



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, 2020

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

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**STATE OF NEW MEXICO
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AS OF JUNE 30, 2020**

Board of Directors

Board Member	Title
Alfred Abeita	Board Chairman
James Roger Morris	Board Vice-Chair
Jim Saucedo	Commissioner
John Hartog	Commissioner
Josephine Brown	Resident Member

Administrative Officers

Name	Title
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, 2020, 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, 2020, 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 of the Housing Authority's proportionate share of the net pension and OPEB liabilities and the Housing Authority's contributions, as 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 November 20, 2020, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Housing Authority's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
November 20, 2020

**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, 2020**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The primary focus of this MD&A is to discuss the financial statement for the fiscal year 2020 ending on June 30, 2020. 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 available for rent to income qualified families. Of these 258 [98%] 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 2019 GHA received a CFP grant award of \$593,008 and had an obligated but unexpended balance of \$54,146.54 at 2020 Fiscal Year-end.
 - For 2020 GHA received CFP grant award of \$624,136 has expended and obligated \$164,735.53 leaving a remaining balance of \$459,400.47 at 2020 Fiscal Year-end.
 - In 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 2020 Fiscal Year-end GHA had expended and obligated \$204,146.52 leaving a remaining balance of \$45,853.48.
 - In 2019 Gallup Housing Authority applied for a Lead-Based Paint grant offered under the CFP program and received a grant award of \$1,000,000. These funds are restricted to providing for lead based paint testing, assessment and abatement within five GHA housing developments. As of 2020 Fiscal Year-end GHA had expended and obligated \$99,091.68 leaving a remaining balance of \$900,908.32.

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These resources primarily provide funds for capital improvements for the current dwelling structures and site improvements. A limited amount can be used to support operations, management improvements and major equipment purchases (i.e. vehicles) so long as those items are programmed in the required 5-year plans that must be submitted to HUD and approved by HUD prior to use of the CFP grant funds. Fund 02 contains the accounting transaction records for the Capital Fund Program grants.

- The *Housing Choice Voucher Program* provides housing rental assistance to aid low income families in paying rent to private landlords 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 12 tenants were housed under regular section 8 vouchers and 19 tenants were housed under VASH vouchers for a total of 31 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 by 2020 year-end GHA still has only one authorized client. This program is proposed to end in April 2021 and any unused Grant funds will be reprogrammed by HUD. 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

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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, 2020, 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, 2020.

Financial Highlights

- The Gallup Housing Authority's net position increased from \$7,168,686 to \$7,229,520 an increase of \$60,834 or 1%.
- Total Assets and Deferred Outflows increased from \$8,919,839 to \$10,259,080 an increase of \$1,399,241 or 15%.
- Total Liabilities and Deferred Inflows increased from \$1,751,153 to \$3,029,560 an increase of \$1,278,407 or 73%.
- Total revenues increased from \$2,823,444 to \$2,849,768, an increase of \$26,324 or 1%.
- Total expenses increased from \$2,478,684 to \$2,788,934, an increase of \$310,250 or 13%.

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.

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The table below provides the asset, liability, and net position (equity) comparisons for the year ended June 30, 2020, and June 30, 2019.

Summary of Statement of Net Position
As of June 30,

	2020	2019	Percent Change
Assets:			
Current assets	\$ 1,085,620	877,104	24%
Non-current assets	9,008,047	7,809,294	15%
Total assets	10,093,667	8,686,398	
Deferred outflows of resources	165,413	233,441	-29%
Total assets and deferred outflows of resources	\$ 10,259,080	8,919,839	15%
Liabilities:			
Current liabilities	\$ 337,648	152,002	122%
Non-current liabilities	2,422,114	1,377,099	76%
Total liabilities	2,759,762	1,529,101	80%
Deferred inflows of resources	269,798	222,052	22%
Net position:			
Investment in capital assets	7,762,319	7,708,545	1%
Unrestricted	(532,799)	(539,859)	-1%
Total net position	7,229,520	7,168,686	1%
Total liabilities, deferred inflows of resources, and net position	\$ 10,259,080	8,919,839	

Current Assets

Current assets increased from \$877,104 to \$1,085,620, an increase of \$208,516 or 25%. Unrestricted cash and cash equivalents increased from \$722,037 to \$925,795, an increase of \$203,758 from the previous year.

Non-current Assets

Non-current assets increased from \$7,809,294 to \$9,008,047, an increase of \$1,198,753 or 15%. Restricted cash and cash equivalents increased from \$54,086 to \$71,717, an increase of \$17,631, from the previous year, which are the Tenant Security Deposits held in escrow by the Authority.

Current Liabilities

Current liabilities increased from \$152,002 to \$337,648, an increase of \$185,646 or 122% from the previous year. This is primarily due to the current portion of new loans payables and accounts payable to vendors.

Non-Current Liabilities

Non-current liabilities increased from \$1,377,099 to \$2,422,114, an increase of \$1,045,015 or 76% from the previous year. This is primarily to the non-current portion of new loans payables and change in net

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pension and net OPEB liabilities in the current year.

Net Position

The overall net position increased from \$7,168,686 to \$7,229,520, an increase of \$60,834 or 1% from the previous year.

The Authority’s unrestricted component of net position changed from \$(539,859) to \$(532,799) for a 1% 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, 2020, and June 30, 2019.

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

	2020	2019	Percent Change
Revenues:			
Operating revenues	\$ 2,114,726	1,902,922	11%
Non-operating revenues (expenses)	735,042	920,522	-20%
Total revenues	<u>2,849,768</u>	<u>2,823,444</u>	1%
Expenses:			
Personnel services	860,141	741,246	16%
Other operating expenses	1,541,296	1,389,164	11%
Depreciation	387,497	348,274	11%
Total expenses	<u>2,788,934</u>	<u>2,478,684</u>	13%
Change in net position	\$ <u>60,834</u>	<u>344,760</u>	

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 Subsidy grant revenues amounted to \$1,164,751 during this Fiscal Year.
- Tenant rents amounted to \$919,339, which amounts to \$76,612 monthly. The increase from prior year 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 3,081 or 98% occupancy. This also directly relates to increased operating subsidy funds.

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- Non-operating revenues and expenses decreased from \$920,522 to \$735,042. This is mostly due to a decrease in capital grant funding. Additionally, this area includes excess utility charges, late fees, interest expense, maintenance charges for tenant damages to units, and fraud recovery.
- The Authority received \$199,163 in HAP funds this year which includes \$26,166 for Administrative Fees and \$172,997 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 \$7,014 in SRO funds to make tenant landlord payments. As indicated under the Program description this program continues to experience some difficulty. Only one remaining SRO tenant is continuing to lease up under this program. The program grant is scheduled to end in April 2021 and HUD then recapture any grants funds left.
- 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 \$398,112.09 in 2019 CFP grant funds leaving \$54,146.53 remaining; received \$123,306 in 2020 CFP grant funds leaving \$500,830 remaining; received \$134,010.71 in 2018 ESSG grant funds leaving \$93,958.53 remaining; and received \$89,113.25 in 2019 LBP grant funds leaving \$910,886.75 remaining.
- Overall, total revenues increased from \$2,823,444 in FY2019 to \$2,849,768 in FY2020 an increase of \$26,324 or 1%.

Expenses

- Overall total expenses increased from \$2,478,684 in FY2019 to \$2,788,934 in FY2020, an increase of \$310,250 or 13%.
- Administrative costs decreased from \$41,224 last fiscal year to \$37,182 this fiscal year, a 18% decrease. This was mainly due to the increased cost control.
- Personnel Services (wages, salaries and benefits) went from \$741,246 last fiscal year to \$860,141 an increase of \$118,895 or 16%. This was due mainly to increased cost of benefits.
- Professional fees increased from \$84,493 last fiscal year to \$89,269 this fiscal year an increase of \$4,776 or 6%. This was due to increased costs was mostly related to COVID-19 protective services and supplies.
- Utilities, which include telephone, water, sewer, electricity, natural gas, garbage collection and other related utilities continues increased from \$394,934 last fiscal year to \$407,287 for this fiscal

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year, an increase of \$12,353 or 3%. This is due to the addition of the Mesa apartments utilities.

- General maintenance to repair and maintain all housing units and Authority property and equipment increased from \$437,230 last fiscal year to \$584,784 this fiscal year, an increase of \$147,554 or 34%. This includes general repair and dealing with site issues as well as refurbishing to make unit ready for leasing (termed unit turns). This also includes the maintenance for the new Mesa apartments.
- HAP and SRO landlord payment expenses decreased from \$170,523 last fiscal year to \$165,934 this fiscal year, a decrease of \$4,589 or 3%. This is due to the Authority issuing less Housing Choice vouchers to tenants to be housed with private landlords.
- Collection losses decreased from \$60,075 last fiscal year to \$34,256 this fiscal year, a decrease of \$25,819 or 43%. 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 decrease in violations this fiscal year.
- Depreciation expense increased from \$348,274 last fiscal year to \$387,497 this fiscal year, an increase of \$39,223 or 11%. This is related to the increase in capital assets and their related depreciation expense.

Capital Assets:

As of June 30, 2020, the Gallup Housing Authority’s capital assets, net accumulated depreciation was \$8,889,667 as compared to \$7,708,545 for June 30, 2019, which is a 15% increase in net 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.

	Capital Assets As of June 30,		
	2020	2019	Percent Change
Land	\$ 1,709,213	1,593,833	7%
Construction in Progress	284,243	51,275	454%
Buildings and improvements	15,279,545	14,136,774	8%
Equipment - Dwellings	56,659	56,659	0%
Equipment - Administration	556,452	519,845	7%
Total capital assets	<u>17,886,112</u>	<u>16,358,386</u>	
Less: Accumulated depreciation	<u>(8,996,445)</u>	<u>(8,649,841)</u>	4%
Capital assets, net	<u>\$ 8,889,667</u>	<u>7,708,545</u>	15%

Additions to the building and improvements category include the purchase of Mesa apartments and Capital Fund Project funds, which include renovations to the housing units.

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Long Term Debt Liability

The Housing Authority classifies a portion of the employee’s leave as long-term debt. This is because the Housing Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. Based upon GASB 68 the Housing Authority is required to show Net Pension Liability. Based upon GASB 75 the Housing Authority is required to show Net OPEB Liability. Additionally, in fiscal year 2020 the Housing Authority received 2 loans for the purchase of the Mesa apartments.

	Long-Term Debt As of June 30,		Percent Change
	2020	2019	
Compensated absences	\$ 53,904	47,038	15%
Loans payable	1,127,348	-	100%
Net pension liability	903,634	832,261	9%
Net OPEB liability	346,287	464,404	-25%
Total	\$ 2,431,173	1,343,703	81%

Request for Information

This financial report is designed to provide a general overview of the Housing Authority’s financial position as of June 30, 2020, 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
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STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF JUNE 30, 2020**

	Low-Rent Public Housing (01 & 02)	Section 8 Housing Choice Vouchers (03)	Moderate Rehabilitation Single-Room Occupancy (06)	State & Local (07)	Management Fund Account (08)	Total
ASSETS						
Current assets						
Cash and cash equivalents - unrestricted	\$ 775,020	89,016	47,357	-	14,402	925,795
Grant receivables	82,277	-	-	-	-	82,277
Tenant receivables, net	1,738	-	-	-	2,076	3,814
Other accounts receivables, net	1,698	-	-	-	-	1,698
Prepaid expenses and other current assets	10,720	219	-	-	-	10,939
Inventory, net	47,124	-	-	-	725	47,849
Due from other funds	12,468	780	-	-	-	13,248
Total current assets	<u>931,045</u>	<u>90,015</u>	<u>47,357</u>	<u>-</u>	<u>17,203</u>	<u>1,085,620</u>
Non-current assets						
Cash and cash equivalents - restricted	56,886	-	-	-	14,831	71,717
Due from other funds	46,663	-	-	-	-	46,663
Land and construction in progress	1,878,076	-	-	-	115,380	1,993,456
Other capital assets, net of accumulated depreciation	5,879,189	47	-	-	1,016,975	6,896,211
Total non-current assets	<u>7,860,814</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>1,147,186</u>	<u>9,008,047</u>
Total assets	<u>8,791,859</u>	<u>90,062</u>	<u>47,357</u>	<u>-</u>	<u>1,164,389</u>	<u>10,093,667</u>
Deferred outflows of resources						
Pension deferral	153,438	1,042	-	-	-	154,480
OPEB deferral	10,758	175	-	-	-	10,933
Total deferred outflows of resources	<u>164,196</u>	<u>1,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,413</u>
Total assets and deferred outflows of resources	<u>\$ 8,956,055</u>	<u>91,279</u>	<u>47,357</u>	<u>-</u>	<u>1,164,389</u>	<u>10,259,080</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 130,335	256	13,966	-	3,157	147,714
Accrued payroll liabilities	27,522	638	-	-	300	28,460
Due to other funds	-	1,439	780	-	11,029	13,248
Tenant security deposits	56,886	-	-	-	10,200	67,086
Unearned revenue	17,095	6,503	-	-	1,820	25,418
Loans payable, current portion	-	-	-	-	35,401	35,401
Compensated absences	19,857	334	-	-	130	20,321
Total current liabilities	<u>251,695</u>	<u>9,170</u>	<u>14,746</u>	<u>-</u>	<u>62,037</u>	<u>337,648</u>
Non-current liabilities						
Compensated absences	33,248	335	-	-	-	33,583
Due to other funds	-	-	-	46,663	-	46,663
Loans payable	-	-	-	-	1,091,947	1,091,947
Net pension liability	889,898	13,736	-	-	-	903,634
Net OPEB liability	333,547	12,740	-	-	-	346,287
Total non-current liabilities	<u>1,256,693</u>	<u>26,811</u>	<u>-</u>	<u>46,663</u>	<u>1,091,947</u>	<u>2,422,114</u>
Total liabilities	<u>1,508,388</u>	<u>35,981</u>	<u>14,746</u>	<u>46,663</u>	<u>1,153,984</u>	<u>2,759,762</u>
Deferred inflows of resources						
Pension deferral	30,952	1,986	-	-	-	32,938
OPEB deferral	230,726	6,134	-	-	-	236,860
Total deferred inflows of resources	<u>261,678</u>	<u>8,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,798</u>
NET POSITION						
Investment in capital assets	7,757,265	47	-	-	5,007	7,762,319
Unrestricted	(571,276)	47,131	32,611	(46,663)	5,398	(532,799)
Total net position	<u>7,185,989</u>	<u>47,178</u>	<u>32,611</u>	<u>(46,663)</u>	<u>10,405</u>	<u>7,229,520</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,956,055</u>	<u>91,279</u>	<u>47,357</u>	<u>-</u>	<u>1,164,389</u>	<u>10,259,080</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, 2020**

	Low-Rent Public Housing (01 & 02)	Section 8 Housing Choice Vouchers (03)	Moderate Rehabilitation Single-Room Occupancy (06)	State & Local (07)	Management Fund Account (08)	Total
OPERATING REVENUES						
Rental revenue	\$ 810,749	-	-	-	108,590	919,339
Other tenant revenue	29,024	-	-	-	1,612	30,636
Subsidy grants	958,574	199,163	7,014	-	-	1,164,751
Total revenues	<u>1,798,347</u>	<u>199,163</u>	<u>7,014</u>	<u>-</u>	<u>110,202</u>	<u>2,114,726</u>
OPERATING EXPENSES						
Personnel services - salaries and wages	510,042	14,004	416	-	4,979	529,441
Personnel services - employee benefits	320,307	8,916	161	-	1,316	330,700
Administrative	29,134	154	4	-	7,890	37,182
Professional fees	86,132	1,824	438	-	875	89,269
Advertising	18,494	316	8	-	565	19,383
Supplies	53,759	847	93	-	235	54,934
Memberships and dues	4,958	41	1	-	700	5,700
Tenant services	29,367	2,381	-	-	-	31,748
Utilities	394,070	60	2	-	13,155	407,287
Maintenance and repairs	565,155	-	-	-	19,629	584,784
Insurance	92,244	1,272	40	-	3,797	97,353
Housing assistance	-	163,114	2,820	-	-	165,934
Bad debt	33,732	-	-	-	524	34,256
Staff training	7,050	337	10	-	-	7,397
Travel	5,584	44	1	-	440	6,069
Depreciation	369,824	28	-	-	17,645	387,497
Total operating expenses	<u>2,519,852</u>	<u>193,338</u>	<u>3,994</u>	<u>-</u>	<u>71,750</u>	<u>2,788,934</u>
Operating income (loss)	(721,505)	5,825	3,020	-	38,452	(674,208)
NON-OPERATING REVENUES (EXPENSES)						
Capital grants	730,892	-	-	-	-	730,892
Interest income	196	7	4	-	2	209
Miscellaneous income	33,689	904	-	-	2,130	36,723
Gain (loss) on disposal of capital assets	(1,276)	-	-	-	-	(1,276)
Interest expense - non-operating	-	-	-	-	(31,506)	(31,506)
Total non-operating revenues (expenses)	<u>763,501</u>	<u>911</u>	<u>4</u>	<u>-</u>	<u>(29,374)</u>	<u>735,042</u>
Change in net position	41,996	6,736	3,024	-	9,078	60,834
Beginning net position	7,143,993	40,442	29,587	(46,663)	1,327	7,168,686
Ending net position	<u>\$ 7,185,989</u>	<u>47,178</u>	<u>32,611</u>	<u>(46,663)</u>	<u>10,405</u>	<u>7,229,520</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, 2020**

	Low-Rent Public Housing (01 & 02)	Section 8 Housing Choice Vouchers (03)	Moderate Rehabilitation Single-Room Occupancy (06)	State & Local (07)	Management Fund Account (08)	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from tenants	\$ 810,440	10,654	-	-	119,622	940,716
Payments to employees	(750,634)	(19,074)	(577)	-	(5,865)	(776,150)
Payments to suppliers	(1,200,691)	(173,326)	7,064	-	(34,746)	(1,401,699)
Receipts from subsidy grants	958,574	199,163	7,014	-	-	1,164,751
<i>Net cash provided (used) by operating activities</i>	<u>(182,311)</u>	<u>17,417</u>	<u>13,501</u>	<u>-</u>	<u>79,011</u>	<u>(72,382)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Miscellaneous income	33,689	904	-	-	2,130	36,723
<i>Net cash provided (used) by non-capital and related financing activities</i>	<u>33,689</u>	<u>904</u>	<u>-</u>	<u>-</u>	<u>2,130</u>	<u>36,723</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(419,895)	-	-	-	(1,150,000)	(1,569,895)
Capital grants	730,892	-	-	-	-	730,892
Proceeds from issuance of debt	-	-	-	-	1,150,000	1,150,000
Principal payments	-	-	-	-	(22,652)	(22,652)
Interest payments	-	-	-	-	(31,506)	(31,506)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>310,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,158)</u>	<u>256,839</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	196	7	4	-	2	209
<i>Net cash provided (used) by investing activities</i>	<u>196</u>	<u>7</u>	<u>4</u>	<u>-</u>	<u>2</u>	<u>209</u>
Net increase (decrease) in cash and cash equivalents	162,571	18,328	13,505	-	26,985	221,389
Balances-beginning of year	669,335	70,688	33,852	-	2,248	776,123
Balances-end of year	<u>\$ 831,906</u>	<u>89,016</u>	<u>47,357</u>	<u>-</u>	<u>29,233</u>	<u>997,512</u>
Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:						
Operating income/(loss)	\$ (721,505)	5,825	3,020	-	38,452	(674,208)
Depreciation expense	369,824	28	-	-	17,645	387,497
Pension expense	111,251	4,577	-	-	-	115,828
OPEB expense	(45,703)	(1,096)	-	-	-	(46,799)
Bad debt expense	33,732	-	-	-	524	34,256
Change in assets and liabilities:						
Receivables	(39,446)	4,151	-	-	(2,600)	(37,895)
Prepaid expenses	7,350	139	-	-	-	7,489
Inventory	(113)	-	-	-	(725)	(838)
Accounts payable	85,538	(238)	10,233	-	3,157	98,690
Accrued liabilities	7,757	39	-	-	300	8,096
Due from/to	(7,519)	(2,837)	248	-	10,108	-
Tenant security deposits	2,800	-	-	-	10,200	13,000
Unearned revenue	7,313	6,503	-	-	1,820	15,636
Compensated absences	6,410	326	-	-	130	6,866
<i>Net cash provided (used) by operating activities</i>	<u>\$ (182,311)</u>	<u>17,417</u>	<u>13,501</u>	<u>-</u>	<u>79,011</u>	<u>(72,382)</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, 2020**

NOTE 1—ENTITY AND 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.

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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.

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

**STATE OF NEW MEXICO
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operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted; and unrestricted components.

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

C. Revenue Recognition

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

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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.

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 \$71,717, 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 \$71,717 is reported as restricted, as the use of those funds is limited.

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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 \$10,939 at June 30, 2020.

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:

Classification	Estimated Useful Life
Buildings and improvements	40 years
Equipment - dwelling	5 - 7 years
Equipment - administration	5 - 7 years

J. Accrued Expenses

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

K. Compensated Absences

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

Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the program that will pay it. Amounts of vested or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.
2. *Restricted net position* – Consist of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.
3. *Unrestricted net position* – Consist of assets, deferred outflows, less liabilities, deferred inflows, after the amount invested in capital assets and any restricted and designated net position have been subtracted.

M. Unrestricted and Restricted Resources

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

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

N. Inter-program Transactions

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

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

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

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GALLUP HOUSING AUTHORITY
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O. Use of Estimates in Preparation of Financial Statements

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, 2020 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, 2020:

Deferred Outflows of Resources	
	2020
Pension deferrals	\$ 154,480
OPEB deferrals	10,933
Total deferred outflows of resources	\$ 165,413

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, 2020:

Deferred Inflows of Resources	
	2020
Pension deferrals	\$ 32,938
OPEB deferrals	236,860
Total deferred inflows of resources	\$ 269,798

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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, 2020, 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:

Cash and Cash Equivalents	2020
Unrestricted	
Pinnacle Bank	\$ 829,841
US Bank	92,704
Wells Fargo	3,000
Petty cash	250
Total unrestricted	925,795
Restricted Cash	
Pinnacle Bank	
Low rent tenant security deposits	56,886
Mesa security deposits	10,200
Mesa reserves	4,631
Total Pinnacle Bank	71,717
Total restricted	71,717
Total cash and cash equivalents	\$ 997,512

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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, 2020.

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

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

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

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

Specific details of the collateralization of the Housing Authority’s deposits are included on the Schedule of Cash, 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, 2020, the Housing Authority’s bank and investment balances of \$837,682 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured, collateral held by the pledging banks, but not in the name of the Housing Authority		665,232
	\$	<u>665,232</u>

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As of June 30, 2020, 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.

NOTE 3—RECEIVABLES

As of June 30, 2020 the Housing Authority had the following outstanding receivables:

Type	2020
Grants receivable	\$ 82,277
Tenant receivables	5,532
Other receivables	1,698
Allowance for doubtful accounts	(1,718)
Total	\$ 87,789

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, 2020.

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, 2020 are as follows:

Due From Fund	Due To Fund	2020
(03) Section 8 Housing Choice Vouchers Program	(01 & 02) Low-Rent Public Housing	\$ 1,439
(08) Management Fund Account	(01 & 02) Low-Rent Public Housing	11,029
(06) Moderate Rehabilitation Single-Room Occupancy	(03) Section 8 Housing Choice Vouchers Program	780
		\$ 13,248

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The following interfund receivables/payables are not expected to be repaid within one year. Non-current interfund balances as of June 30, 2020 are as follows:

Due From Fund	Due To Fund	2020
(07) State & Local	(01 & 02) Low-Rent Public Housing	\$ 46,663
		\$ 46,663

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.

NOTE 5—ACCRUED LIABILITIES

Accrued liabilities at June 30, consist of the following:

Type	2020
Accrued payroll liabilities	\$ 24,027
Accrued taxes and benefits	4,433
Total	\$ 28,460

NOTE 6—UNEARNED REVENUE

Unearned revenues at June 30, consist of the following:

Type	2020
Tenant prepaid rent	\$ 20,216
Unearned grant revenue	5,202
Total	\$ 25,418

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NOTE 7—PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

	Balance 2019	Additions	Deletions	Balance 2020
Capital assets not being depreciated:				
Land	\$ 1,593,833	115,380	-	1,709,213
Construction in progress	51,275	232,968	-	284,243
Total capital assets not being depreciated	<u>1,645,108</u>	<u>348,348</u>	<u>-</u>	<u>1,993,456</u>
Capital assets being depreciated:				
Buildings and improvements	14,136,774	1,142,771	-	15,279,545
Equipment - dwellings	56,659	-	-	56,659
Equipment - administration	519,845	78,776	(42,169)	556,452
Total capital assets being depreciated	<u>14,713,278</u>	<u>1,221,547</u>	<u>(42,169)</u>	<u>15,892,656</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,128,651)	(354,912)	-	(8,483,563)
Equipment - dwellings	(56,659)	-	-	(56,659)
Equipment - administration	(464,531)	(32,585)	40,893	(456,223)
Total accumulated depreciation	<u>(8,649,841)</u>	<u>(387,497)</u>	<u>40,893</u>	<u>(8,996,445)</u>
Total capital assets being depreciated	<u>6,063,437</u>	<u>834,050</u>	<u>(1,276)</u>	<u>6,896,211</u>
Capital assets, net	<u>\$ 7,708,545</u>	<u>1,182,398</u>	<u>(1,276)</u>	<u>8,889,667</u>

For the year ended June 30, 2020, depreciation expense was \$387,497. As of the year ended June 30, 2020, the Housing Authority had no idle equipment.

NOTE 8—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Balance 2019	Additions	Deletions	Balance 2020	Due Within One Year
Compensated absences	\$ 47,038	39,568	(32,702)	53,904	20,321
Loans payable	-	1,150,000	(22,652)	1,127,348	35,401
Net pension liability	832,261	116,856	(45,483)	903,634	-
Net OPEB liability	464,404	-	(118,117)	346,287	-
Total	<u>\$ 1,343,703</u>	<u>1,306,424</u>	<u>(218,954)</u>	<u>2,431,173</u>	<u>55,722</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal years 2020 or 2019.

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Notes and Loans Payable

The Authority has the following notes and loans to service. Details are as follows:

Description	Date of Issue	Due Date	Original Issue	Outstanding Balance	Rate
Mesa apartments - Pinnacle Bank	10/25/2019	10/15/2024	\$ 1,020,000	1,003,909	4.45%
Mesa apartments - Armstrong Trust	12/1/2019	11/30/2024	130,000	123,439	3.00%
Total			<u>\$ 1,150,000</u>	<u>1,127,348</u>	

\$1,020,000 Mesa Apartments – Pinnacle Bank

The Housing Authority authorized the issuance of a \$1,020,000 promissory note from Pinnacle Bank for the purchase of the Mesa Apartments. Payments are due monthly, ending October 15, 2024 at an interest rate of 4.45%. The Housing Authority will pay 59 regular payments of \$5,671.39 and one last payment estimated at \$901,025.59. The loan is collateralized by a 1st mortgage and associated assignment of rents and leases on the property located 710 – 714 E Mesa Ave Gallup, NM 87301. Additionally, a fund of 4% gross revenues on project are placed into a reserve account assigned to Pinnacle Bank for the purpose of capital improvements.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreements. Upon default, including failure to pay upon final maturity, the interest rate on the Note will be increased to 24.00%. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default the Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law; accelerate indebtedness, Uniform Commercial Code remedies, collect rents, appoint receiver, judicial foreclosure, deficiency judgement, tenancy at sufferance.

The annual principal and interest requirements on the notes and loans outstanding as of June 30, 2020 are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 23,883	44,174	68,057
2022	24,968	43,089	68,057
2023	26,102	41,955	68,057
2024	27,287	40,769	68,056
2025	901,669	10,001	911,670
	<u>\$ 1,003,909</u>	<u>179,988</u>	<u>1,183,897</u>

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\$130,000 Mesa Apartments – Armstrong Trust

The Housing Authority authorized the issuance of a \$130,000 promissory note from the Armstrong Revocable trust for the purchase of the Mesa Apartments. Payments are due monthly, ending November 30, 2024 at an interest rate of 3.00%. The Housing Authority will make regular payments of \$1,255.29 beginning on December 2, 2019 and equal payments of the same amount on the 1st day of each month until November 30, 2024, at which time all remaining principal and interest is due. The loan is collateralized by the property located 710 – 714 E Mesa Ave Gallup, NM 87301. Additionally, a fund of 4% gross revenues on project are placed into a reserve account assigned to Pinnacle Bank for the purpose of capital improvements.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreements. If any installment of this note is not paid when due, at the election of holder of the note the entire amount shall become payable and shall bear interest at the rate of ten (10%) percent per year.

The annual principal and interest requirements on the notes and loans outstanding as of June 30, 2020 are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 11,518	3,546	15,064
2022	11,868	3,195	15,063
2023	12,229	2,834	15,063
2024	12,601	2,462	15,063
2025	75,223	1,088	76,311
	\$ 123,439	13,125	136,564

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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.

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 9.80% 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:

	<u>Housing Authority Required by PERA</u>	<u>Housing Authority Pick-Up</u>	<u>Housing Authority With Pick-Up</u>	<u>Employee</u>	<u>Total</u>
Regular members <\$20,000	9.80%	10.99%	20.79%	2.16%	22.95%
Regular members >\$20,000	9.80%	10.99%	20.79%	3.66%	24.45%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Housing Authority contributions	\$ 52,120	43,734	40,415
Housing Authority contributions picked up on behalf of employee	58,870	50,337	46,502
Employee contributions	18,907	16,804	15,489
Total contributions	<u>\$ 129,897</u>	<u>110,875</u>	<u>102,406</u>

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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 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

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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, 2020.

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

At June 30, 2020, the Housing Authority reported a liability of \$903,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. 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, 2019, the Housing Authority’s proportion was 0.0522%, which was no change from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Housing Authority recognized PERA Fund Division; Municipal General Division pension expense of \$169,697.

At June 30, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Municipal General Division</u>		
Differences between expected and actual experience	\$ 27,092	9,775
Changes of assumptions	40,293	2,226
Net difference between projected and actual earnings on pension plan investments	30,450	-
Change in proportion and differences between Housing Authority contributions and proportionate share of contributions	4,525	20,937
Housing Authority contributions subsequent to the measurement date	52,120	-
Total	\$ <u>154,480</u>	<u>32,938</u>

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\$52,120 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2021	\$ 40,810
2022	9,459
2023	14,143
2024	5,010
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization period	Level Percentage of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% 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, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 actuarial valuation.

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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 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	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	
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, 2019. 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 - Municipal General Division</u>	<u>1% Decrease (6.25)%</u>	<u>Current Discount Rate (7.25)%</u>	<u>1% Increase (8.25)%</u>
Housing Authority's proportionate share of the net pension liability	\$ <u>1,366,692</u>	\$ <u>903,634</u>	\$ <u>520,516</u>

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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, 2020, the Housing Authority had no outstanding contributions due to PERA for the year ended June 30, 2020.

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:

	2020	2019	2018
Housing Authority contributions	\$ 10,933	9,454	9,221
Employee contributions	5,467	4,725	4,921
Total contributions	<u>\$ 16,400</u>	<u>14,179</u>	<u>14,142</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, 2019, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	<u>154,177</u>
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal fire	1,966
Educational Retirement Board	49,492
	<u>91,082</u>

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

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circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Housing Authority were \$10,933 for the year ended June 30, 2020.

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

At June 30, 2020, the Housing Authority reported a liability of \$346,287 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019. At June 30, 2019, the Housing Authority’s proportion was 0.01068 percent.

For the year ended June 30, 2020, the Housing Authority recognized OPEB income of \$35,865. At June 30, 2020 the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	87,143
Net difference between actual and projected earnings on OPEB plan investments	-	3,220
Changes of assumptions	-	111,765
Changes in proportion	-	34,732
Contributions subsequent to the measurement date	10,933	-
Total	\$ 10,933	236,860

Deferred outflows of resources totaling \$10,933 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, 2021. 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:	
2021	\$ (64,072)
2022	(64,072)
2023	(57,128)
2024	(35,958)
2025	(15,630)
Total	\$ (236,860)

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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions	
Inflation	2.50% for ERB members, 2.50% for PERA members
Projected salary increases	3.25% to 13.50%, 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-2014 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:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
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%

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Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the 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, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.16% 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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

1% Decrease (3.16%)	Current Discount (4.16%)	1% Increase (5.16%)
\$ <u>423,593</u>	\$ <u>346,287</u>	\$ <u>285,518</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:

1% Decrease	Current Trend Rate	1% Increase
\$ <u>288,306</u>	\$ <u>346,287</u>	\$ <u>392,709</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, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2020, the Housing Authority had no outstanding contributions due to NMRHCA for the year ended June 30, 2020.

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

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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, 2020.

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, 2020, 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 maintained a deficit fund balance at June 30, 2020:

<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.

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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***

	2020	2019	2018	2017	2016	2015
	Measurement Date as of					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2015
The Housing Authority's proportion of the net pension liability (asset) (%)	0.0522%	0.0522%	0.0556%	0.0542%	0.0502%	0.0500%
The Housing Authority's proportionate share of the net pension liability (asset) (\$)	\$ 903,634	832,261	763,991	865,934	511,832	390,054
The Housing Authority's covered payroll	\$ 457,948	423,194	488,366	464,869	429,686	413,066
The Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	197%	197%	156%	186%	119%	94%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	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***

	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$ 52,120	43,734	40,415	46,639	44,395	41,035
Contributions in relation to the statutorily required contribution	52,120	43,734	40,415	46,639	44,395	41,035
Contribution deficiency (excess)	\$ -	-	-	-	-	-

**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, 2020**

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 2019 report is available at <http://www.nmpera.org/>

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

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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>2020</u>	<u>2019</u>	<u>2018</u>
	<u>Measurement Date as of</u>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
The Housing Authority's proportion of the net OPEB liability (asset) (%)	0.01068%	0.01068%	0.01164%
The Housing Authority's proportionate share of the net OPEB liability (asset) (\$)	\$ 346,287	464,404	527,487
The Housing Authority's covered-employee payroll	\$ 445,669	458,238	484,881
The Housing Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	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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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF GALLUP HOUSING AUTHORITY'S CONTRIBUTIONS OPEB PLAN
LAST 10 FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 9,454	16,689	36,962
Contributions in relation to the statutorily required contribution	<u>9,454</u>	<u>16,486</u>	<u>18,551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>203</u>	<u>18,411</u>
Housing Authority's covered-employee payroll	\$ 445,669	458,238	484,881
Contributions as a percentage of covered-employee payroll	2.12%	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, 2020**

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 2019 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, 2020**

Financial Institution	Account Type	Pinnacle Bank	US Bank	Wells Fargo	Petty Cash	Reconciling Items	Book Balance
Cash and cash equivalents							
Low Rent Public Housing	Checking*	\$ 694,146	-	-	-	(15,080)	679,066
Low Rent Security Deposit	Checking*	54,091	-	-	-	2,795	56,886
Section 8	Checking*	89,016	-	-	-	-	89,016
SRO	Checking*	47,357	-	-	-	-	47,357
Management Fund Account	Checking*	14,791	-	-	-	(389)	14,402
Mesa Security Deposits	Checking*	11,200	-	-	-	(1,000)	10,200
Mesa Reserves	Savings*	4,631	-	-	-	-	4,631
Modernization	Checking	-	95,404	-	-	(2,700)	92,704
Wells Fargo Bank	Checking*	-	-	3,000	-	-	3,000
Petty cash	Petty cash	-	-	-	250	-	250
Total cash and cash equivalents		<u>\$ 915,232</u>	<u>95,404</u>	<u>3,000</u>	<u>250</u>	<u>(16,374)</u>	<u>997,512</u>
Total amount of deposit in bank		\$ 915,232	95,404	3,000	-	-	-
FDIC/NCUA coverage		(250,000)	(95,404)	(3,000)	-	-	-
Total uninsured public funds		665,232	-	-	-	-	-
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		<u>332,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		332,616	-	-	-	-	-
Pledged security at:							
Pinnacle Bank - FNMA MA1366 3.00% - 31418AQU5 3/1/2033		448,298	-	-	-	-	-
Pinnacle Bank - GNMA2 4202 4.50% - 36202EU31 8/20/2023		15,307	-	-	-	-	-
Pinnacle Bank - GNMA 10 151 KG 2.50% - 38377NKA1 9/16/2039		98,662	-	-	-	-	-
Total collateral		<u>562,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount over/(under) collateralized		<u>\$ 229,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount over/(under) collateralized & insured		<u>\$ 479,651</u>	<u>95,404</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total book balance		<u>\$ 886,727</u>	<u>92,704</u>	<u>3,000</u>	<u>250</u>	<u>-</u>	<u>-</u>

*denotes interest bearing account

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GALLUP HOUSING AUTHORITY
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FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2020**

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HVC CARES Act Funding	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	8 Other Federal Program	2 State/ Local	1 Business Activities	Subtotal	ELIM	Total
111	Cash - Unrestricted	\$ 775,020	72,042	-	-	47,357	-	-	19,033	913,452	-	913,452
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	11,772	5,202	-	-	-	-	-	16,974	-	16,974
114	Cash - Tenant Security Deposits	56,886	-	-	-	-	-	-	10,200	67,086	-	67,086
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
100	Total Cash	831,906	83,814	5,202	-	47,357	-	-	29,233	997,512	-	997,512
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	77,627	-	-	4,380	-	270	-	-	82,277	-	82,277
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	3,456	-	-	-	-	-	-	2,076	5,532	-	5,532
126.1	Allowance for Doubtful Accounts - Tenants	(1,718)	-	-	-	-	-	-	-	(1,718)	-	(1,718)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-	-	-
128	Fraud Recovery	4,301	-	-	-	-	-	-	-	4,301	-	4,301
128.1	Allowance for Doubtful Accounts - Fraud	(2,603)	-	-	-	-	-	-	-	(2,603)	-	(2,603)
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	81,063	-	-	4,380	-	270	-	2,076	87,789	-	87,789
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	10,720	219	-	-	-	-	-	-	10,939	-	10,939
143	Inventories	52,360	-	-	-	-	-	-	725	53,085	-	53,085
143.1	Allowance for Obsolete Inventories	(5,236)	-	-	-	-	-	-	-	(5,236)	-	(5,236)
144	Inter Program Due From	63,781	780	-	-	-	-	-	-	64,561	(64,561)	-
145	Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	1,034,594	84,813	5,202	4,380	47,357	270	-	32,034	1,208,650	(64,561)	1,144,089
161	Land	1,593,833	-	-	-	-	-	-	115,380	1,709,213	-	1,709,213
162	Buildings	14,244,925	-	-	-	-	-	-	1,034,620	15,279,545	-	15,279,545
163	Furniture, Equipment & Machinery - Dwellings	56,659	-	-	-	-	-	-	-	56,659	-	56,659
164	Furniture, Equipment & Machinery - Administration	541,510	14,942	-	-	-	-	-	-	556,452	-	556,452
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(8,963,905)	(14,895)	-	-	-	-	-	(17,645)	(8,996,445)	-	(8,996,445)
167	Construction in Progress	284,243	-	-	-	-	-	-	-	284,243	-	284,243
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	7,757,265	47	-	-	-	-	-	1,132,355	8,889,667	-	8,889,667
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	-	-	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	7,757,265	47	-	-	-	-	-	1,132,355	8,889,667	-	8,889,667
200	Deferred Outflow of Resources	164,196	1,217	-	-	-	-	-	-	165,413	-	165,413
290	Total Assets and Deferred Outflow of Resources	\$ 8,956,055	86,077	5,202	4,380	47,357	270	-	1,164,389	10,263,730	(64,561)	10,199,169

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

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2020**

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HVC CARES Act Funding	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	8 Other Federal Program	2 State/ Local	1 Business Activities	Subtotal	ELIM	Total
311	Bank Overdraft	\$ -	-	-	-	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	103,679	256	-	-	-	-	-	1,790	105,725	-	105,725
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	27,522	638	-	-	-	-	-	-	28,160	-	28,160
322	Accrued Compensated Absences - Current Portion	19,856	230	-	-	-	-	-	430	20,516	-	20,516
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	13,966	-	-	-	13,966	-	13,966
332	Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-	-	-	-	-	-	-
341	Tenant Security Deposits	56,886	-	-	-	-	-	-	10,200	67,086	-	67,086
342	Unearned Revenue	17,095	1,301	5,202	-	-	-	-	1,820	25,418	-	25,418
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	35,401	35,401	-	35,401
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	26,657	-	-	-	-	-	-	1,367	28,024	-	28,024
347	Inter Program - Due To	-	1,439	-	4,380	780	270	46,663	11,029	64,561	(64,561)	-
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	251,695	3,864	5,202	4,380	14,746	270	46,663	62,037	388,857	(64,561)	324,296
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	1,091,947	1,091,947	-	1,091,947
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	33,248	439	-	-	-	-	-	-	33,687	-	33,687
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	1,223,445	26,476	-	-	-	-	-	-	1,249,921	-	1,249,921
350	Total Non-Current Liabilities	1,256,693	26,915	-	-	-	-	-	1,091,947	2,375,555	-	2,375,555
300	Total Liabilities	1,508,388	30,779	5,202	4,380	14,746	270	46,663	1,153,984	2,764,412	(64,561)	2,699,851
400	Deferred Inflow of Resources	261,678	8,120	-	-	-	-	-	-	269,798	-	269,798
508.4	Net Investment in Capital Assets	7,757,265	47	-	-	-	-	-	5,007	7,762,319	-	7,762,319
511.4	Restricted Net Position	-	11,772	-	-	-	-	-	-	11,772	-	11,772
512.4	Unrestricted Net Position	(571,276)	35,359	-	-	32,611	-	(46,663)	5,398	(544,571)	-	(544,571)
513	Total Equity - Net Assets / Position	7,185,989	47,178	-	-	32,611	-	(46,663)	10,405	7,229,520	-	7,229,520
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 8,956,055	86,077	5,202	4,380	47,357	270	-	1,164,389	10,263,730	(64,561)	10,199,169

**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, 2020**

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HVC CARES Act Funding	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	8 Other Federal Program	2 State/ Local	1 Business Activities	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 810,749	-	-	-	-	-	-	108,590	919,339	-	919,339
70400	Tenant Revenue - Other	25,695	-	-	-	-	-	-	1,612	27,307	-	27,307
70500	Total Tenant Revenue	836,444	-	-	-	-	-	-	110,202	946,646	-	946,646
70600	HUD PHA Operating Grants	1,237,206	198,807	22,027	356	7,014	89,113	-	-	1,554,523	-	1,554,523
70610	Capital Grants	341,120	-	-	-	-	-	-	-	341,120	-	341,120
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	196	7	-	-	4	-	-	2	209	-	209
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud Recovery	3,642	-	-	-	-	-	-	-	3,642	-	3,642
71500	Other Revenue	33,376	904	-	-	-	-	-	2,130	36,410	-	36,410
71600	Gain or Loss on Sale of Capital Assets	(1,276)	-	-	-	-	-	-	-	(1,276)	-	(1,276)
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-
70000	Total Revenue	2,450,708	199,718	22,027	356	7,018	89,113	-	112,334	2,881,274	-	2,881,274
91100	Administrative Salaries	273,911	14,004	-	-	416	-	-	4,979	293,310	-	293,310
91200	Auditing Fees	15,620	166	-	-	395	-	-	2	16,183	-	16,183
91300	Management Fee	-	-	-	-	-	-	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-	-	-	-	-	-	-
91400	Advertising and Marketing	15,723	283	2,770	33	8	-	-	565	19,382	-	19,382
91500	Employee Benefit contributions - Administrative	143,743	7,771	-	-	127	-	-	1,186	152,827	-	152,827
91600	Office Expenses	114,310	3,737	5,432	111	111	-	-	2,503	126,204	-	126,204
91700	Legal Expense	21,035	1,117	1,536	31	33	-	-	873	24,625	-	24,625
91800	Travel	5,584	44	-	-	1	-	-	440	6,069	-	6,069
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-
91900	Other	38,539	300	-	-	9	14,563	-	7,890	61,301	-	61,301
91000	Total Operating - Administrative	628,465	27,422	9,738	175	1,100	14,563	-	18,438	699,901	-	699,901
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	2,315	-	-	-	-	-	-	-	2,315	-	2,315
92500	Total Tenant Services	2,315	-	-	-	-	-	-	-	2,315	-	2,315

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

**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, 2020**

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HVC CARES Act Funding	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	8 Other Federal Program	2 State/ Local	1 Business Activities	Subtotal	ELIM	Total
93100	Water	105,736	-	-	-	-	-	-	5,035	110,771	-	110,771
93200	Electricity	104,744	-	-	-	-	-	-	643	105,387	-	105,387
93300	Gas	51,133	-	-	-	-	-	-	699	51,832	-	51,832
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	59,589	-	-	-	-	-	-	2,809	62,398	-	62,398
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	19,398	-	-	-	-	-	-	930	20,328	-	20,328
93000	Total Utilities	340,600	-	-	-	-	-	-	10,116	350,716	-	350,716
94100	Ordinary Maintenance and Operations - Labor	236,131	-	-	-	-	-	-	-	236,131	-	236,131
94200	Ordinary Maintenance and Operations - Materials and Other	202,488	-	425	-	-	-	-	5,095	208,008	-	208,008
94300	Ordinary Maintenance and Operations Contracts	326,350	-	341	-	-	74,550	-	16,005	417,246	-	417,246
94500	Employee Benefit Contributions - Ordinary Maintenance	123,723	-	-	-	-	-	-	-	123,723	-	123,723
94000	Total Maintenance	888,692	-	766	-	-	74,550	-	21,100	985,108	-	985,108
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-	-	-	-
95300	Protective Services - Other	-	-	11,523	181	-	-	-	-	11,704	-	11,704
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-	-	-	-
95000	Total Protective Services	-	-	11,523	181	-	-	-	-	11,704	-	11,704
96110	Property Insurance	56,284	793	-	-	26	-	-	2,819	59,922	-	59,922
96120	Liability Insurance	26,405	479	-	-	14	-	-	978	27,876	-	27,876
96130	Workmen's Compensation	14,395	182	-	-	5	-	-	-	14,582	-	14,582
96140	All Other Insurance	9,555	-	-	-	-	-	-	-	9,555	-	9,555
96100	Total Insurance Premiums	106,639	1,454	-	-	45	-	-	3,797	111,935	-	111,935
96200	Other General Expenses	-	-	-	-	-	-	-	-	-	-	-
96210	Compensated Absences	38,445	964	-	-	29	-	-	130	39,568	-	39,568
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	33,732	-	-	-	-	-	-	524	34,256	-	34,256
96500	Bad debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-	-	-	-	-
96000	Total Other General Expenses	72,177	964	-	-	29	-	-	654	73,824	-	73,824
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	31,506	31,506	-	31,506
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-	31,506	31,506	-	31,506
96900	Total Operating Expenses	2,038,888	29,840	22,027	356	1,174	89,113	-	85,611	2,267,009	-	2,267,009
97000	Excess of Operating Revenue over Operating Expenses	411,820	169,878	-	-	5,844	-	-	26,723	614,265	-	614,265

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

**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, 2020**

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.HCC HVC CARES Act Funding	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	8 Other Federal Program	2 State/ Local	1 Business Activities	Subtotal	ELIM	Total
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	163,114	-	-	2,820	-	-	-	165,934	-	165,934
97350	HAP Portability-In	-	-	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	369,824	28	-	-	-	-	-	17,645	387,497	-	387,497
97500	Fraud Losses	-	-	-	-	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-	-	-
90000	Total Expenses	2,408,712	192,982	22,027	356	3,994	89,113	-	103,256	2,820,440	-	2,820,440
10010	Operating Transfer In	131,401	-	-	-	-	-	-	-	131,401	(131,401)	-
10020	Operating Transfer Out	(131,401)	-	-	-	-	-	-	-	(131,401)	131,401	-
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	-	-	-	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	41,996	6,736	-	-	3,024	-	-	9,078	60,834	-	60,834
11020	Required Annual Debt Principal Payments	\$ -	-	-	-	-	-	-	-	-	-	-
11030	Beginning Equity	7,143,993	40,442	-	-	29,587	-	(46,663)	1,327	7,168,686	-	7,168,686
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	-	35,406	-	-	-	-	-	-	35,406	-	35,406
11180	Housing Assistance Payments Equity	-	11,772	-	-	-	-	-	-	11,772	-	11,772
11190	Unit Months Available	3,156	404	-	-	48	-	-	192	3,800	-	3,800
11210	Number of Unit Months Leased	3,081	352	-	-	12	-	-	184	3,629	-	3,629
11270	Excess Cash	\$ 576,679	-	-	-	-	-	-	-	576,679	-	576,679
11610	Land Purchases	-	-	-	-	-	-	-	-	-	-	-
11620	Building Purchases	\$ 341,120	-	-	-	-	-	-	-	341,120	-	341,120
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-	-	-

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

**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, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Housing Choice Voucher Program	14.871	\$ 198,807
Housing Choice Voucher Program (CARES Act.)	14.871	356
Low Rent Public Housing Program	14.850	847,434
Low Rent Public Housing Program (CARES Act.)	14.850	22,027
Lead-Based Paint	14.888	89,113
Public Housing Capital Fund Program	* 14.872	730,892
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	7,014
Total Direct from U.S. Housing and Urban Development		1,895,643
Total Expenditures of Federal Awards		\$ 1,895,643

* = Denotes major program

Reconciliation of federal expenditures to federal revenues:

Federal revenue per Statement of Activities	\$ 1,895,643
Federal awards expended per SEFA	1,895,643
Difference	\$ -

Notes to Schedule of Expenditures of Federal Awards

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, 2020.

3 - Subrecipients

The organization provided no federal awards presented above to subrecipients during the year.

4 - Federal Insurance

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

5 - Indirect Cost Rate

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



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, 2020, 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 November 20, 2020.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

Housing Authority's Response to Findings

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

Purpose of This Report

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 20, 2020



**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, 2020. 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 20, 2020

**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, 2020**

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 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, 2020**

Findings				
Reference #	Description	Current or Prior Year Finding	Status of Findings	Type of Finding*
2020-001	Unauthorized Release of Audit Results	Current Year	New	G

* 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

2020-001 – UNAUTHORIZED RELEASE OF AUDIT RESULTS

Type of Finding: (G) Non-compliance with State Audit Rule, NM State Statutes, NMAC, or Other Entity Compliance

Statement of Condition

The Housing Authority released the results of the 2020 audit in the November 6, 2020 Gallup Sun news publication, prior to the release by the Office of the State Auditor.

Criteria

In accordance with 2.2.2.10(M)(3) NMAC, agency’s personnel and independent public accountant shall not release information to the public relating to the audit until the report is released by the Office of the State Auditor (OSA) and has become public record. The audit report becomes a public document 5 days from the date OSA issues the release letter.

Cause

The Housing Authority was not aware of the OSA confidentiality requirements.

Effect

The Housing Authority released results of the 2020 audit to the public before OSA gave approval.

**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, 2020**

Recommendation

We recommend the Housing Authority follows the OSA rules in connection with the release of information relating to the audit.

View of Responsible Officials and Corrective Action Plan

The publication of the History of Audits from 2014 through 2020 was done with no intention to violate state law. The misunderstanding on the part of management was with reference to the “actual release of the draft audit report itself”. Now that it was been clarified to GHA management, any such placement of any history in the future will not be done until the audit becomes a public document.

Finding resolution timeline: This finding has already been resolved.

Designation of employee position responsible for meeting this deadline: Executive Director and Board of Directors

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
Exit Conference
For the Year Ended June 30, 2020**

An exit conference was held in a closed session on November 20, 2020, at the Housing Authority's offices in Gallup, New Mexico. In attendance were the following:

Representing the Housing Authority:

Richard F. Kontz	Executive Director
James Roger Morris	Board Vice-Chair
Jim Saucedo	Commissioner

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, 2020, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.