



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, 2023

2500 9th St. NW
Albuquerque, NM 87102
505.883.8788
www.HL-cpas.com

**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, 2023**

Table of Contents

	Page
INTRODUCTORY SECTION	
Table of Contents	i
Official Roster	1
FINANCIAL SECTION	
Independent Auditor's Report	2-6
Management Discussion and Analysis	7-16
Basic Financial Statements	
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Financial Statements	20-49
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Gallup Housing Authority's Proportionate Share of the Net Pension Liability	50
Schedule of the Gallup Housing Authority's Contributions	51
Schedule of Employer's Proportionate Share of the Net OPEB Liability	52
Schedule of Employer's Contributions OPEB Plan	53
SUPPLEMENTARY INFORMATION	
Non-Major Enterprise Fund Descriptions	54
Combining Statement of Net Position – Proprietary Funds	55
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	56
Combining Statement of Cash Flows – Proprietary Funds	57
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Cash, Cash Equivalents, and Pledged Collateral	58
Financial Data Schedule	59-63
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	64
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 <i>Government Auditing Standards</i>	65-66
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Required by Uniform Guidance	67-70
Schedule of Findings and Questioned Costs	71-72
Independent Auditor's Report on Applying Agreed-Upon Procedures	73-75
EXIT CONFERENCE	76

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
AS OF JUNE 30, 2023**

Board of Commissioners

Board Member	Title
Alfred Abeita	Board Chairman
James Roger Morris	Board Vice-Chair
Jim Saucedo	Commissioner
John Beck	Commissioner
Vacant	Resident Member

Administrative Officer

Name	Title
Richard Kontz	Executive Director



INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Commissioners and Management of
Gallup Housing Authority,
Joseph M. Maestas, P.E., State Auditor
State of New Mexico, Office of the State Auditor

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information 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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority, as of June 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of MatterAdoption of New Accounting Guidance

As discussed in Note A to the financial statements, the Housing Authority has adopted the new accounting guidance GASB 96, Subscription-Based Information Technology Arrangements, and GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements which are required for adoption for all fiscal years beginning subsequent to June 15, 2022. There was no material impact to the Housing Authority's financial statements for the year ended June 30, 2023, as a result of adopting GASB 94 and GASB 96. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary and Other Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, such information is 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 17, 2023, 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 solely 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 effectiveness of the Housing Authority's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.

Albuquerque, NM

November 17, 2023

**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, 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The primary focus of this MD&A is to discuss the financial statement for the fiscal year 2023 ending on June 30, 2023. 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 257 [97.7%] 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).
 - In 2018, Gallup Housing Authority applied for an Emergency Safety and Security grant offered under the CFP program and in September received a grant award notice for \$250,000. These funds are restricted to providing security and emergency lights, cameras and/or fencing for housing developments and office facilities experiencing higher than normal crime levels. A portion of the funds may be used for operating costs. As of June 30, 2023, GHA had expended and obligated \$241,764.04 leaving a remaining balance of \$8,235.96. This grant is scheduled for close-out and the expended funds will be recapped by HUD.
 - 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, assessments, and abatement

**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, 2023**

within five GHA housing developments. As of June 30, 2023, GHA had expended and obligated \$593,852.25 leaving a remaining balance of \$406,147.75. This grant is scheduled for close-out and the expended funds will be recapped by HUD.

- For 2020, GHA received CFP grant award of \$627,613 and has expended \$627,613 leaving a remaining balance of zero at 2023 Fiscal Year-end.
- For 2021, GHA received CFP grant award of \$661,111 and had expended \$661,111 as of February 28, 2023. Then HUD issued additional 2021 grants funds in the amount of \$3,012. These additional funds had not been expended as of 2023 Fiscal Year-end.
- For 2022, GHA received CFP grant award of \$812,777 and has expended and obligated \$530,961.35, leaving a remaining balance of \$281,815.65 at 2023 Fiscal Year-end.
- For 2023, GHA received CFP grant award of \$822,509 and has expended and obligated \$205,627, leaving a remaining balance of \$616,882 at 2023 Fiscal Year-end.

These financial 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

**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, 2023**

program. GHA is currently authorized to issue 38 regular section 8 vouchers and 25 VASH vouchers. GHA at fiscal year-end had eleven [11] tenants were housed under regular section 8 vouchers and twelve [12] tenants were housed under VASH vouchers for a total of twenty-three [23] 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 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).

Overview of the Financial Statements

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

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- The *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.
- The *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is principally the 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, 2023, to determine the change in net position for the fiscal year.

**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, 2023**

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 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, 2023.

Financial Highlights

- The Gallup Housing Authority's net position increased from \$7,429,877 to \$7,580,120, an increase of \$150,243 or 2%.
- Total Assets and Deferred Outflows increased from \$10,417,233 to \$10,516,003, an increase of \$98,770 or 1%.
- Total Liabilities and Deferred Inflows decreased from \$2,987,356 to \$2,935,883, a decrease of \$51,473 or 2%.
- Total revenues increased from \$2,910,855 to \$3,069,450, an increase of \$158,595 or 5%.
- Total expenses increased from \$2,810,910 to \$3,183,491, an increase of \$372,581 or 13%.
- In fiscal year 2023 the Housing Authority received a \$264,284 contribution from the closed Habitat of Humanity in Gallup of mortgage receivables.

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.

**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, 2023**

The table below provides the asset, liability, and net position (equity) comparisons for the years ended June 30, 2023, and June 30, 2022.

Summary of Statement of Net Position
As of June 30,

	2023	2022	Percent Change
Assets:			
Current assets	\$ 1,425,614	1,384,012	3%
Non-current assets	8,768,794	8,756,894	0%
Total assets	<u>10,194,408</u>	<u>10,140,906</u>	
Deferred outflows of resources	321,595	276,327	16%
Total assets and deferred outflows of resources	<u>\$ 10,516,003</u>	<u>10,417,233</u>	1%
Liabilities:			
Current liabilities	\$ 342,731	360,873	-5%
Non-current liabilities	2,283,605	2,117,845	8%
Total liabilities	<u>2,626,336</u>	<u>2,478,718</u>	6%
Deferred inflows of resources	309,547	508,638	-39%
Net position	<u>7,580,120</u>	<u>7,429,877</u>	2%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,516,003</u>	<u>10,417,233</u>	

Current Assets

Current assets increased from \$1,384,012 to \$1,425,614, an increase of \$41,602 or 3%. Unrestricted cash and cash equivalents increased from \$1,064,019 to \$1,256,051, an increase of \$192,032 from the previous year.

Non-current Assets

Non-current assets increased from \$8,756,494 to \$8,768,794, an increase of \$11,900 or 0.1%. Restricted cash and cash equivalents decreased from \$153,312 to \$80,994, a decrease of \$72,318 from the previous year.

**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, 2023**

Current Liabilities

Current liabilities decreased from \$360,873 to \$342,731, a decrease of \$18,142 or 5% from the previous year. This is primarily due to a decrease in accounts payable to vendors.

Non-Current Liabilities

Non-current liabilities increased from \$2,117,845 to \$2,283,605, an increase of \$165,760 or 8% from the previous year. This is primarily to increase in net pension liability.

Net Position

The overall net position increased from \$7,429,877 to \$7,580,120, an increase of \$48,848 or 1% from the previous year.

The Authority's unrestricted component of net position changed from \$(126,637) to \$9,324 for a 104% increase in the current year. The primary reason for the change is due to a positive change in net position from the non-cash contribution of mortgage receivables.

The table below summarizes the overall operations for the two years for the years ending June 30, 2023, and June 30, 2022.

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

	2023	2022	Percent Change
Revenues:			
Operating revenues	\$ 2,724,472	2,535,385	7%
Non-operating revenues (expenses)	344,978	375,470	-8%
Total revenues	<u>3,069,450</u>	<u>2,910,855</u>	5%
Expenses:			
Personnel services	991,005	778,252	27%
Other operating expenses	1,723,599	1,595,411	8%
Depreciation	468,887	437,247	7%
Total expenses	<u>3,183,491</u>	<u>2,810,910</u>	13%
Non-cash contribution of mortgage receivables	264,284	-	
Change in net position	<u>\$ 150,243</u>	<u>99,945</u>	

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

Revenues

- Revenues of the Authority are generated principally from Operating Subsidy and Capital Grants from the U.S. HUD, dwelling rents and various other tenant late fees, charges for damages and other charges/fees.
- The total HUD operating, and capital grant revenues amounted to \$1,873,170 during this fiscal year.
- Tenant rents amounted to \$1,232,954, which amounts to \$102,746 monthly. The increase from the previous 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 3,087 or 97.8% occupancy.
- Non-operating revenues and expenses decreased from \$375,470 to \$344,978. This is mostly due to a discount amortization loss related to the Habitat for Humanity mortgage receivables. Additionally, this area includes excess utility charges, late fees, interest expense.
- The Authority received \$145,151 in HAP funds this year which includes \$23,752 for Administrative Fees and \$121,399 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.
- Capital grants when awarded allow the Authority to obligate and expense them over a 3-year period. Housing Authorities are allowed to draw down funds to pay eligible expenditures. This fiscal year the Authority drew down and spent \$833,487 in capital grants which are used for both capital and operating expenses.
- Overall, total revenues increased from \$2,910,655 in FY2022 to \$3,069,450 in FY2023 a increase of \$158,595 or 5%.

**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, 2023**

Expenses

- Overall total expenses increased from \$2,810,910 in FY2022 to \$3,183,491 in FY2023, an increase of \$372,581 or 13%. This was mainly due to less “soft costs” being expensed to Maintenance and repair accounts from the Capital Fund program.
- Administrative costs decreased from \$52,837 last fiscal year to \$38,713 this fiscal year, a 27% decrease. This was due to the decreased expenses in sundry (Miscellaneous), administrative service contracts, and general cost cutting measures.
- Personnel Services (wages, salaries, taxes, and benefits) went from \$778,252 last fiscal year to \$963,689 an increase of \$185,437 or 24%. This was due to an increase in the hiring of staff for vacant positions and an increase in the PERA contribution rate.
- Professional fees increased from \$147,028 last fiscal year to \$162,248 this fiscal year an increase of \$15,220 or 10%. This was due to a new service agreement with the IT agency to provide increased Cybersecurity, ongoing Employee training on Cyber safety, and reoccurring IT services.
- Utilities, which include telephone, water, sewer, electricity, natural gas, garbage collection and other related utilities increased from \$570,745 last fiscal year to \$612,804 for this fiscal year, an increase of \$78,039 or 17%. This was due to City of Gallup utility increases.
- General maintenance to repair and maintain all housing units and Authority property and equipment increased from \$459,179 last fiscal year to \$537,218 this fiscal year, an increase of \$78,039 or 17%. This includes general repair and dealing with site issues as well as refurbishing to make the unit ready for leasing (termed unit turns). Due to less “soft costs” being expensed to Maintenance and repair accounts from the Capital Fund program, GHA had more CFP projects Capitalized than in the prior year.
- HAP and SRO landlord payment expenses increased slightly from \$125,374 last fiscal year to \$125,407 this fiscal year, an increase of \$33.
- Collection losses decreased from \$15,187 last fiscal year to \$12,048 this fiscal year, a decrease of \$3,139 or 21%. Due to continuing efforts to monitor and remind tenants to pay on time and before the month has ended there is less action being taken by the Housing Manager to remove tenants due to non-payment of rent and other lease violations.

**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, 2023**

- Depreciation expenses increased from \$437,247 last fiscal year to \$468,887 this fiscal year, an increase of \$31,640 or 7%. This is related to the increase in capital assets and their related depreciation expense.

Capital Assets:

As of June 30, 2023, the Gallup Housing Authority’s capital assets, net accumulated depreciation was \$8,581,177 as compared to \$8,603,582 for June 30, 2022, which is a slight decrease 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 capital assets.

	As of June 30, 2023	As of June 30, 2022	Percent Change
<u>Capital Assets</u>			
Land	\$ 1,709,213	1,709,213	0%
Construction in progress	-	71,587	-100%
Buildings and improvements	16,542,762	16,034,493	3%
Equipment - dwellings	56,659	56,659	0%
Equipment - administration	584,941	575,141	2%
Total capital assets	<u>18,893,575</u>	<u>18,447,093</u>	
Less: accumulated depreciation	<u>(10,312,398)</u>	<u>(9,843,511)</u>	5%
Capital assets, net	<u>\$ 8,581,177</u>	<u>8,603,582</u>	0%

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

**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, 2023**

Long Term Obligations

The Housing Authority classifies a portion of the employee’s leave as long-term obligations. 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, the Housing Authority has 2 notes payable related to the purchase of the Mesa apartments.

<u>Long-Term Debt</u>	<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>	<u>Percent Change</u>
Compensated absences	\$ 51,267	61,890	-17%
Notes payable	1,018,851	1,056,499	-4%
Net pension liability	1,022,543	667,776	53%
Net OPEB liability	254,814	392,539	-35%
Total	<u>\$ 2,347,475</u>	<u>2,178,704</u>	8%

Request for Information

This financial report is designed to provide a general overview of the Housing Authority’s financial position as of June 30, 2023, for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address: Gallup Housing Authority, Richard Kontz, Executive Director, P.O. Box 1334, Gallup, NM 87305.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF JUNE 30, 2023

	Low-Rent Public Housing (01 & 02)	Management Fund Account (08)	Total Non-major Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents - unrestricted	\$ 1,222,730	11,848	21,473	1,256,051
Grant receivables	42,514	-	4,176	46,690
Tenant receivables, net	2,532	-	-	2,532
Other accounts receivables, net	1,253	38	68	1,359
Mortgage receivables, current portion, net	-	22,011	-	22,011
Prepaid expenses and other current assets	36,198	990	1,650	38,838
Inventory, net	32,212	1,234	-	33,446
Due from other funds	24,687	-	-	24,687
Total current assets	1,362,126	36,121	27,367	1,425,614
Non-current assets				
Cash and cash equivalents - restricted	61,424	19,570	-	80,994
Mortgage receivables, net	-	106,623	-	106,623
Land and construction in progress	1,593,833	115,380	-	1,709,213
Other capital assets, net of accumulated depreciation	5,931,943	939,438	583	6,871,964
Total non-current assets	7,587,200	1,181,011	583	8,768,794
Total assets	8,949,326	1,217,132	27,950	10,194,408
Deferred outflows of resources				
Pension deferral	207,381	573	984	208,938
OPEB deferral	109,967	1,012	1,678	112,657
Total deferred outflows of resources	317,348	1,585	2,662	321,595
Total assets and deferred outflows of resources	\$ 9,266,674	1,218,717	30,612	10,516,003
LIABILITIES				
Current liabilities				
Accounts payable	\$ 112,274	2,653	506	115,433
Accrued payroll liabilities	10,316	84	197	10,597
Due to other funds	-	17,481	7,206	24,687
Tenant security deposits	61,424	11,100	-	72,524
Unearned revenue	48,718	2,542	4,360	55,620
Loans payable, current portion	-	39,888	-	39,888
Compensated absences	22,787	645	550	23,982
Total current liabilities	255,519	74,393	12,819	342,731
Non-current liabilities				
Compensated absences	26,556	-	729	27,285
Loans payable	-	978,963	-	978,963
Net pension liability	1,014,922	2,804	4,817	1,022,543
Net OPEB liability	248,729	2,289	3,796	254,814
Total non-current liabilities	1,290,207	984,056	9,342	2,283,605
Total liabilities	1,545,726	1,058,449	22,161	2,626,336
Deferred inflows of resources				
Pension deferral	42,779	118	203	43,100
OPEB deferral	260,085	2,393	3,969	266,447
Total deferred inflows of resources	302,864	2,511	4,172	309,547
NET POSITION				
Net investment in capital assets	7,525,776	35,967	583	7,562,326
Unrestricted	(107,692)	113,320	3,696	9,324
Restricted - for specific programs	-	8,470	-	8,470
Total net position	7,418,084	157,757	4,279	7,580,120
Total liabilities, deferred inflows of resources, and net position	\$ 9,266,674	1,218,717	30,612	10,516,003

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
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Low-Rent Public Housing (01 & 02)	Management Fund Account (08)	Total Non-major Funds	Total
OPERATING REVENUES				
Rental revenue	\$ 1,057,012	175,942	-	1,232,954
Other tenant revenue	54,716	313	-	55,029
Federal subsidy operating grants	1,291,338	-	145,151	1,436,489
Total revenues	<u>2,403,066</u>	<u>176,255</u>	<u>145,151</u>	<u>2,724,472</u>
OPERATING EXPENSES				
Personnel services - wages, taxes, and benefits	949,461	11,516	30,028	991,005
Net pension and OPEB related expenses (income)	47,106	(22,289)	(52,133)	(27,316)
Administrative	34,136	1,148	3,429	38,713
Professional fees	151,280	4,829	6,139	162,248
Advertising	19,336	432	908	20,676
Supplies	82,394	2,129	3,679	88,202
Memberships and dues	2,761	24	40	2,825
Tenant services	15,581	464	773	16,818
Utilities	576,875	35,630	299	612,804
Maintenance and repairs	495,114	42,104	-	537,218
Insurance	116,593	3,692	6,410	126,695
Housing assistance	-	-	125,407	125,407
Bad debt	12,048	-	-	12,048
Staff training	5,719	57	1,022	6,798
Travel	436	10	17	463
Depreciation	442,923	25,890	74	468,887
Total operating expenses	<u>2,951,763</u>	<u>105,636</u>	<u>126,092</u>	<u>3,183,491</u>
Operating income (loss)	(548,697)	70,619	19,059	(459,019)
NON-OPERATING REVENUES (EXPENSES)				
Federal capital grants	436,681	-	-	436,681
Interest income	5,101	47	26	5,174
Miscellaneous income	74,501	1,911	-	76,412
Discount amortization income (loss)	-	(127,817)	-	(127,817)
Interest expense - non-operating	-	(45,472)	-	(45,472)
Total non-operating revenues (expenses)	<u>516,283</u>	<u>(171,331)</u>	<u>26</u>	<u>344,978</u>
Income (loss) before contributions and transfers	(32,414)	(100,712)	19,085	(114,041)
Non-cash contribution of mortgage receivables	-	264,284	-	264,284
Change in net position	(32,414)	163,572	19,085	150,243
Beginning net position	7,450,498	(5,815)	(14,806)	7,429,877
Ending net position	<u>\$ 7,418,084</u>	<u>157,757</u>	<u>4,279</u>	<u>7,580,120</u>

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
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Low-Rent Public Housing (01 & 02)	Management Fund Account (08)	Total Non-major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from tenants	\$ 1,299,461	185,301	(4,598)	1,480,164
Payments to employees	(967,644)	(11,097)	(29,430)	(1,008,171)
Payments to suppliers	(1,533,943)	(86,440)	(157,050)	(1,777,433)
Receipts from subsidy grants	1,291,338	-	145,151	1,436,489
<i>Net cash provided (used) by operating activities</i>	<u>89,212</u>	<u>87,764</u>	<u>(45,927)</u>	<u>131,049</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Miscellaneous income	74,501	1,911	-	76,412
<i>Net cash provided (used) by non-capital and related financing activities</i>	<u>74,501</u>	<u>1,911</u>	<u>-</u>	<u>76,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(445,992)	-	(490)	(446,482)
Capital grants	436,681	-	-	436,681
Principal payments	-	(37,648)	-	(37,648)
Interest payments	-	(45,472)	-	(45,472)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(9,311)</u>	<u>(83,120)</u>	<u>(490)</u>	<u>(92,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	5,101	47	26	5,174
<i>Net cash provided (used) by investing activities</i>	<u>5,101</u>	<u>47</u>	<u>26</u>	<u>5,174</u>
Net increase (decrease) in cash and cash equivalents	159,503	6,602	(46,391)	119,714
Balances-beginning of year	1,124,651	24,816	67,864	1,217,331
Balances-end of year	<u>\$ 1,284,154</u>	<u>31,418</u>	<u>21,473</u>	<u>1,337,045</u>
Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:				
Operating income/(loss)	\$ (548,697)	70,619	19,059	(459,019)
Depreciation expense	442,923	25,890	74	468,887
Pension expense/(income)	99,199	(14,754)	(37,865)	46,580
OPEB expense/(income)	(52,093)	(7,534)	(14,268)	(73,895)
Bad debt expense	12,048	-	-	12,048
Change in assets and liabilities:				
(Increase) decrease in receivables	182,889	7,794	(2,895)	187,788
(Increase) decrease in prepaid expenses	(25,475)	(990)	(1,430)	(27,895)
(Increase) decrease in inventory	13,999	770	-	14,769
Increase (decrease) in accounts payable	(15,804)	(10,079)	443	(25,440)
Increase (decrease) in accrued liabilities	(6,401)	(40)	(102)	(6,543)
Increase (decrease) in due from/to	(6,438)	14,378	(7,940)	-
Increase (decrease) in tenant security deposits	710	-	-	710
Increase (decrease) in unearned revenue	4,134	1,252	(1,703)	3,683
Increase (decrease) in compensated absences	(11,782)	458	700	(10,624)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 89,212</u>	<u>87,764</u>	<u>(45,927)</u>	<u>131,049</u>

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 accounting principles generally accepted in the United States of America (U.S. 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.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Housing Authority:

Enterprise Funds—Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**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, 2023**

The Housing Authority reports the following major proprietary funds:

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.

Management Fund Account:

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

Recently Issued and Adopted Accounting Standards

In March 2020, the GASB issued Statement No. 94 (GASB 94), Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 is effective for the Housing Authority's financial statements for the year ended June 30, 2023. There was no material impact to the Housing Authority's financial statements for the year ended June 30, 2023 as a result of adopting GASB 94.

In May 2020, the GASB issued Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements (SBITAs), which is effective for the year ended June 30, 2023. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes that an SBITA results in a right to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The Housing Authority adopted GASB 96 for the year ended June 30, 2023. There was no material impact to the Housing Authority's financial statements as a result of adopting GASB 96.

**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, 2023**

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 any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB 14, as amended by GASBs 39, 61, 80, and 90 as well as other applicable GASB Statements. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only criterion for including a potential component unit within 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 evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or 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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. 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 Housing 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.

**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, 2023**

Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included in 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 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 Housing Authority 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

**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, 2023**

makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 Housing Choice Vouchers Program. Such contributions are reflected as operating grant revenue.

Contributions received from HUD for capital additions and improvements are reported as capital grant revenue.

All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is received.

D. Cash and Cash Equivalents

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

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

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

**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, 2023**

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 the lower of cost or net realizable value.

G. Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits, held as insurance against the non-payment for services rendered, are classified on the Statement of Net Position as restricted cash because their use is limited. The Mesa reserves cash account is also restricted for future capital improvements. Modernization and development funds collected before they are spent are also restricted. In addition, pursuant to guidance from HUD cash equal to ending Housing Assistance Payments (HAP) equity is reported as restricted cash, as the use of those funds is limited.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Housing Authority's financial statements. Prepaid expenses mostly consisted of various prepaid insurance policies.

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

**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, 2023**

C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

J. Mortgages Receivable and Mortgages Discount Amortization

Mortgages Receivable

In fiscal year 2023, the local Gallup Habitat for Humanity closed and transferred six outstanding mortgage receivables to the Housing Authority. Although the mortgage receivables are with the Housing Authority, they have kept their Habitat for Humanity identity, calculations, and disclosures. The following disclosures in Note 3, are specific to the acquired Habitat for Humanity mortgage receivables.

The loans are non-interest-bearing mortgage loans, payable in monthly installments, to qualified low-income individuals in the Gallup area. Habitat for Humanity does not charge interest on its mortgages. All loans are secured by real property with fair values estimated to exceed mortgage balances. Because interest is not charged, the loans are discounted using applicable market interest rates for the year of origination. These rates are determined by Habitat for Humanity International at the end of each fiscal year based upon low-income housing credits published by the Federal Government.

**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, 2023**

The mortgages' remaining balances at June 30, 2023 have been discounted at rates which are based on prevailing market rates for low-income housing at the inception of the mortgages. The terms of duration and historical prevailing interest rates are as follows:

<u>Original Maturity of Mortgages</u>	<u>Discount Rates for Mortgages</u>
8.18 years - 30 years	7.23% - 8.06%

There were no new mortgages received for the year ended June 30, 2023.

Receivables related to the mortgages are considered past-due or delinquent by the Housing Authority when they are 30 days late. The Housing Authority has not established an allowance for doubtful accounts as it can reclaim homes through foreclosure in the event that a loan is deemed uncollectible.

Allowance for Uncollectible Mortgages Receivables

Management considers the mortgages to be fully collectible and, therefore, has not established an allowance for doubtful accounts.

K. 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.

L. 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

**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, 2023**

expendable available financial resources are reported in the Statement of Net Position.

M. 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.

- *Net investment in capital assets* – 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.
- *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. Restricted net position consists of the following:
 - Section 8 Housing Choice Vouchers (03) – Pursuant to guidance from HUD cash equal to ending Housing Assistance Payments (HAP) equity is reported as restricted, as the use of those funds is limited.
 - Management Fund Account (08) – The Mesa Apartments reserve bank account and related net position is restricted for the purpose of capital improvements.
- *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.

N. 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.

**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, 2023**

O. 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.

P. 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. Significant estimates affecting the Housing Authority's financial statements include management's estimate of the following: estimated useful lives of capital assets, calculations of compensated absences, inputs and methods related to pension and OPEB balances and activity, allowance for doubtful accounts based on historical uncollectible amounts of tenant receivable and mortgage discounts based on rates determined by Habitat for Humanity International at the end of each fiscal year based upon low-income housing credits published by the Federal Government. Actual results could differ from those estimates.

Q. Budgets

An annual budget, which is not legally adopted, is prepared in accordance with the U.S. Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. An annual submission of the Housing Authority's board resolution approving the operating budget is submitted to the local HUD office with form HUD-52574. 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

**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, 2023**

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.

R. 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:

	2023
Pension deferrals	\$ 208,938
OPEB deferrals	112,657
Total deferred outflows of resources	\$ 321,595

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 inflows of resources as of June 30:

	2023
Pension deferrals	\$ 43,100
OPEB deferrals	266,447
Total deferred inflows of resources	\$ 309,547

S. 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. For this purpose, benefit payments (including refunds of employee contributions) are

**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, 2023**

recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. 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.

U. GASB 77 Disclosure

The Housing Authority has no tax abatement agreements as of June 30, 2023, 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	2023
Unrestricted	
Pinnacle Bank	\$ 1,253,466
Wells Fargo	2,335
Petty cash	250
Total unrestricted	1,256,051
Restricted Cash	
Pinnacle Bank	
Low rent tenant security deposits	61,424
Mesa security deposits	11,100
Mesa reserves	8,470
Total Pinnacle Bank	80,994
Total restricted	80,994
Total cash and cash equivalents	\$ 1,337,045

**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, 2023**

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, 2023.

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 backed 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.

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.

**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, 2023**

As of June 30, 2023, the Housing Authority’s bank and investment balances of \$1,359,914 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		1,107,579
	\$	<u>1,107,579</u>

As of June 30, 2023, 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 cash balances and 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, 2023 the Housing Authority had the following outstanding receivables:

Type	2023
Grants receivable	\$ 46,690
Tenant receivables	4,404
Other receivables	1,359
Mortgage receivables, net	128,634
Allowance for doubtful accounts	(1,872)
Total	<u>\$ 179,215</u>

Mortgages Receivable

Mortgages receivable consist of the following at June 30:

		<u>2023</u>
First mortgages (including homeowner receivables)	\$	105,141
Mortgages receivable with WaFd		151,310
Less unamortized discounts on mortgages		<u>(127,817)</u>
Total mortgages receivable, net	\$	<u>128,634</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, 2023**

Future annual mortgage receipts for mortgages receivable are as follows:

Year Ended	
June 30,	Principal
2024	\$ 22,011
2025	16,951
2026	15,981
2027	15,981
2028	15,981
Future years	<u>169,546</u>
	<u>\$ 256,451</u>

NOTE 4—INTERFUND BALANCES AND TRANSFERS

The Housing Authority records interfund transfers to reflect activity occurring between funds. There were no interfund transfers as of June 30, 2023.

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, 2023 are as follows:

Due From Fund	Due To Fund	2023
(03) Section 8 Housing Choice Vouchers Program	(01 & 02) Low-Rent Public Housing	\$ 2,113
(07) State & Local	(01 & 02) Low-Rent Public Housing	5,093
(08) Management Fund Account	(01 & 02) Low-Rent Public Housing	<u>17,481</u>
		<u>\$ 24,687</u>

NOTE 5—ACCRUED LIABILITIES

Accrued liabilities at June 30, consist of the following:

Type	2023
Accrued payroll liabilities	\$ 9,403
Accrued taxes and benefits	<u>1,194</u>
Total	<u>\$ 10,597</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, 2023**

NOTE 6—UNEARNED REVENUE

Unearned revenue at June 30, consist of the following:

Type	2023
Tenant prepaid rent	\$ 51,260
Unearned fees	4,360
Total	\$ 55,620

NOTE 7—PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

	Balance 2022	Additions	Deletions	Reclass	Balance 2023
Capital assets not being depreciated:					
Land	\$ 1,709,213	-	-	-	1,709,213
Construction in progress	71,587	-	-	(71,587)	-
Total capital assets not being depreciated	1,780,800	-	-	(71,587)	1,709,213
Capital assets being depreciated:					
Buildings and improvements	16,034,493	436,682	-	71,587	16,542,762
Equipment - dwellings	56,659	-	-	-	56,659
Equipment - administration	575,141	9,800	-	-	584,941
Total capital assets being depreciated	16,666,293	446,482	-	71,587	17,184,362
Less accumulated depreciation for:					
Buildings and improvements	(9,276,085)	(441,120)	-	-	(9,717,205)
Equipment - dwellings	(56,659)	-	-	-	(56,659)
Equipment - administration	(510,767)	(27,767)	-	-	(538,534)
Total accumulated depreciation	(9,843,511)	(468,887)	-	-	(10,312,398)
Total capital assets being depreciated	6,822,782	(22,405)	-	71,587	6,871,964
Capital assets, net	\$ 8,603,582	(22,405)	-	-	8,581,177

For the year ended June 30, 2023, depreciation expense was \$468,887. As of the year ended June 30, 2023, the Housing Authority had no idle equipment.

**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, 2023**

NOTE 8—LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended June 30, 2023 is as follows:

	Balance 2022	Additions	Deletions	Balance 2023	Due Within One Year
Compensated absences	\$ 61,890	33,144	(43,767)	51,267	23,982
Notes payable	1,056,499	-	(37,648)	1,018,851	39,888
Net pension liability	667,776	354,767	-	1,022,543	-
Net OPEB liability	392,539	-	(137,725)	254,814	-
Total	<u>\$ 2,178,704</u>	<u>387,911</u>	<u>(219,140)</u>	<u>2,347,475</u>	<u>63,870</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during the year ended June 30, 2023.

Notes 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	930,951	4.45%
Mesa apartments - Armstrong Trust	12/1/2019	11/30/2024	130,000	87,900	3.00%
Total			<u>\$ 1,150,000</u>	<u>1,018,851</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

**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, 2023**

final maturity, the interest rate on the Note will be increased to 24%. 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 payable outstanding as of June 30, 2023 are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 27,287	40,769	68,056
2025	903,664	10,001	913,665
2026	-	-	-
2027	-	-	-
2028	-	-	-
	\$ 930,951	50,770	981,721

\$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%. 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.

**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, 2023**

The annual principal and interest requirements on the notes and loans outstanding as of June 30, 2023 are as follows:

Year Ended		Principal	Interest	Total
June 30,				
2024	\$	12,601	2,462	15,063
2025		75,299	1,088	76,387
2026		-	-	-
2027		-	-	-
2028		-	-	-
	\$	<u>87,900</u>	<u>3,550</u>	<u>91,450</u>

NOTE 9—PENSION PLAN

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-8, 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, Section 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. PERA issues a publicly available annual comprehensive financial report that can be obtained at <https://www.nmpera.org/financial-overview/>.

Benefits provided. Benefits are generally available at age 65 with five or 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

**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, 2023**

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 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 Annual Comprehensive Financial Report that can be obtained on PERA's Website for Contribution Description.

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

At June 30, 2023, the Housing Authority reported a liability of \$1,022,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled-forward from the valuation

**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, 2023**

date to the plan year ending June 30, 2022 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2022. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022. 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, 2022, the Housing Authority’s proportion was 0.05765%, which was a decrease of 0.00162% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Housing Authority recognized PERA Fund Division; Municipal General Division pension expense of \$117,026. At June 30, 2023, 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:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,099	24,868
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	101,197	-
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	33,334	18,232
Housing Authority contributions subsequent to the measurement date	<u>70,308</u>	<u>-</u>
Total	<u>\$ 208,938</u>	<u>43,100</u>

\$70,308 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, 2023.

**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, 2023**

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
2024	\$ 40,552
2025	13,814
2026	(38,738)
2027	79,902
2028	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization period	25 years
Actuarial assumptions	
Investment rate of return	7.25% annual rate
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
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 generational. For nonpublic 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, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2022. These assumptions were adopted by the Board use in the June 30, 2021 actuarial valuation.

**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, 2023**

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	35.50%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets to include Real Estate Equity	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
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, 2022. 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

**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, 2023**

percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PERA Fund Division - Municipal General Division	(6.25)%	(7.25)%	(8.25)%
Housing Authority's proportionate share of the net pension liability	\$ <u>1,547,327</u>	\$ <u>1,022,543</u>	\$ <u>586,586</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’s financial reports

Payables to the pension plan. At June 30, 2023, the Housing Authority had no outstanding contributions due to PERA for the year ended June 30, 2023.

NOTE 10 — OTHER POST EMPLOYMENT BENEFITS (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

**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, 2023**

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, 2022, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,759
Current active members	92,500
	157,351
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal fire	756
Educational Retirement Board	49,224
	92,520

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Housing Authority were \$14,561 for the year ended June 30, 2023.

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

At June 30, 2023, the Housing Authority reported a liability of \$254,814 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022. At June 30, 2022, the Housing Authority’s proportion was 0.01102 percent.

**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, 2023**

For the year ended June 30, 2023, the Housing Authority recognized OPEB income of \$59,263. At June 30, 2023, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,238	37,769
Net difference between actual and projected earnings on OPEB plan investments	3,514	-
Changes of assumptions	54,371	188,890
Changes in proportion	35,973	39,788
Contributions subsequent to the measurement date	<u>14,561</u>	<u>-</u>
Total	<u>\$ 112,657</u>	<u>266,447</u>

Deferred outflows of resources totaling \$14,561 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, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ (54,416)
2025	(33,650)
2026	(18,962)
2027	(35,961)
2028	<u>(25,362)</u>
Total	<u>\$ (168,351)</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, 2023**

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Valuation Date	June 30, 2021
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	2.30% for ERB members, 2.50% for PERA members
Projected salary increases	3.25% to 13.00%, based on years of service, including inflation
Investment rate of return	7.00%, 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: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

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.

**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, 2023**

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	0.4%
U.S. equity - large cap	6.6%
Non U.S. - emerging markets	9.2%
Non U.S. - developed equities	7.3%
Private equity	10.6%
Credit and structured finance	3.1%
Real estate	3.7%
Absolute return	2.5%
U.S. equity - small/mid cap	6.6%

Discount Rate. The discount rate used to measure the total OPEB liability is 5.42% as of June 30, 2022. 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 Authority'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, 2059. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2059, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.54%) was applied. Thus, 5.42% 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, calculated using the discount rate of 5.42% as of June 30, 2022, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease (4.42%)	Current Discount (5.42%)	1% Increase (6.42%)
\$ 317,100	\$ 254,814	\$ 205,153

**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, 2023**

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

<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
\$ 204,172	\$ 254,814	\$ 197,973

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, 2022.

Payable Changes in the Net OPEB Liability. At June 30, 2023, the Housing Authority had no outstanding contributions due to NMRHCA for the year ended June 30, 2023.

NOTE 11—RISK MANAGEMENT

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

NOTE 12—LEASE COMMITMENTS

The Housing Authority has a lease for a postage machine. The lease is for a 60-month term, with quarterly payments. The lease agreement qualifies as other than short-term leases under GASB 87. However, the value of total future lease payments from July 1, 2021, to the end of the lease term is immaterial to the Housing Authority’s financial statements. As a result, the provisions of GASB 87 have not been applied to this lease. Lease and related expenditures for the year ended June 30, 2023 were \$1,907.

The Housing Authority has multiple 12-month residential lease contracts that state the lessee may renew. Although the lease contract states that the lessee may renew, the lessee does not have a

**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, 2023**

unilateral right to extend the existing contract because the Housing Authority and the lessee would enter into a new contract for the subsequent 12 months. Therefore, the maximum possible term under the existing contract is 12 months, and the leases are considered short-term leases. As a result, the provisions of GASB 87 have not been applied to these types of leases.

NOTE 13—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 14—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 15—DEFICIT FUND BALANCE

The following fund maintained a deficit fund balance at June 30, 2023:

Fund	Amount
State & Local (07) \$	(5,093)

NOTE 16—SUBSEQUENT EVENTS

Three of the Housing Authority’s Habitat for Humanity mortgages were sold to New Mexico Mortgage Finance Authority on October 18, 2023. Total payoff to the Housing Authority was \$242,853.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE GALLUP HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement Date as of								
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Gallup Housing Authority's proportion of the net pension liability (asset) (%)	0.05765%	0.05927%	0.05670%	0.05220%	0.05220%	0.05560%	0.05420%	0.05020%	0.05000%
Gallup Housing Authority's proportionate share of the net pension liability (asset) (\$)	<u>\$ 1,022,543</u>	<u>667,776</u>	<u>1,146,603</u>	<u>903,634</u>	<u>832,261</u>	<u>763,991</u>	<u>865,934</u>	<u>511,832</u>	<u>390,054</u>
Gallup Housing Authority's covered payroll	<u>\$ 559,480</u>	<u>556,296</u>	<u>531,837</u>	<u>457,948</u>	<u>423,194</u>	<u>488,366</u>	<u>464,869</u>	<u>429,686</u>	<u>413,066</u>
Gallup Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	183%	120%	216%	197%	197%	156%	186%	119%	94%
Plan fiduciary net position as a percentage of the total pension liability	69.35%	77.25%	66.36%	70.05%	71.13%	73.74%	69.18%	76.99%	81.29%

*GASB 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.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE GALLUP HOUSING AUTHORITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$ 70,308	54,829	54,517	52,120	43,734	40,415	46,639	44,395	41,035
Contributions in relation to the statutorily required contribution	70,308	54,829	54,517	52,120	43,734	40,415	46,639	44,395	41,035
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-

*GASB 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, 2023

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's ACFR <https://www.nmpera.org/financial-overview/>.
Changes of Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 30, 2022 report is available at <https://www.nmpera.org/financial-overview/retirement-fund-valuation-reports/>.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	Measurement Date as of					
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Employer's proportion of the net OPEB liability (asset) (%)	0.01102%	0.01193%	0.01133%	0.01068%	0.01068%	0.01164%
Employer's proportionate share of the net OPEB liability (asset) (\$)	\$ 254,814	392,539	475,736	346,287	464,404	527,487
Employer's covered-employee payroll	\$ 523,066	550,479	486,977	445,669	458,238	484,881
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	48.72%	71.31%	97.69%	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	33.33%	25.39%	16.50%	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.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 14,561	11,127	11,523	9,454	16,689	36,962
Contributions in relation to the statutorily required contribution	<u>14,561</u>	<u>11,127</u>	<u>11,523</u>	<u>9,454</u>	<u>16,486</u>	<u>18,551</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>18,411</u>
Employer's covered-employee payroll	\$ 728,301	556,350	576,163	445,669	458,238	484,881
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	2.00%	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, 2023

In the total OPEB liability measured as of June 30, 2022, changes in assumptions include adjustments resulting from an decrease in the discount rate from 3.62% to 5.42%.

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

The non-major enterprise funds consist of the following:

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.

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.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
STATEMENT OF NET POSITION - NON-MAJOR ENTERPRISE FUNDS
AS OF JUNE 30, 2023

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total Non-major Funds
ASSETS			
Current assets			
Cash and cash equivalents - unrestricted	\$ 21,473	-	21,473
Grant receivables	4,176	-	4,176
Other accounts receivables, net	68	-	68
Prepaid expenses and other current assets	1,650	-	1,650
Total current assets	<u>27,367</u>	-	<u>27,367</u>
Non-current assets			
Other capital assets, net of accumulated depreciation	583	-	583
Total non-current assets	<u>583</u>	-	<u>583</u>
Total assets	<u>27,950</u>	-	<u>27,950</u>
Deferred outflows of resources			
Pension deferral	984	-	984
OPEB deferral	1,678	-	1,678
Total deferred outflows of resources	<u>2,662</u>	-	<u>2,662</u>
Total assets and deferred outflows of resources	<u>\$ 30,612</u>	-	<u>30,612</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 506	-	506
Accrued payroll liabilities	197	-	197
Due to other funds	2,113	5,093	7,206
Unearned revenue	4,360	-	4,360
Compensated absences	550	-	550
Total current liabilities	<u>7,726</u>	5,093	<u>12,819</u>
Non-current liabilities			
Compensated absences	729	-	729
Net pension liability	4,817	-	4,817
Net OPEB liability	3,796	-	3,796
Total non-current liabilities	<u>9,342</u>	-	<u>9,342</u>
Total liabilities	17,068	5,093	22,161
Deferred inflows of resources			
Pension deferral	203	-	203
OPEB deferral	3,969	-	3,969
Total deferred inflows of resources	<u>4,172</u>	-	<u>4,172</u>
NET POSITION			
Net investment in capital assets	583	-	583
Unrestricted	8,789	(5,093)	3,696
Total net position	<u>9,372</u>	<u>(5,093)</u>	<u>4,279</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,612</u>	-	<u>30,612</u>

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total Non-major Funds
OPERATING REVENUES			
Federal subsidy operating grants	\$ 145,151	-	145,151
Total revenues	<u>145,151</u>	<u>-</u>	<u>145,151</u>
OPERATING EXPENSES			
Personnel services - wages, taxes, and benefits	30,028	-	30,028
Net pension and OPEB related expenses (income)	(52,133)	-	(52,133)
Administrative	3,429	-	3,429
Professional fees	6,139	-	6,139
Advertising	908	-	908
Supplies	3,679	-	3,679
Memberships and dues	40	-	40
Tenant services	773	-	773
Utilities	299	-	299
Insurance	6,410	-	6,410
Housing assistance	125,407	-	125,407
Staff training	1,022	-	1,022
Travel	17	-	17
Depreciation	74	-	74
Total operating expenses	<u>126,092</u>	<u>-</u>	<u>126,092</u>
Operating income (loss)	19,059	-	19,059
NON-OPERATING REVENUES (EXPENSES)			
Interest income	26	-	26
Total non-operating revenues (expenses)	<u>26</u>	<u>-</u>	<u>26</u>
Change in net position	19,085	-	19,085
Beginning net position	(9,713)	(5,093)	(14,806)
Ending net position	<u>\$ 9,372</u>	<u>(5,093)</u>	<u>4,279</u>

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
STATEMENT OF CASH FLOWS - NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total Non-major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants	\$ (4,598)	-	(4,598)
Payments to employees	(29,430)	-	(29,430)
Payments to suppliers	(157,050)	-	(157,050)
Receipts from subsidy grants	145,151	-	145,151
<i>Net cash provided (used) by operating activities</i>	<u>(45,927)</u>	-	<u>(45,927)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
None			
<i>Net cash provided (used) by non-capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
None			
Purchase of capital assets	(490)	-	(490)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(490)</u>	<u>-</u>	<u>(490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	26	-	26
<i>Net cash provided (used) by investing activities</i>	<u>26</u>	<u>-</u>	<u>26</u>
Net increase (decrease) in cash and cash equivalents	(46,391)	-	(46,391)
Balances-beginning of year	67,864	-	67,864
Balances-end of year	<u>\$ 21,473</u>	<u>-</u>	<u>21,473</u>
Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:			
Operating income/(loss)	\$ 19,059	-	19,059
Depreciation expense	74	-	74
Pension expense/(income)	(37,865)	-	(37,865)
OPEB expense/(income)	(14,268)	-	(14,268)
Change in assets and liabilities:			
(Increase) decrease in receivables	(2,895)	-	(2,895)
(Increase) decrease in prepaid expenses	(1,430)	-	(1,430)
Inventory	-	-	-
Increase (decrease) in accounts payable	443	-	443
Increase (decrease) in accrued liabilities	(102)	-	(102)
Increase (decrease) in due from/to	(7,940)	-	(7,940)
Tenant security deposits	-	-	-
Increase (decrease) in unearned revenue	(1,703)	-	(1,703)
Increase (decrease) in compensated absences	700	-	700
<i>Net cash provided (used) by operating activities</i>	<u>\$ (45,927)</u>	<u>-</u>	<u>(45,927)</u>

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF CASH, CASH EQUIVALENTS, AND PLEDGED COLLATERAL
AS OF JUNE 30, 2023**

Financial Institution	Account Type	Pinnacle Bank	Wells Fargo	Petty Cash	Reconciling Items	Book Balance
Cash and cash equivalents						
Low Rent Public Housing	Checking*	\$ 1,144,999	-	-	(18,979)	1,126,020
Low Rent Security Deposit	Checking*	60,500	-	-	924	61,424
Section 8	Checking*	21,473	-	-	-	21,473
Management Fund Account	Checking*	13,804	-	-	(1,956)	11,848
Capital Projects Account	Checking*	96,925	-	-	(2,800)	94,125
Mesa Security Deposits	Checking*	11,408	-	-	(308)	11,100
Mesa Reserves	Savings*	8,470	-	-	-	8,470
Wells Fargo Bank	Checking*	-	2,335	-	-	2,335
Petty cash	Petty cash	-	-	250	-	250
Total cash and cash equivalents		<u>\$ 1,357,579</u>	<u>2,335</u>	<u>250</u>	<u>(23,119)</u>	<u>1,337,045</u>
Total amount of deposit in bank						
		\$ 1,357,579	2,335	-		
FDIC/NCUA coverage		(250,000)	(2,335)	-		
Total uninsured public funds		<u>1,107,579</u>	<u>-</u>	<u>-</u>		
102% Collateral Requirement						
(Section 6-10-10(H) NMSA 1978)		<u>1,129,731</u>	<u>-</u>	<u>-</u>		
		<u>1,129,731</u>	<u>-</u>	<u>-</u>		
Pledged security at:						
Pinnacle Bank - FNMA MA1366 3.00% - 31418AQU5 3/1/2033		182,644	-	-		
Pinnacle Bank - FNMA 470300 3.64% - 3138TNR7 1/1/2025		819,960	-	-		
Pinnacle Bank - FHLMC 4109 CG 2.00% - 3137AUHP7 6/15/2032		570,408	-	-		
Total collateral		<u>1,573,012</u>	<u>-</u>	<u>-</u>		
Amount over/(under) collateralized		<u>\$ 443,281</u>	<u>-</u>	<u>-</u>		
Amount over/(under) collateralized & insured						
		<u>\$ 693,281</u>	<u>2,335</u>	<u>-</u>		
Total book balance		<u>\$ 1,220,765</u>	<u>2,335</u>	<u>250</u>		

*denotes interest bearing account

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2023

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	2 State/ Local	Subtotal	ELIM	Total
111	Cash - Unrestricted	\$ 1,222,730	21,473	11,848	-	1,256,051	-	1,256,051
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	-	8,470	-	8,470	-	8,470
114	Cash - Tenant Security Deposits	61,424	-	11,100	-	72,524	-	72,524
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
100	Total Cash	1,284,154	21,473	31,418	-	1,337,045	-	1,337,045
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	42,514	4,176	-	-	46,690	-	46,690
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	1,253	68	38	-	1,359	-	1,359
126	Accounts Receivable - Tenants	4,404	-	-	-	4,404	-	4,404
126.1	Allowance for Doubtful Accounts - Tenants	(1,872)	-	-	-	(1,872)	-	(1,872)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	22,011	-	22,011	-	22,011
128	Fraud Recovery	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	46,299	4,244	22,049	-	72,592	-	72,592
131	Investments - Unrestricted	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	36,198	1,650	990	-	38,838	-	38,838
143	Inventories	35,791	-	1,371	-	37,162	-	37,162
143.1	Allowance for Obsolete Inventories	(3,579)	-	(137)	-	(3,716)	-	(3,716)
144	Inter Program Due From	24,687	-	-	-	24,687	(24,687)	-
145	Assets Held for Sale	-	-	-	-	-	-	-
150	Total Current Assets	1,423,550	27,367	55,691	-	1,506,608	(24,687)	1,481,921
161	Land	1,593,833	-	115,380	-	1,709,213	-	1,709,213
162	Buildings	15,508,141	-	1,034,620	-	16,542,761	-	16,542,761
163	Furniture, Equipment & Machinery - Dwellings	56,659	-	-	-	56,659	-	56,659
164	Furniture, Equipment & Machinery - Administration	569,145	15,674	122	-	584,941	-	584,941
165	Leasehold Improvements	-	-	-	-	-	-	-
166	Accumulated Depreciation	(10,202,002)	(15,091)	(95,304)	-	(10,312,397)	-	(10,312,397)
167	Construction in Progress	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	7,525,776	583	1,054,818	-	8,581,177	-	8,581,177
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	106,623	-	106,623	-	106,623
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	7,525,776	583	1,161,441	-	8,687,800	-	8,687,800
200	Deferred Outflow of Resources	317,348	2,662	1,585	-	321,595	-	321,595
290	Total Assets and Deferred Outflow of Resources	\$ 9,266,674	30,612	1,218,717	-	10,516,003	(24,687)	10,491,316

See Independent Auditor's Report.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2023

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	2 State/ Local	Subtotal	ELIM	Total
311	Bank Overdraft	\$ -	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	35,613	506	635	-	36,754	-	36,754
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	10,316	197	84	-	10,597	-	10,597
322	Accrued Compensated Absences - Current Portion	22,787	550	645	-	23,982	-	23,982
324	Accrued Contingency Liability	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-
332	Account Payable - PHA Projects	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-	-	-
341	Tenant Security Deposits	61,424	-	11,100	-	72,524	-	72,524
342	Unearned Revenue	48,718	4,360	2,542	-	55,620	-	55,620
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	39,888	-	39,888	-	39,888
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345	Other Current Liabilities	36,964	-	-	-	36,964	-	36,964
346	Accrued Liabilities - Other	39,697	-	2,018	-	41,715	-	41,715
347	Inter Program - Due To	-	2,113	17,481	5,093	24,687	(24,687)	-
348	Loan Liability - Current	-	-	-	-	-	-	-
310	Total Current Liabilities	255,519	7,726	74,393	5,093	342,731	(24,687)	318,044
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	978,963	-	978,963	-	978,963
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	26,556	729	-	-	27,285	-	27,285
355	Loan Liability - Non Current	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	1,263,651	8,613	5,093	-	1,277,357	-	1,277,357
350	Total Non-Current Liabilities	1,290,207	9,342	984,056	-	2,283,605	-	2,283,605
300	Total Liabilities	1,545,726	17,068	1,058,449	5,093	2,626,336	(24,687)	2,601,649
400	Deferred Inflow of Resources	302,864	4,172	2,511	-	309,547	-	309,547
508.4	Net Investment in Capital Assets	7,525,776	583	35,967	-	7,562,326	-	7,562,326
511.4	Restricted Net Position	-	-	8,470	-	8,470	-	8,470
512.4	Unrestricted Net Position	(107,692)	8,789	113,320	(5,093)	9,324	-	9,324
513	Total Equity - Net Assets / Position	7,418,084	9,372	157,757	(5,093)	7,580,120	-	7,580,120
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 9,266,674	30,612	1,218,717	-	10,516,003	(24,687)	10,491,316

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

Line Item Number	Description	Project Total	14.871	1 Business Activities	2 State/ Local	Subtotal	ELIM	Total
			Housing Choice Vouchers					
70300	Net Tenant Rental Revenue	\$ 1,057,012	-	175,942	-	1,232,954	-	1,232,954
70400	Tenant Revenue - Other	47,354	-	313	-	47,667	-	47,667
70500	Total Tenant Revenue	1,104,366	-	176,255	-	1,280,621	-	1,280,621
70600	HUD PHA Operating Grants	1,291,338	145,151	-	-	1,436,489	-	1,436,489
70610	Capital Grants	436,681	-	-	-	436,681	-	436,681
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	5,101	26	47	-	5,174	-	5,174
71200	Mortgage Interest Income	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-
71400	Fraud Recovery	7,362	-	-	-	7,362	-	7,362
71500	Other Revenue	74,501	-	266,195	-	340,696	-	340,696
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-
70000	Total Revenue	2,919,349	145,177	442,497	-	3,507,023	-	3,507,023
91100	Administrative Salaries	396,049	24,408	9,383	-	429,840	-	429,840
91200	Auditing Fees	-	-	-	-	-	-	-
91300	Management Fee	-	-	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-	-	-
91400	Advertising and Marketing	19,336	908	432	-	20,676	-	20,676
91500	Employee Benefit contributions - Administrative	118,602	(48,753)	(21,079)	-	48,770	-	48,770
91600	Office Expenses	66,532	3,116	2,365	-	72,013	-	72,013
91700	Legal Expense	18,602	-	1,145	-	19,747	-	19,747
91800	Travel	436	17	10	-	463	-	463
91810	Allocated Overhead	-	-	-	-	-	-	-
91900	Other	259,714	12,267	6,465	-	278,446	-	278,446
91000	Total Operating - Administrative	879,271	(8,037)	(1,279)	-	869,955	-	869,955
92000	Asset Management Fee	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-
92400	Tenant Services - Other	5,873	-	-	-	5,873	-	5,873
92500	Total Tenant Services	5,873	-	-	-	5,873	-	5,873

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	2 State/Local	Subtotal	ELIM	Total
93100	Water	143,791	-	12,340	-	156,131	-	156,131
93200	Electricity	129,714	-	75	-	129,789	-	129,789
93300	Gas	121,770	-	661	-	122,431	-	122,431
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-
93600	Sewer	102,979	-	8,715	-	111,694	-	111,694
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-
93800	Other Utilities Expense	23,588	-	2,144	-	25,732	-	25,732
93000	Total Utilities	521,842	-	23,935	-	545,777	-	545,777
94100	Ordinary Maintenance and Operations - Labor	338,509	-	-	-	338,509	-	338,509
94200	Ordinary Maintenance and Operations - Materials and Other	205,199	-	17,130	-	222,329	-	222,329
94300	Ordinary Maintenance and Operations Contracts	266,368	-	35,345	-	301,713	-	301,713
94500	Employee Benefit Contributions - Ordinary Maintenance	101,171	-	-	-	101,171	-	101,171
94000	Total Maintenance	911,247	-	52,475	-	963,722	-	963,722
95100	Protective Services - Labor	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-
95300	Protective Services - Other	15,527	-	-	-	15,527	-	15,527
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-
95000	Total Protective Services	15,527	-	-	-	15,527	-	15,527
96110	Property Insurance	67,392	3,663	2,040	-	73,095	-	73,095
96120	Liability Insurance	34,279	1,863	1,118	-	37,260	-	37,260
96130	Workmen's Compensation	11,680	572	-	-	12,252	-	12,252
96140	All Other Insurance	14,922	884	534	-	16,340	-	16,340
96100	Total Insurance Premiums	128,273	6,982	3,692	-	138,947	-	138,947
96200	Other General Expenses	-	-	-	-	-	-	-
96210	Compensated Absences	30,555	1,666	923	-	33,144	-	33,144
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	12,048	-	-	-	12,048	-	12,048
96500	Bad debt - Mortgages	-	-	-	-	-	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-
96000	Total Other General Expenses	42,603	1,666	923	-	45,192	-	45,192
96710	Interest of Mortgage (or Bonds) Payable	-	-	45,472	-	45,472	-	45,472
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	45,472	-	45,472	-	45,472
96900	Total Operating Expenses	2,504,636	611	125,218	-	2,630,465	-	2,630,465
97000	Excess of Operating Revenue over Operating Expenses	414,713	144,566	317,279	-	876,558	-	876,558

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

Line Item Number	Description	14.871 Housing				Subtotal	ELIM	Total
		Project Total	Choice Vouchers	1 Business Activities	2 State/ Local			
97100	Extraordinary Maintenance	4,204	-	-	-	4,204	-	4,204
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	125,407	-	-	125,407	-	125,407
97350	HAP Portability-In	-	-	-	-	-	-	-
97400	Depreciation Expense	442,923	74	25,890	-	468,887	-	468,887
97500	Fraud Losses	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-
90000	Total Expenses	2,951,763	126,092	151,108	-	3,228,963	-	3,228,963
10010	Operating Transfer In	396,806	-	-	-	396,806	(396,806)	-
10020	Operating Transfer Out	(396,806)	-	-	-	(396,806)	396,806	-
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)	-	-	(127,817)	-	(127,817)	-	(127,817)
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)	-	-	(127,817)	-	(127,817)	-	(127,817)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(32,414)	19,085	163,572	-	150,243	-	150,243
11020	Required Annual Debt Principal Payments	\$ -	-	37,648	-	37,648	-	37,648
11030	Beginning Equity	7,450,498	(9,713)	(5,815)	(5,093)	7,429,877	-	7,429,877
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	-	9,372	-	-	9,372	-	9,372
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-
11190	Unit Months Available	3,156	438	288	-	3,882	-	3,882
11210	Number of Unit Months Leased	3,087	268	279	-	3,634	-	3,634
11270	Excess Cash	\$ 890,902	-	-	-	890,902	-	890,902
11610	Land Purchases	-	-	-	-	-	-	-
11620	Building Purchases	\$ 436,681	-	-	-	436,681	-	436,681
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	9,310	-	-	-	9,310	-	9,310
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing (AL) Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
<i>Direct funding:</i>		
Housing Voucher Cluster		
Housing Choice Voucher Program	14.871	\$ 145,151
Total Housing Voucher Cluster		<u>145,151</u>
Low Rent Public Housing Program	14.850	894,532
Public Housing Capital Fund Program	* 14.872	833,487
Total Direct from U.S. Department of Housing and Urban Development		<u>1,873,170</u>
Total Expenditures of Federal Awards		<u>\$ 1,873,170</u>

* = Denotes major program

Reconciliation of federal expenditures to federal revenues:

Federal revenue per Statement of Activities	\$ 1,873,170
Federal awards expended per SEFA	<u>1,873,170</u>
Difference	<u>\$ -</u>

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, 2023.

3 - Subrecipients

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

4 - 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 Commissioners and Management of
Gallup Housing Authority,
Joseph M. Maestas, P.E., 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, each major fund, and the aggregate remaining fund information of Gallup Housing Authority (the Housing Authority), a component unit of the City of Gallup, as of and for the year ended June 30, 2023, 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 17, 2023.

Report on 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.

November 17, 2023

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, continued

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 17, 2023

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

Board of Commissioners and Management of
Gallup Housing Authority,
Joseph M. Maestas, P.E., State Auditor
State of New Mexico, Office of the State Auditor

Opinion on Each Major Federal Program

We have audited Gallup Housing Authority's (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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Housing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Housing Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence the Housing Authority's compliance with the

compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

November 17, 2023

Independent Auditor's Report on Compliance for Each Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance, continued

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.

Albuquerque, NM

November 17, 2023

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- 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 federal 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 federal programs:

Assistance Listing Number	Name of Federal Program	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 of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION II AND III: FINANCIAL STATEMENT AND FEDERAL FINDINGS

A summary schedule of the status of current and prior year findings is as follows:

		Findings		
<u>Reference #</u>	<u>Description</u>	<u>Current or Prior Year Finding</u>	<u>Status of Findings</u>	<u>Type of Finding*</u>
None				

* Legend for Type of Findings

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



INDEPENDENT AUDITOR’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners and Management of
Gallup Housing Authority,
Joseph M. Maestas, P.E., State Auditor
State of New Mexico, Office of the State Auditor

We have performed the procedure described in the third paragraph of this report, on the electronically submitted information included within the OMB Uniform Guidance reporting package. Gallup Housing Authority (the Housing Authority), a component unit of the City of Gallup is responsible for the accuracy and completeness of the electronically submitted information.

The Housing Authority and the U.S. Department of Housing and Urban Development (HUD), Real Estate Assessment Center (REAC) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether the electronically submitted information agrees with the related hard copy documents within the OMB Uniform Guidance reporting package. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet, Revenues and Expenditures	Auditor's Supplemental Report on Financial Data Schedule (Balance Sheet and Revenues and Expenditures)	X	
2	Footnotes to the Financial Statements	Footnotes to the Financial Statements	X	
3	Auditor opinions on the financial statements, supplemental data, and reports on compliance and internal controls	Auditor opinions on the financial statements, supplemental data, and reports on compliance and internal controls	X	
4	Schedule of Findings and Questioned Costs and Federal Awards Data	Schedule of Findings and Questioned Costs and Federal Awards Data	X	

We compared the electronically submitted items listed in the "UFRS Rule Information" column of the matrix/chart above with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Housing Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronically submitted information identified in the "UFRS Rule information" column of the chart/matrix agrees with the related hard copy documents within the OMB Uniform Guidance reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We were engaged to perform an audit in accordance with the OMB Uniform Guidance by the Housing Authority as of and for the period ending June 30, 2023 and have issued our reports thereon dated November 17, 2023. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated November 17, 2023, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the OMB Uniform Guidance reporting package, required by the Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Housing Authority. We take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority and HUD and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.

Albuquerque, NM

November 17, 2023

**STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
Exit Conference
For the Year Ended June 30, 2023**

EXIT CONFERENCE

An exit conference was held, in closed session, on November 17, 2023. The following individuals were in attendance:

Representing the Housing Authority:

Alfred Abeita	Board Chairman
James Roger Morris	Board Vice-Chairman
John Beck	Commissioner
Peter Gonzales	Commissioner
Aurelia Johnson-Ash	Commissioner
Richard F. Kontz	Executive Director
Telisia M. Buggie	Accountant
Pearl Reed	Housing Manager
Michael Burnside	Capital Projects Manager
Evangeline Benally	Maintenance Supervisor

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, 2023, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.