700</b>     | <b>Total Interest Expense and Amortization Cost</b>                     | <b>-</b>         | <b>-</b>                       | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>-</b>         | <b>-</b>  | <b>-</b>         |
| <b>96900</b>     | <b>Total Operating Expenses</b>   | <b>1,849,117</b> | <b>27,488</b>                  | <b>928</b>   | <b>-</b>      | <b>921</b>            | <b>1,878,454</b> | <b>-</b>  | <b>1,878,454</b> |
| <b>97000</b>     | <b>Excess of Operating Revenue over Operating Expenses</b>              | <b>773,449</b>   | <b>165,995</b>                 | <b>5,545</b>   | <b>-</b>      | <b>1</b>              | <b>944,990</b>   | <b>-</b>  | <b>944,990</b>   |
| 97100            | Extraordinary Maintenance   | 81,433           | -                              | -  | -             | -                     | 81,433           | -         | 81,433           |
| 97200            | Casualty Losses - Non-capitalized                                       | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 97300            | Housing Assistance Payments   | -                | 168,183                        | 2,340  | -             | -                     | 170,523          | -         | 170,523          |
| 97350            | HAP Portability-In  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 97400            | Depreciation Expense  | 348,246          | 28                             | -  | -             | -                     | 348,274          | -         | 348,274          |
| 97500            | Fraud Losses  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 97600            | Capital Outlays - Governmental Funds                                    | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 97700            | Debt Principal Payment - Governmental Funds                             | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 97800            | Dwelling Units Rent Expense   | -                | -                              | -  | -             | -                     | -                | -         | -                |
| <b>99000</b>     | <b>Total Expenses</b>   | <b>2,278,796</b> | <b>195,699</b>                 | <b>3,268</b>   | <b>-</b>      | <b>921</b>            | <b>2,478,684</b> | <b>-</b>  | <b>2,478,684</b> |
| 10010            | Operating Transfer In   | 444,178          | -                              | -  | -             | -                     | 444,178          | (444,178) | -                |
| 10020            | Operating Transfer Out  | (444,178)        | -                              | -  | -             | -                     | (444,178)        | 444,178   | -                |
| 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>                             | <b>-</b>         | <b>-</b>                       | <b>-</b>   | <b>-</b>      | <b>-</b>              | <b>-</b>         | <b>-</b>  | <b>-</b>         |
| <b>10000</b>     | <b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b> | <b>343,770</b>   | <b>(2,216)</b>                 | <b>3,205</b>   | <b>-</b>      | <b>1</b>              | <b>344,760</b>   | <b>-</b>  | <b>344,760</b>   |
| 11020            | Required Annual Debt Principal Payments                                 | \$ -             | -                              | -  | -             | -                     | -                | -         | -                |
| 11030            | Beginning Equity  | 6,800,223        | 42,658                         | 26,382   | (46,663)      | 1,326                 | 6,823,926        | -         | 6,823,926        |
| 11040            | Prior Period Adjustments, Equity Transfers and Correction of Errors     | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 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   | -                | 40,442                         | -  | -             | -                     | 40,442           | -         | 40,442           |
| 11180            | Housing Assistance Payments Equity                                      | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 11190            | Unit Months Available   | 3,156            | 450                            | 48   | -             | -                     | 3,654            | -         | 3,654            |
| 11210            | Number of Unit Months Leased  | 3,057            | 440                            | 12   | -             | -                     | 3,509            | -         | 3,509            |
| 11270            | Excess Cash   | \$ 506,011       | -                              | -  | -             | -                     | 506,011          | -         | 506,011          |
| 11610            | Land Purchases  | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 11620            | Building Purchases  | \$ 422,489       | -                              | -  | -             | -                     | 422,489          | -         | 422,489          |
| 11630            | Furniture & Equipment - Dwelling Purchases                              | -                | -                              | -  | -             | -                     | -                | -         | -                |
| 11640            | Furniture & Equipment - Administrative Purchases                        | 33,848           | -                              | -  | -             | -                     | 33,848           | -         | 33,848           |
| 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 EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Federal<br/>Expenditures</b> |
|--|------------------------------------|---------------------------------|
| <b>U.S. Department of Housing and Urban Development</b>                  |                                    |                                 |
| Housing Choice Voucher Program   | 14.871                             | \$ 193,476                      |
| Low Rent Public Housing Program  | 14.850                             | 840,761                         |
| Public Housing Capital Fund Program                                      | * 14.872                           | 874,167                         |
| Section 8 Moderate Rehabilitation Single Room Occupancy                  | 14.249                             | 6,461                           |
| Total Direct from U.S. Housing and Urban Development                     |                                    | <u>1,914,865</u>                |
| Total Expenditures of Federal Awards                                     |                                    | <u>\$ 1,914,865</u>             |

\* = Denotes major program

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

|   |                  |
|---|------------------|
| Federal revenue per Statement of Activities | \$ 1,914,865     |
| Federal awards expended per SEFA            | <u>1,914,865</u> |
| Difference                                  | <u>\$ -</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, 2019.

**3 - Subrecipients**

The organization provided the following federal awards to subrecipients during the year:

| <b>Subrecipient</b>                   | <b>CFDA Number</b> | <b>Project Number</b> | <b>Amount Provided</b> |
|---------------------------------------|--------------------|-----------------------|------------------------|
| City of Gallup                        | 14.872             | NM02P006501-17        | \$ 150,000             |
| Total funds provided to subrecipients |                    |                       | <u>\$ 150,000</u>      |

**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.

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.





**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  
Mr. Brian Colón, State Auditor  
State of New Mexico, Office of the 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, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority’s basic financial statements, and have issued our report thereon dated October 28, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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  
October 28, 2019



**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  
Mr. Brian Colón, State Auditor  
State of New Mexico, Office of the 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, 2019. 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, 2019.

**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  
October 28, 2019

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Questioned Costs  
For the Year Ended June 30, 2019**

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

**Financial Statements**

Type of auditor’s report issued **Unmodified**

Internal control over financial reporting:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No
- c. Noncompliance material to the financial statements noted? Yes No

**Federal Awards**

Internal control over major programs:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Type of auditor’s report issued on compliance for major programs **Unmodified**

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

Identification of major programs:

| CFDA Numbers<br>Funding Source | Name of Federal Programs            | Funding Source                                   |
|--------------------------------|-------------------------------------|--|
| 14.872                         | Public Housing Capital Fund Program | U.S. Department 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? Yes

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Schedule in Findings and Questioned Costs  
For the Year Ended June 30, 2019**

| <b>Reference #</b>           | <b>Finding</b> | <b>Status of<br/>Current and<br/>Prior Year<br/>Findings</b> | <b>Type<br/>of<br/>Finding</b> |
|------------------------------|----------------|--|--------------------------------|
| <b>Prior Year Findings</b>   |                |  |                                |
| None                         |                |  |                                |
| <b>Current Year Findings</b> |                |  |                                |
| None                         |                |  |                                |

\* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters)  
Involving
- 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 related to Federal Awards
- G.** Non-compliance with State Audit Rule, NM State Statutes, NMAC, or Other Entity  
Compliance
- H.** Instance of Material Non-compliance

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Exit Conference  
For the Year Ended June 30, 2019**

An exit conference was held in a closed session on October 28, 2019, at the Housing Authority's offices in Gallup, New Mexico. In attendance were the following:

Representing the Housing Authority:

|                    |                      |
|--------------------|----------------------|
| Richard F. Kontz   | Executive Director   |
| Alfred Abeita      | Board Chairman       |
| James Roger Morris | Board Vice-Chair     |
| Selina Paradise    | Housing Manager      |
| Telisia Montano    | Accountant           |
| Michael Burnside   | Maintenance Manager  |
| Stephany Skeets    | Accounting Assistant |

Representing Hinkle + Landers, PC:

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

**FINANCIAL STATEMENTS**

The financial statements of the Housing Authority as of June 30, 2019, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.