

**STATE OF NEW MEXICO**  
**GALLUP HOUSING AUTHORITY**  
**A COMPONENT UNIT OF**  
**THE CITY OF GALLUP**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2024**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2024**

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**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
AS OF JUNE 30, 2024**

**OFFICIAL ROSTER**

<b>Board of Commissioners</b>	
<b>Name</b>	<b>Title</b>
Alfred Abeita	Board Chairman
James Roger Morris	Board Vice-Chair
Peter Gonzales	Commissioner
John Beck	Commissioner
Aurelia Johnson-Ash	Resident Member

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



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## Independent Auditor's Report

To Joseph M. Maestas, P.E.  
New Mexico State Auditor

The U.S. Department of Housing and Urban Development  
To The Board of Commissioners of  
Gallup Housing Authority  
Gallup, NM

### Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund, and the aggregate remaining fund information of the Gallup Housing Authority (the "Housing Authority"), as of and for the year ended June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund balance of the Housing Authority, as of June 30, 2024, and the respective changes in financial position 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 (GAAS) 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.

### Responsibilities of Management for the Financial Statements

The Housing Authority's 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.

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### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



## **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 GAAS 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 GAAS, 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* on pages 6 – 11 and the *Schedules of the Housing Authority's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of the Housing Authority's Contributions* on pages 37-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **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 combining and individual fund financial statements, and supporting schedules, as listed in the table of contents, are 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 (Uniform Guidance)*, and the other supplementary schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, and other supplementary schedules required by 2.2.2 NMAC as noted in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures, the Financial Data Schedule and other supplementary schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
December 16, 2024

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The primary focus of this MD&A is to discuss the financial statement for the fiscal year 2024 ending on June 30, 2024. 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 254 [96.6%] 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 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 within five GHA housing developments. As of June 30, 2024, GHA had expended and obligated \$593,852 leaving a remaining balance of \$406,148. This grant is scheduled for close-out and the unexpended funds will be recaptured by HUD.
  - For 2020, GHA received CFP grant award of \$627,613 and has expended \$627,613 leaving a remaining balance of zero at 2024 Fiscal Year-end. This grant is scheduled for close-out and the unexpended funds will be recaptured by HUD.
  - 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 have been expended as of 2024 Fiscal Year-end leaving a remaining balance of zero. This grant is scheduled for close-out and the unexpended funds will be recaptured by HUD.
  - For 2022, GHA received CFP grant award of \$815,685 and has expended and obligated \$765,419, leaving a remaining balance of \$50,226 at 2024 Fiscal Year-end.
  - For 2023, GHA received CFP grant award of \$825,099 and has expended and obligated \$297,388, leaving a remaining balance of \$527,711 at 2024 Fiscal Year- end.
  - For 2024, GHA received CFP grant award of \$835,856 and has expended and obligated \$208,964, leaving a remaining balance of \$626,892 at 2024 Fiscal Year- end.

**STATE OF NEW MEXICO**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2024**

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 program. GHA is currently authorized to issue 38 regular section 8 vouchers and 25 VASH vouchers. GHA at fiscal year-end had ten [10] tenants were housed under regular section 8 vouchers and nine [9] tenants were housed under VASH vouchers for a total of nineteen [19] 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, 2024, to determine the change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related 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, 2024.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**Financial Highlights**

- The Gallup Housing Authority's net position increased from \$7,580,120 to \$9,890,294, an increase of \$2,310,174 or 30.48%.
- Total Assets and Deferred Outflows increased from \$10,516,003 to \$13,460,301, an increase of \$2,944,298 or 28.00%.
- Total Liabilities and Deferred Inflows decreased from \$2,935,883 to \$3,570,007, an increase of \$634,124 or 21.60%.
- Total revenues increased from \$3,242,739 to \$5,793,964, an increase of \$2,551,225 or 78.68%.
- Total expenses increased from \$3,356,780 to \$3,483,790, an increase of \$127,010 or 3.78%.

**Housing Authority Activities & Highlights**

The Housing Authority's overall financial position for the past two years is summarized below based on the information in the current and prior financial statements.

The table below provides the asset, liability, and net position (equity) comparisons for the years ended June 30, 2024, and June 30, 2023.

Summary of Statement of Net Position  
As of June 30,

	2024	2023	Percent Change
Assets:			
Current assets	\$ 1,432,871	1,425,614	0.51%
Non-current assets	11,511,029	8,768,794	31.27%
Total assets	12,943,900	10,194,408	
Deferred outflows of resources	516,401	321,595	60.57%
Total assets and deferred outflows of resources	\$ <u>13,460,301</u>	<u>10,516,003</u>	30.00%
Liabilities:			
Current liabilities	\$ 1,654,974	342,731	382.88%
Non-current liabilities	1,578,867	2,283,605	(30.86)%
Total liabilities	3,233,841	2,626,336	23.13%
Deferred inflows of resources	336,166	309,547	8.60%
Net position	9,890,294	7,580,120	30.48%
Total liabilities, deferred inflows of resources, and net position	\$ <u>13,460,301</u>	<u>10,516,003</u>	

**Current Assets**

Current assets increased from \$1,425,614 to \$1,432,871, an increase of \$7,257 or 0.51%. Unrestricted cash and cash equivalents increased from \$1,256,051 to \$1,307,381, an increase of \$51,330 from the previous year.

**Non-current Assets**

Non-current assets increased from \$8,768,794 to \$11,511,029, an increase of \$2,742,235 or 31.27%. Restricted cash and cash equivalents increased from \$80,994 to \$644,554, an increase of \$563,560 from the previous year.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

**Current Liabilities**

Current liabilities increased from \$342,731 to \$1,654,974 an increase of \$1,312,243 or 382.88% from the previous year. This is primarily due to an increase in accounts payable to vendors and increase in current loan portion for loan to be paid off in fiscal year 2025.

**Non-Current Liabilities**

Non-current liabilities decreased from \$2,283,605 to \$1,578,867, a decrease of \$704,738 or 30.86% from the previous year. This is primarily due to reclassification of current loan portion to be paid off in fiscal year 2025.

**Net Position**

The overall net position increased from \$7,580,120 to \$9,890,294, an increase of \$2,310,174 or 30.48% from the previous year.

The Authority's unrestricted component of net position changed from \$9,324 to \$(2,253,697) for a 241.71% decrease in the current year. The primary reason for the change is due to the increase in State and Local capital assets acquired in fiscal year 2024.

The table below summarizes the overall operations for the two years for the years ending June 30, 2024, and June 30, 2023.

Summary of Statement of Revenues, Expenditures, and Change in Fund Net Position as of June 30,

	2024	2023	Percent Change
Revenues:			
Operating revenues	\$ 2,894,609	2,724,472	6.25%
Non-operating revenues	2,899,355	518,267	459.43%
Total revenues	5,793,964	3,242,739	78.68%
Expenses:			
Personnel services	1,102,065	991,005	11.21%
Other operating expenses	1,851,997	1,723,599	7.45%
Depreciation	476,256	468,887	1.57%
Non-operating expenses	42,751	173,289	(75.33)%
Total expenses	3,483,790	3,356,780	3.78%
Non-cash contribution of mortgage receivables	-	264,284	
Change in net position	\$ 2,310,174	150,243	

**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 \$1,535,149 during this fiscal year.
- Tenant rents amounted to \$1,344,001, which amounts to \$112,000 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 decreased to 3,078 or 97.53% occupancy.
- Non-operating revenues and expenses increased from \$344,978 to \$2,856,604. This is mostly due to received Legislative appropriations in fiscal year 2024.

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

- The Authority received \$146,470 in HAP funds this year which includes \$23,589 for Administrative Fees and \$122,881 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 \$521,774 in capital grants which are used for both capital and operating expenses.
- Overall, total revenues increased from \$3,242,739 in FY2023 to \$5,793,964 in FY2024, a increase of \$2,551,225 or 78.68%.

**Expenses**

- Overall total expenses increased from \$3,356,780 in FY2023 to \$3,483,790 in FY2024, an increase of \$127,010 or 3.78%. This was mainly due to more "soft costs" being expensed to Maintenance and repair accounts from the Capital Fund program and increase in personnel costs.
- Administrative costs decreased from \$38,713 last fiscal year to \$36,777 this fiscal year, a 5% 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 \$991,005 last fiscal year to \$1,102,065 an increase of \$111,060 or 11.21%. 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 \$162,248 last fiscal year to \$173,378 this fiscal year an increase of \$11,130 or 6.86%. 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 decreased from \$612,804 last fiscal year to \$580,806 for this fiscal year, an decrease of \$31,998 or 5.22%. This was due to less usage in Fiscal year 2024.
- General maintenance to repair and maintain all housing units and Authority property and equipment increased from \$537,218 last fiscal year to \$597,948 this fiscal year, an increase of \$60,730 or 11.30%. 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 decreased slightly from \$125,407 last fiscal year to \$121,207 this fiscal year, an increase of \$4,200.
- Collection losses decreased from \$12,048 last fiscal year to \$10,720.84 this fiscal year, a decrease of \$1,327 or 11.01%. 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  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

- Depreciation expenses increased from \$468,887 last fiscal year to \$476,256 this fiscal year, an increase of \$7,369 or 1.57%. This is related to the increase in capital assets and their related depreciation expense.

**Capital Assets**

As of June 30, 2024, the Gallup Housing Authority's capital assets, net accumulated depreciation was \$10,858,668 as compared to \$8,581,177 for June 30, 2023, which is a increase in net capital assets. This investment includes land, building, equipment, and construction in progress less accumulated depreciation. The amount doesn't include any debt related to the acquisition of these capital assets.

<u>Capital Assets</u>	<u>As of June 30, 2024</u>	<u>As of June 30, 2023</u>	<u>Percent Change</u>
Land	\$ 1,717,213	1,709,213	0.47%
Construction in progress		-	0%
Buildings and improvements	19,288,509	16,542,762	16.60%
Equipment - dwellings	56,659	56,659	0%
Equipment - administration	584,941	584,941	0%
Total capital assets	<u>21,647,322</u>	<u>18,893,575</u>	
Less: accumulated depreciation	<u>(10,788,654)</u>	<u>(10,312,398)</u>	4.61%
Capital assets, net	<u>\$ 10,858,668</u>	<u>8,581,177</u>	26.54%

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

**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, 2024</u>	<u>As of June 30, 2023</u>	<u>Percent Change</u>
Compensated absences	\$ 59,932	51,267	16.9%
Notes payable	904,471	1,018,851	(11.23)%
Net pension liability	1,328,507	1,022,543	29.92%
Net OPEB liability	216,497	254,814	(15.04)%
Total	<u>\$ 2,509,407</u>	<u>2,347,475</u>	6.90%

**Request for Information**

This financial report is designed to provide a general overview of the Housing Authority's financial position as of June 30, 2024, 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, 2024**

	Low-Rent Public Housing (01&02)	Management Fund Account (08)	Total Non-Major Funds	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents - unrestricted	\$ 1,188,833	93,433	25,115	1,307,381
Grant receivables	47,847	-	-	47,847
Tenant receivables, net	3,439	-	-	3,439
Mortgage receivables, current portion, net	-	2,153	-	2,153
Prepaid expenses and other current assets	15,266	161	643	16,070
Inventory, net	50,025	1,455	-	51,480
Due from other funds	4,501	-	-	4,501
<b>Total current assets</b>	<u>1,309,911</u>	<u>97,202</u>	<u>25,758</u>	<u>1,432,871</u>
<b>Non-current assets</b>				
Cash and cash equivalents - restricted	65,951	11,701	566,902	644,554
Mortgage receivables, net	-	7,807	-	7,807
Land and construction in progress	1,593,833	115,380	8,000	1,717,213
Other capital assets, net of accumulated depreciation	5,528,712	913,548	2,699,195	9,141,455
<b>Total non-current assets</b>	<u>7,188,496</u>	<u>1,048,436</u>	<u>3,274,097</u>	<u>11,511,029</u>
<b>Total assets</b>	<u>8,498,407</u>	<u>1,145,638</u>	<u>3,299,855</u>	<u>12,943,900</u>
<b>Deferred outflows of resources</b>				
Pension deferral	358,757	4,047	9,719	372,523
OPEB deferral	141,759	623	1,496	143,878
<b>Total deferred outflows of resources</b>	<u>500,516</u>	<u>4,670</u>	<u>11,215</u>	<u>516,401</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 8,998,923</u>	<u>1,150,308</u>	<u>3,311,070</u>	<u>13,460,301</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 83,213	2,733	521,147	607,093
Accrued payroll liabilities	12,325	91	221	12,637
Due to other funds	-	1,359	3,142	4,501
Tenant security deposits	65,946	11,700	-	77,646
Unearned revenue	15,865	2,601	4,091	22,557
Loans payable, current portion	-	904,471	-	904,471
Compensated absences	25,272	227	570	26,069
<b>Total current liabilities</b>	<u>202,621</u>	<u>923,182</u>	<u>529,171</u>	<u>1,654,974</u>
<b>Non-current liabilities</b>				
Compensated absences	32,608	460	795	33,863
Net pension liability	1,279,414	14,433	34,660	1,328,507
Net OPEB liability	213,310	937	2,250	216,497
<b>Total non-current liabilities</b>	<u>1,525,332</u>	<u>15,830</u>	<u>37,705</u>	<u>1,578,867</u>
<b>Total liabilities</b>	<u>1,727,953</u>	<u>939,012</u>	<u>566,876</u>	<u>3,233,841</u>
<b>Deferred inflows of resources</b>				
Operating Subsidy	39,113	-	-	39,113
Pension deferral	26,313	297	713	27,323
OPEB deferral	265,758	1,168	2,804	269,730
<b>Total deferred inflows of resources</b>	<u>331,184</u>	<u>1,465</u>	<u>3,517</u>	<u>336,166</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,122,545	1,028,928	2,707,195	10,858,668
Unrestricted	295,543	(2,556,501)	7,261	(2,253,697)
Restricted - for specific programs	(478,302)	1,737,404	26,221	1,285,323
<b>Total net position</b>	<u>6,939,786</u>	<u>209,831</u>	<u>2,740,677</u>	<u>9,890,294</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 8,998,923</u>	<u>1,150,308</u>	<u>3,311,070</u>	<u>13,460,301</u>

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  
AS OF JUNE 30, 2024**

	Low-Rent Public Housing (01&02)	Management Fund Account (08)	Total Non-Major Funds	Total
<b>OPERATING REVENUES</b>				
Rental revenue	\$ 1,174,788	179,934	-	1,354,722
Other tenant revenue	50,651	313	-	50,964
Federal subsidy operating grants	<u>1,342,453</u>	<u>-</u>	<u>146,470</u>	<u>1,488,923</u>
Total revenues	<u>2,567,892</u>	<u>180,247</u>	<u>146,470</u>	<u>2,894,609</u>
<b>OPERATING EXPENSES</b>				
Personnel services - wages, taxes, and benefits	1,093,505	2,177	6,383	1,102,065
Net pension and OPEB related expenses (income)	35,112	6,146	19,089	60,347
Administrative	31,018	2,530	3,229	36,777
Professional fees	163,752	3,867	5,759	173,378
Advertising	20,903	79	712	21,694
Supplies	69,116	2,419	2,640	74,175
Memberships and dues	1,787	450	46	2,283
Tenant services	39,562	481	1,295	41,338
Utilities	528,576	51,982	248	580,806
Maintenance and repairs	562,765	35,183	-	597,948
Insurance	128,406	1,379	5,434	135,219
Housing assistance	-	-	121,207	121,207
Bad debt	10,721	-	-	10,721
Staff training	6,104	19	242	6,365
Travel	-	460	-	460
Depreciation	<u>449,460</u>	<u>25,890</u>	<u>906</u>	<u>476,256</u>
Total operating expenses	<u>3,140,787</u>	<u>133,062</u>	<u>167,190</u>	<u>3,441,039</u>
Operating income (loss)	(572,895)	47,185	(20,720)	(546,430)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Federal capital grants	46,226	-	-	46,226
State & Local operating grants	-	-	2,667,774	2,667,774
Interest income	6,392	978	20	7,390
Miscellaneous income	41,979	964	7,205	50,148
Discount amortization income (loss)	-	127,817	-	127,817
Interest expense - non-operating	<u>-</u>	<u>(42,751)</u>	<u>-</u>	<u>(42,751)</u>
Total non-operating revenues (expenses)	<u>94,597</u>	<u>87,008</u>	<u>2,674,999</u>	<u>2,856,604</u>
Income (loss) before contributions and transfers	(478,298)	134,193	2,654,279	2,310,174
Transfer In	-	-	82,119	82,119
Transfer Out	-	(82,119)	-	(82,119)
Non-cash contribution of mortgage receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>(82,119)</u>	<u>82,119</u>	<u>-</u>
Change in net position	(478,298)	52,074	2,736,398	2,310,174
Beginning net position	<u>7,418,084</u>	<u>157,757</u>	<u>4,279</u>	<u>7,580,120</u>
Ending net position	<u>\$ 6,939,786</u>	<u>209,831</u>	<u>2,740,677</u>	<u>9,890,294</u>

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, 2024**

	Low-Rent Public Housing (01&02)	Management Fund Account (08)	Total Non- Major Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from tenants	\$ 1,231,234	299,618	3,975	1,534,827
Payments to employees	(1,134,721)	(8,342)	(25,714)	(1,168,777)
Payments to suppliers	(1,516,704)	(108,069)	396,213	(1,228,560)
Receipts from subsidy grants	1,342,453	-	146,470	1,488,923
Net cash provided (used) by operating activities	<u>(77,738)</u>	<u>183,207</u>	<u>520,944</u>	<u>626,413</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous income	41,979	46,662	89,324	177,965
Net cash provided (used) by non-capital and related financing activities	<u>41,979</u>	<u>46,662</u>	<u>89,324</u>	<u>177,965</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(46,229)	-	(2,707,518)	(2,753,747)
Capital grants	46,226	-	2,667,774	2,714,000
Principal payments	-	(114,380)	-	(114,380)
Interest payments	-	(42,751)	-	(42,751)
Net cash provided (used) by capital and related financing activities	<u>(3)</u>	<u>(157,131)</u>	<u>(39,744)</u>	<u>(196,878)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	6,392	978	20	7,390
Net cash provided (used) by investing activities	<u>6,392</u>	<u>978</u>	<u>20</u>	<u>7,390</u>
Net increase (decrease) in cash and cash equivalents	(29,370)	73,716	570,544	614,890
Balances-beginning of year	1,284,154	31,418	21,473	1,337,045
Balances-end of year	<u>\$ 1,254,784</u>	<u>105,134</u>	<u>592,017</u>	<u>1,951,935</u>
<b>Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:</b>				
Operating income/(loss)	\$ (572,895)	47,185	(20,720)	(546,430)
Depreciation expense	449,460	25,890	906	476,256
Pension expense/(income)	96,650	8,334	21,618	126,602
OPEB expense/(income)	(61,538)	(2,188)	(2,529)	(66,255)
<b>Change in assets and liabilities:</b>				
(Increase) decrease in receivables	(4,987)	118,712	4,244	117,969
(Increase) decrease in prepaid expenses	20,932	829	1,007	22,768
(Increase) decrease in inventory	(17,813)	(221)	-	(18,034)
Increase (decrease) in accounts payable	(29,061)	80	520,641	491,660
Increase (decrease) in accrued liabilities	2,009	7	24	2,040
Increase (decrease) in due from/to	20,186	(16,122)	(4,064)	-
Increase (decrease) in tenant security deposits	4,522	600	-	5,122
Increase (decrease) in unearned revenue	(32,853)	59	(269)	(33,063)
Increase (decrease) in deferred Operating Subsidy	39,113	-	-	39,113
Increase (decrease) in compensated absences	8,537	42	86	8,665
Net cash provided (used) by operating activities	<u>\$ (77,738)</u>	<u>183,207</u>	<u>520,944</u>	<u>626,413</u>

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, 2024**

**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.

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.

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**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 April 2022, the GASB issued Statement No. 99, Omnibus 2022, with multiple effective dates as follows; (1) extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 24, as amended, and terminology updates related to Statement 53 and 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement had no effect on the Housing Authority’s financial statements.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections, effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this Statement had no effect on the Housing Authority’s financial statements.

**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.

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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.

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 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.

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

**D. Cash and Cash Equivalents**

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

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

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

**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.

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**H. Prepaid Expenses**

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

**I. Capital Assets**

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

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

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

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

**J. 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.

The mortgages’ remaining balances at June 30, 2024, 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:

Original Maturity of Mortgages	Discount Rates for Mortgages
8.18 years - 30 years	7.23% - 8.06%

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In fiscal year 2024, 3 of the mortgage loans were sold to NM MFA and are no longer with the Authority. One of the loans was fully paid off in fiscal year 2024 leaving only two outstanding loans remaining with the Authority. There were no new mortgages received for the year ended June 30, 2024.

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 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.

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- Unrestricted net position – Consist of assets, deferred outflows, less liabilities, deferred inflows, after the amount invested in capital assets and any restricted and designated net position have been subtracted.

**M. Unrestricted and Restricted Resources**

Certain resources set aside for housing assistance payments, as well as security deposits held as insurance against the non-payment for services rendered, are classified on the balance sheet as restricted because their use is limited. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**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 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.

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**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:

	2024
Pension deferrals	\$ 372,523
OPEB deferrals	143,878
Total deferred outflows of resources	\$ 516,401

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:

	2024
Operating Subsidy	\$ 39,113
Pension deferrals	27,323
OPEB deferrals	269,730
Total deferred outflows of resources	\$ 336,166

**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 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, 2024, and therefore, no disclosures under GASB 77 are required.

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**NOTE 2. CASH AND CASH EQUIVALENTS**

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

Cash and Cash Equivalents	2024
Unrestricted	
Pinnacle Bank	\$ 1,297,722
Wells Fargo	2,335
Washington Federal	7,074
Petty cash	250
Total unrestricted	1,307,381
Restricted Cash	
Pinnacle Bank	
Management Fund Account	555,289
Low rent tenant security deposits	65,951
Mesa security deposits	11,701
Mesa reserves	11,613
Total Pinnacle Bank	644,554
Total restricted	644,554
Total cash and cash equivalents	\$ 1,951,935

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, 2024.

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

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investments such as certificates of deposits de collateralized by the depository thrift or banking institution. At present, state statute requires that a minimum of 50% of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2024, the Housing Authority's bank and investment balances of \$1,899,398 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		<u>1,899,398</u>
	\$	<u><u>1,899,398</u></u>

As of June 30, 2024, al 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, 2024, the Housing Authority had the following outstanding receivables:

Type		2024
Grants receivable	\$	47,847
Tenant receivables		4,928
Other receivables		-
Mortgage receivables, net		9,960
Allowance for doubtful accounts		<u>(1,489)</u>
Total	\$	<u><u>61,246</u></u>

**Mortgages Receivable**

Mortgages receivable consists of the following at June 30:

		2024
First mortgages (including homeowner receivables)	\$	8,207
Mortgages receivable with WaFd		1,753
Less unamortized discounts on mortgages		-
Total mortgages receivable, net	\$	<u><u>9,960</u></u>

Future annual mortgage receipts for mortgages receivable are as follows:

Year Ended June 30,		Principal
2025	\$	2,153
2026		400
2027		400
2028		400
2029		400
Future years		<u>6,207</u>
	\$	<u><u>9,960</u></u>

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**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, 2024.

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, 2024, are as follows:

<u>Due From Fund</u>	<u>Due To Fund</u>	<u>2024</u>
(03) Section 8 Housing Choice Vouchers Program	(01 & 02) Low-Rent Public Housing	\$ 3,142
(08) Management Fund Account	(01 & 02) Low-Rent Public Housing	<u>1,359</u>
		<u>\$ 4,501</u>

**NOTE 5. ACCRUED LIABILITIES**

Accrued liabilities at June 30, consist of the following:

<u>Type</u>	<u>2024</u>
Accrued payroll liabilities	\$ 11,095
Accrued taxes and benefits	<u>1,542</u>
Total	<u>\$ 12,637</u>

**NOTE 6. UNEARNED REVENUE**

Unearned revenue at June 30, consist of the following:

<u>Type</u>	<u>2024</u>
Tenant prepaid rent	\$ 18,466
Unearned fees	<u>4,091</u>
Total	<u>\$ 22,557</u>

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

Property and equipment are summarized as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance 2024</u>
Capital assets not being depreciated:				
Land	\$ 1,709,213	8,000	-	1,717,213
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,709,213</u>	<u>8,000</u>	<u>-</u>	<u>1,717,213</u>
Capital assets being depreciated:				
Buildings and improvements	16,542,762	2,745,747	-	19,288,509
Equipment - dwellings	56,659	-	-	56,659
Equipment - administration	<u>584,941</u>	<u>-</u>	<u>-</u>	<u>584,941</u>
Total capital assets being depreciated	<u>17,184,362</u>	<u>2,745,747</u>	<u>-</u>	<u>19,930,109</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,717,205)	(476,256)	-	(10,193,461)
Equipment - dwellings	(56,659)	-	-	(56,659)
Equipment - administration	<u>(538,534)</u>	<u>-</u>	<u>-</u>	<u>(538,534)</u>
Total accumulated depreciation	<u>(10,312,398)</u>	<u>(476,256)</u>	<u>-</u>	<u>(10,788,654)</u>
Total capital assets being depreciated	<u>6,871,964</u>	<u>2,269,491</u>	<u>-</u>	<u>9,141,455</u>
Capital assets, net	<u>\$ 8,581,177</u>	<u>2,277,491</u>	<u>-</u>	<u>10,858,668</u>

For the year ended June 30, 2024, depreciation expense was \$476,256. As of the year ended June 30, 2024, the Housing Authority had no idle equipment.

**NOTE 8. LONG-TERM OBLIGATIONS**

A summary of changes in long-term obligations for the year ended June 30, 2024, is as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2024</u>	<u>Due Within One Year</u>
Compensated absences	\$ 51,267	72,810	(64,145)	59,932	26,069
Notes payable	1,018,851	-	(114,380)	904,471	904,471
Net pension liability	1,022,543	305,964	-	1,328,507	-
Net OPEB liability	<u>254,814</u>	<u>-</u>	<u>(38,317)</u>	<u>216,497</u>	<u>-</u>
Total	<u>\$ 2,347,475</u>	<u>378,774</u>	<u>(216,842)</u>	<u>2,509,407</u>	<u>930,540</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during the year ended June 30, 2024.

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**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	904,471	4.45%
Mesa apartments - Armstrong Trust	12/1/2019	11/30/2024	130,000	-	3.00%
Total			\$ <u>1,150,000</u>	<u>904,471</u>	

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

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

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreements. Upon default, including failure to pay upon final maturity, the interest rate on the Note will be increased to 24%. 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, 2024, are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ <u>904,471</u>	<u>13,345</u>	<u>917,816</u>
	\$ <u>904,471</u>	<u>13,345</u>	<u>917,816</u>

**\$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. This was paid off in fiscal year 2024.

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

**TIER II.** The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least five years of service credit and the sum of the member's age and service credit equals at least 85 or at age 65 with 5 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 5 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.

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**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 \$1,328,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2023, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2023. There were no significant events or changes in benefit provision that required an adjustment to the roll- forward liabilities as of June 30, 2023. 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, 2023, the Housing Authority’s proportion was 0.06274%, which was a increase of 0.00509% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Housing Authority recognized PERA Fund Division; Municipal General Division pension expense of \$126,602. At June 30, 2024, 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:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,710	16,213
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	124,911	-
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	66,950	11,110
Housing Authority contributions subsequent to the measurement date	<u>80,952</u>	<u>-</u>
Total	<u>\$ 372,523</u>	<u>27,323</u>

\$80,952 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, 2024.

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

Year Ended June 30:	Amount
2025	\$ 91,616
2026	34,854
2027	126,404
2028	11,374
2029	-
Thereafter	-

**Actuarial assumptions.** The total pension liability in the June 30, 2023, actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2023
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, 2022. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2023. These assumptions were adopted by the Board use in the June 30, 2022, actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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:

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All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.00%	6.90%
Risk Reduction & Mitigation	17.00%	3.90%
Credit Oriented Fixed Income	19.00%	6.00%
Real Assets to include Real Estate Equity	18.00%	7.00%
Multi-Risk Allocation	8.00%	0.61%
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, 2023. 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 periods of projected benefit payments to determine the total pension liability.

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

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

PERA Fund Division - Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Housing Authority’s proportionate share of the net pension liability	\$ <u>1,926,137</u>	\$ <u>1,328,507</u>	\$ <u>831,626</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, 2024, the Housing Authority had no outstanding contributions due to PERA for the year ended June 30, 2024.

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**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 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, 2023, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
	159,125
Active membership	
State general	18,462
State police and corrections	1,260
Municipal general	17,283
Municipal police	3,169
Municipal fire	2,419
Educational Retirement Board	51,002
	93,595

**Contributions.** Employers 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 \$22,582 for the year ended June 30, 2024.

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

At June 30, 2024, the Housing Authority reported a liability of \$216,497 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023. At June 30, 2023, the Housing Authority's proportion was 0.01271 percent.

For the year ended June 30, 2024, the Housing Authority recognized OPEB income of \$66,255. At June 30, 2024, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,660	39,197
Net difference between actual and projected earnings on OPEB plan investments	4,629	-
Changes of assumptions	41,664	204,230
Changes in proportion	78,870	26,303
Contributions subsequent to the measurement date	15,055	-
Total	\$ 143,878	269,730

Deferred outflows of resources totaling \$15,055 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, 2024.

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

Year Ended June 30:	Amount
2024	\$ (41,288)
2025	(24,331)
2026	(43,083)
2027	(30,245)
2028	(1,959)
Total	\$ (140,906)

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**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Valuation Date	June 30, 2023
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.

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	1.60%
U.S. equity - large cap	6.90%
Non U.S. - emerging markets	8.70%
Non U.S. - developed equities	7.20%
Private equity	10.00%
Credit and structured finance	3.70%
Real estate	3.60%
Absolute return	3.20%
U.S. equity - small/mid cap	6.90%

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**Discount Rate.** The discount rate used to measure the total OPEB liability is 6.22% as of June 30, 2023. 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, 2070. 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 2070, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.65%) was applied. Thus, 6.22 % 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 6.22% as of June 30, 2023, 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 (5.22%)	Current Discount (6.22%)	1% Increase (7.22%)
272,950	\$ 216,497	\$ 170,737

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

1% Decrease	Current Trend Rate	1% Increase
\$ 179,238	\$ 216,497	\$ 259,289

**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, 2023.

**Payable Changes in the Net OPEB Liability.** At June 30, 2024, the Housing Authority had no outstanding contributions due to NMRHCA for the year ended June 30, 2024.

**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.

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**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, 2024, 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 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, 2024:

Fund	Amount
Section 8 HCV (03)      \$	(10,569)

**NOTE 16. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2024, the date of the most recent statement of net position, has been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2024 which is the date on which the financial statements were issued.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement Date as of									
	June 30, 2023	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) (%)	0.62740%	0.05765%	0.05927%	0.05670%	0.05670%	0.05220%	0.05560%	0.05420%	0.05020%	0.05000%
Gallup Housing Authority's proportionate share of the net pension liability (asset) (\$)	1,328,507	1,022,543	667,776	1,146,603	903,634	832,261	763,991	865,934	551,832	390,054
	<u>1,328,507</u>	<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>551,832</u>	<u>390,054</u>
Gallup Housing Authority's covered payroll	771,836	559,480	556,296	531,837	457,948	423,194	488,366	464,869	429,686	413,066
	<u>771,836</u>	<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	172.12%	182.77%	120.04%	215.59%	197.32%	196.66%	156.44%	186.27%	128.43%	94.43%
Plan fiduciary net position as a percentage of the total pension liability	67.26%	69.35%	77.25%	66.36%	70.52%	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.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 80,952	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	80,952	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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2024**

**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/>.

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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2024	2023	2022	2021	2020	2019	2018
	Measurement Date as of						
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Employer's proportion of the net OPEB liability (asset) (%)	0.0127%	0.0110%	0.0119%	0.0113%	0.0107%	0.0107%	0.0116%
Employer's proportionate share of the net OPEB liability (asset) (\$)	\$ 216,497	254,814	392,539	475,736	346,287	464,404	527,487
Employer's covered-employee payroll	\$ 752,734	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	28.76%	48.72%	71.31%	97.69%	77.70%	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	44.16%	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.

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SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 22,582	14,561	11,127	11,523	9,454	16,689	36,962
Contributions in relation to the statutorily required contribution	<u>22,582</u>	<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>-</u>	<u>203</u>	<u>18,411</u>
Employer's covered-employee payroll	\$ 629,559	728,301	556,350	576,163	445,669	458,238	484,881
Contributions as a percentage of covered-employee payroll	3.59%	2.00%	2.00%	2.00%	2.12%	3.60%	3.83%

\*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 2018, the year the statement's requirements became effective.

**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%.

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NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024**

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.

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COMBINING STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
AS OF JUNE 30, 2024**

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total Non-Major Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents - unrestricted	\$ 25,115	-	25,115
Grant receivables	-	-	-
Tenant receivables, net	-	-	-
Other accounts receivables, net	-	-	-
Mortgage receivables, current portion, net	-	-	-
Prepaid expenses and other current assets	643	-	643
Inventory, net	-	-	-
Due from other funds	-	-	-
Total current assets	<u>25,758</u>	<u>-</u>	<u>25,758</u>
<b>Non-current assets</b>			
Cash and cash equivalents - restricted	1,674	565,228	566,902
Mortgage receivables, net	-	-	-
Land and construction in progress	-	8,000	8,000
Other capital assets, net of accumulated depreciation	436	2,698,759	2,699,195
Total non-current assets	<u>2,110</u>	<u>3,271,987</u>	<u>3,274,097</u>
Total assets	<u>27,868</u>	<u>3,271,987</u>	<u>3,299,855</u>
<b>Deferred outflows of resources</b>			
Pension deferral	9,719	-	9,719
OPEB deferral	1,496	-	1,496
Total deferred outflows of resources	<u>11,215</u>	<u>-</u>	<u>11,215</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 39,083</u>	<u>3,271,987</u>	<u>3,311,070</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 406	520,741	521,147
Accrued payroll liabilities	221	-	221
Due to other funds	3,142	-	3,142
Tenant security deposits	-	-	-
Unearned revenue	4,091	-	4,091
Loans payable, current portion	-	-	-
Compensated absences	570	-	570
Total current liabilities	<u>8,430</u>	<u>520,741</u>	<u>529,171</u>
<b>Non-current liabilities</b>			
Compensated absences	795	-	795
Loans payable	-	-	-
Net pension liability	34,660	-	34,660
Net OPEB liability	2,250	-	2,250
Total non-current liabilities	<u>37,705</u>	<u>-</u>	<u>37,705</u>
Total liabilities	<u>46,135</u>	<u>520,741</u>	<u>566,876</u>
<b>Deferred inflows of resources</b>			
Pension deferral	713	-	713
OPEB deferral	2,804	-	2,804
Total deferred inflows of resources	<u>3,517</u>	<u>-</u>	<u>3,517</u>
<b>NET POSITION</b>			
Net investment in capital assets	436	2,706,759	2,707,195
Unrestricted	7,261	-	7,261
Restricted - for specific programs	(18,266)	44,487	26,221
Total net position	<u>(10,569)</u>	<u>2,751,246</u>	<u>2,740,677</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 39,083</u>	<u>3,271,987</u>	<u>3,311,070</u>

The accompanying notes are an integral part of these financial statements

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COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
AS OF JUNE 30, 2024**

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total Non-Major Funds
<b>OPERATING REVENUES</b>			
Rental revenue	\$ -	-	-
Other tenant revenue	-	-	-
Federal subsidy operating grants	146,470	-	146,470
Total revenues	<u>146,470</u>	<u>-</u>	<u>146,470</u>
<b>OPERATING EXPENSES</b>			
Personnel services - wages, taxes, and benefits	6,383	-	6,383
Net pension and OPEB related expenses (income)	19,089	-	19,089
Administrative	3,229	-	3,229
Professional fees	5,759	-	5,759
Advertising	712	-	712
Supplies	2,640	-	2,640
Memberships and dues	46	-	46
Tenant services	1,295	-	1,295
Utilities	248	-	248
Maintenance and repairs	-	-	-
Insurance	5,434	-	5,434
Housing assistance	121,207	-	121,207
Bad debt	-	-	-
Staff training	242	-	242
Travel	-	-	-
Depreciation	147	759	906
Total operating expenses	<u>166,431</u>	<u>759</u>	<u>167,190</u>
Operating income (loss)	(19,961)	(759)	(20,720)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal capital grants	-	-	-
State & Local operating grants	-	2,667,774	2,667,774
Interest income	20	-	20
Miscellaneous income	-	7,205	7,205
Discount amortization income (loss)	-	-	-
Interest expense - non-operating	-	-	-
Total non-operating revenues (expenses)	<u>20</u>	<u>2,674,979</u>	<u>2,674,999</u>
Income (loss) before contributions and transfers	(19,941)	2,674,220	2,654,279
Transfer In	-	82,119	82,119
Transfer Out	-	-	-
Non-cash contribution of mortgage receivables	-	-	-
	<u>-</u>	<u>82,119</u>	<u>82,119</u>
Change in net position	(19,941)	2,756,339	2,736,398
Beginning net position	9,372	(5,093)	4,279
Ending net position	<u>\$ (10,569)</u>	<u>2,751,246</u>	<u>2,740,677</u>

The accompanying notes are an integral part of these financial statements

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COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024**

	Section 8 Housing Choice Vouchers (03)	State & Local (07)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from tenants	\$ 3,975	-	3,975
Payments to employees	(25,714)	-	(25,714)
Payments to suppliers	(119,435)	515,648	396,213
Receipts from subsidy grants	146,470	-	146,470
Net cash provided (used) by operating activities	<u>5,296</u>	<u>515,648</u>	<u>520,944</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Miscellaneous income	-	89,324	89,324
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>89,324</u>	<u>89,324</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	-	(2,707,518)	(2,707,518)
Capital grants	-	2,667,774	2,667,774
Principal payments	-	-	-
Interest payments	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(39,744)</u>	<u>(39,744)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	20	-	20
Net cash provided (used) by investing activities	<u>20</u>	<u>-</u>	<u>20</u>
Net increase (decrease) in cash and cash equivalents	5,316	565,228	570,544
Balances-beginning of year	21,473	-	21,473
Balances-end of year	<u>\$ 26,789</u>	<u>565,228</u>	<u>592,017</u>
Reconciliation of operating income/(loss) to net cash provided by (used for) operating activities:			
Operating income/(loss)	\$ (19,961)	(759)	(20,720)
Depreciation expense	147	759	906
Pension expense/(income)	21,618	-	21,618
OPEB expense/(income)	(2,529)	-	(2,529)
Change in assets and liabilities:			
(Increase) decrease in receivables	4,244	-	4,244
(Increase) decrease in prepaid expenses	1,007	-	1,007
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable	(100)	520,741	520,641
Increase (decrease) in accrued liabilities	24	-	24
Increase (decrease) in due from/to	1,029	(5,093)	(4,064)
Increase (decrease) in tenant security deposits	-	-	-
Increase (decrease) in unearned revenue	(269)	-	(269)
Increase (decrease) in deferred Operating Subsidy	-	-	-
Increase (decrease) in compensated absences	86	-	86
Net cash provided (used) by operating activities	<u>\$ 5,296</u>	<u>515,648</u>	<u>520,944</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
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A COMPONENT UNIT OF THE CITY OF GALLUP  
SCHEDULE OF CASH, CASH EQUIVALENTS, AND PLEDGED COLLATERAL  
AS OF JUNE 30, 2024

Financial Institution	Account Type	Pinnacle Bank	WaFD	Wells Fargo	Petty Cash	Reconciling Items	Book Balance
<b>Cash and cash equivalents</b>							
Low Rent Public Housing	Checking*	\$ 1,139,572	-	-	-	(14,236)	1,125,336
Low Rent Security Deposit	Checking*	65,951	-	-	-	-	65,951
Section 8	Checking*	26,789	-	-	-	-	26,789
Management Fund Account	Checking*	822,238	-	-	-	(182,263)	639,975
Capital Projects Account	Checking*	71,534	-	-	-	(10,623)	60,911
Mesa Security Deposits	Checking*	11,701	-	-	-	-	11,701
Mesa Reserves	Savings*	11,613	-	-	-	-	11,613
Wells Fargo Bank	Checking*	-	-	2,335	-	-	2,335
Habitat Homes	Checking*	-	7,074	-	-	-	7,074
Petty cash	Petty cash	-	-	-	250	-	250
Total cash and cash equivalents		\$ 2,149,398	7,074	2,335	250	(207,122)	1,951,935
<b>Total amount of deposit in bank</b>							
FDIC/NCUA coverage		\$ (250,000)	(7,074)	(2,335)	-	-	-
Total uninsured public funds		1,899,398	-	-	-	-	-
<b>50% Collateral Requirement (Section 6-10-10(H) NMSA 1978)</b>							
		949,699	-	-	-	-	-
		949,699	-	-	-	-	-
<b>Pledged security at:</b>							
PinnacleBank-FNMA MA1365-31418AQU5, 3/1/2033		152,920	-	-	-	-	-
PinnacleBank-FNMA 470300-3138TNR7, 1/1/2025		814,358	-	-	-	-	-
PinnacleBank-FNMA 11 110 EC-3136A2AR4, 4/25/2041		51,168	-	-	-	-	-
PinnacleBank-FNMA 10 54 EG -31398RTE5, 6/25/2040		538,136	-	-	-	-	-
PinnacleBank-FNMA 13 30AB-3136ADMJ5, 1/25/2043		674,006	-	-	-	-	-
PinnacleBank-GNMA 10 14 MA -38376WHE8, 2/16/2040		60,663	-	-	-	-	-
PinnacleBank-FHLMC 4109 CG-3137AUHP7, 6/15/2032		421,130	-	-	-	-	-
Total collateral		2,712,381	-	-	-	-	-
Amount over/(under) collateralized		\$ 1,762,682	-	-	-	-	-
<b>Amount over/(under) collateralized &amp; insured</b>							
		\$ 2,012,682	7,074	2,335	-	-	-
<b>Total book balance</b>							
		\$ 1,942,276	7,074	2,335	250	-	-

\*denotes interest bearing account

STATE OF NEW MEXICO  
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FINANCIAL DATA SCHEDULE - BALANCE SHEET  
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Number	Description	14.871 Housing				Subtotal	ELIM	Total
		Project Total	Choice Vouchers	1 Business Activities	2 State/Local			
111	Cash - Unrestricted	\$ 1,188,833	25,115	93,433	-	1,307,381	-	1,307,381
112	Cash - Restricted - Modernization and Development	-	-	-	565,228	565,228	-	565,228
113	Cash - Other Restricted	-	1,674	-	-	1,674	-	1,674
114	Cash - Tenant Security Deposits	65,951	-	11,701	-	77,652	-	77,652
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
100	Total Cash	1,254,784	26,789	105,134	565,228	1,951,935	-	1,951,935
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	47,847	-	-	-	47,847	-	47,847
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	4,928	-	-	-	4,928	-	4,928
126.1	Allowance for Doubtful Accounts - Tenants	(1,489)	-	-	-	(1,489)	-	(1,489)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	9,960	-	9,960	-	9,960
128	Fraud Recovery	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	51,286	-	9,960	-	61,246	-	61,246
131	Investments - Unrestricted	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	15,266	643	161	-	16,070	-	16,070
143	Inventories	53,559	-	1,617	-	55,176	-	55,176
143.1	Allowance for Obsolete Inventories	(3,534)	-	(162)	-	(3,696)	-	(3,696)
144	Inter Program Due From	4,501	-	-	-	4,501	(4,501)	-
145	Assets Held for Sale	-	-	-	-	-	-	-
150	Total Current Assets	1,375,862	27,432	116,710	565,228	2,085,232	(4,501)	2,080,731
161	Land	1,593,833	-	115,380	8,000	1,717,213	-	1,717,213
162	Buildings	15,554,368	-	1,034,618	2,699,520	19,288,506	-	19,288,506
163	Furniture, Equipment & Machinery - Dwellings	56,659	-	-	-	56,659	-	56,659
164	Furniture, Equipment & Machinery - Administration	569,146	15,674	122	-	584,942	-	584,942
165	Leasehold Improvements	-	-	-	-	-	-	-
166	Accumulated Depreciation	(10,651,461)	(15,238)	(121,194)	(759)	(10,788,652)	-	(10,788,652)
167	Construction in Progress	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	7,122,545	436	1,028,926	2,706,761	10,858,668	-	10,858,668
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-
180	Total Non-Current Assets	7,122,545	436	1,028,926	2,706,761	10,858,668	-	10,858,668
200	Deferred Outflow of Resources	500,516	11,215	4,670	-	516,401	-	516,401
290	Total Assets and Deferred Outflow of Resources	\$ 8,998,923	39,083	1,150,306	3,271,989	13,460,301	(4,501)	13,455,800

STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
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FINANCIAL DATA SCHEDULE - BALANCE SHEET  
AS OF JUNE 30, 2024

311	Bank Overdraft	\$ -	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	37,305	406	496	520,743	558,950	-	558,950
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	12,325	221	91	-	12,637	-	12,637
322	Accrued Compensated Absences - Current Portion	25,272	570	227	-	26,069	-	26,069
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	65,946	-	11,700	-	77,646	-	77,646
342	Unearned Revenue	15,865	4,091	2,601	-	22,557	-	22,557
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	904,471	-	904,471	-	904,471
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345	Other Current Liabilities	8,988	-	-	-	8,988	-	8,988
346	Accrued Liabilities - Other	36,920	-	2,235	-	39,155	-	39,155
347	Inter Program - Due To	-	3,142	1,359	-	4,501	(4,501)	-
348	Loan Liability - Current	-	-	-	-	-	-	-
310	Total Current Liabilities	202,621	8,430	923,180	520,743	1,654,974	(4,501)	1,650,473
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	32,608	795	460	-	33,863	-	33,863
355	Loan Liability - Non Current	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	1,492,724	36,910	15,370	-	1,545,004	-	1,545,004
350	Total Non-Current Liabilities	1,525,332	37,705	15,830	-	1,578,867	-	1,578,867
300	Total Liabilities	1,727,953	46,135	939,010	520,743	3,233,841	(4,501)	3,229,340
400	Deferred Inflow of Resources	331,184	3,517	1,465	-	336,166	-	336,166
508.4	Net Investment in Capital Assets	7,122,545	436	1,028,928	2,706,759	10,858,668	-	10,858,668
511.4	Restricted Net Position	295,543	7,261	(2,556,501)	-	(2,253,697)	-	(2,253,697)
512.4	Unrestricted Net Position	(478,302)	(18,266)	1,737,404	44,487	1,285,323	-	1,285,323
513	Total Equity - Net Assets / Position	6,939,786	(10,569)	209,831	2,751,246	9,890,294	-	9,890,294
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 8,998,923	39,083	1,150,306	3,271,989	13,460,301	(4,501)	13,455,800

STATE OF NEW MEXICO  
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FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES  
AS OF JUNE 30, 2024

Number	Description	14.871 Housing				Subtotal	ELIM	Total
		Project Total	Choice Vouchers	1 Business Activities	2 State/Local			
70300	Net Tenant Rental Revenue	\$ 1,164,067	-	179,934	-	1,344,001	-	1,344,001
70400	Tenant Revenue - Other	50,651	-	313	-	50,964	-	50,964
70500	Total Tenant Revenue	1,214,718	-	180,247	-	1,394,965	-	1,394,965
70600	HUD PHA Operating Grants	1,342,453	146,470	-	-	1,488,923	-	1,488,923
70610	Capital Grants	46,226	-	-	-	46,226	-	46,226
70710	Management Fee	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-
70730	Book Keeping Fee	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-
70700	Total Fee Revenue	1,388,679	146,470	-	-	1,535,149	-	1,535,149
70800	Other Government Grants	-	-	-	2,667,774	2,667,774	-	2,667,774
71100	Investment Income - Unrestricted	6,392	20	978	-	7,390	-	7,390
71200	Mortgage Interest Income	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-
71400	Fraud Recovery	-	-	-	-	-	-	-
71500	Other Revenue	57,559	-	129,057	8,000	194,616	-	194,616
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-
70000	Total Revenue	2,667,348	146,490	310,282	2,675,774	5,799,894	-	5,799,894
91100	Administrative Salaries	366,446	792	111	-	367,349	-	367,349
91200	Auditing Fees	34,047	760	190	-	34,997	-	34,997
91300	Management Fee	-	-	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-	-	-
91400	Advertising and Marketing	20,903	712	79	-	21,694	-	21,694
91500	Employee Benefit contributions - Administrative	141,804	23,179	7,831	-	172,814	-	172,814
91600	Office Expenses	51,017	1,668	3,483	-	56,168	-	56,168
91700	Legal Expense	11,286	-	2,116	-	13,402	-	13,402
91800	Travel	-	-	460	-	460	-	460
91810	Allocated Overhead	-	-	-	-	-	-	-
91900	Other	253,010	11,031	5,203	795	270,039	-	270,039
91000	Total Operating - Administrative	878,513	38,142	19,473	795	936,923	-	936,923
92000	Asset Management Fee	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-
92200	Relocation Costs	1,566	-	-	-	1,566	-	1,566
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-
92400	Tenant Services - Other	2,436	-	-	-	2,436	-	2,436
92500	Total Tenant Services	4,002	-	-	-	4,002	-	4,002

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93100	Water	140,469	-	15,950	-	156,419	-	156,419
93200	Electricity	134,085	-	95	-	134,180	-	134,180
93300	Gas	73,740	-	153	-	73,893	-	73,893
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-
93600	Sewer	103,324	-	11,282	-	114,606	-	114,606
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-
93800	Other Utilities Expense	23,598	-	2,685	-	26,283	-	26,283
93000	Total Utilities	475,216	-	30,165	-	505,381	-	505,381
94100	Ordinary Maintenance and Operations - Labor	402,646	-	-	-	402,646	-	402,646
94200	Ordinary Maintenance and Operations - Materials and Other	260,489	-	11,428	-	271,917	-	271,917
94300	Ordinary Maintenance and Operations Contracts	313,613	-	44,622	-	358,235	-	358,235
94500	Employee Benefit Contributions - Ordinary Maintenance	148,021	-	-	-	148,021	-	148,021
94000	Total Maintenance	1,124,769	-	56,050	-	1,180,819	-	1,180,819
95100	Protective Services - Labor	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-
95300	Protective Services - Other	15,580	-	-	-	15,580	-	15,580
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-
95000	Total Protective Services	15,580	-	-	-	15,580	-	15,580
96110	Property Insurance	75,841	3,193	798	-	79,832	-	79,832
96120	Liability Insurance	35,091	1,490	373	-	36,954	-	36,954
96130	Workmen's Compensation	16,303	434	-	-	16,737	-	16,737
96140	All Other Insurance	17,474	751	208	-	18,433	-	18,433
96100	Total Insurance Premiums	144,709	5,868	1,379	-	151,956	-	151,956
96200	Other General Expenses	-	-	-	-	-	-	-
96210	Compensated Absences	53,397	1,067	381	-	54,845	-	54,845
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	-	-	-	-	-	-	-
96500	Bad debt - Mortgages	-	-	-	-	-	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-
96000	Total Other General Expenses	53,397	1,067	381	-	54,845	-	54,845
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	42,751	-	42,751	-	42,751
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	42,751	-	42,751	-	42,751
96900	Total Operating Expenses	2,696,186	45,077	150,199	795	2,892,257	-	2,892,257

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FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES  
AS OF JUNE 30, 2024

97000	Excess of Operating Revenue over Operating Expenses	(28,838)	101,413	160,083	2,674,979	2,907,637	-	2,907,637
97100	Extraordinary Maintenance	-	-	-	-	-	-	-
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	121,207	-	-	121,207	-	121,207
97350	HAP Portability-In	-	-	-	-	-	-	-
97400	Depreciation Expense	449,460	147	25,890	759	476,256	-	476,256
97500	Fraud Losses	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-
90000	Total Expenses	<u>3,145,646</u>	<u>166,431</u>	<u>176,089</u>	<u>1,554</u>	<u>3,489,720</u>	<u>-</u>	<u>3,489,720</u>
10010	Operating Transfer In	-	-	-	(82,119)	(82,119)	-	(82,119)
10020	Operating Transfer Out	-	-	82,119	-	82,119	-	82,119
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-
10094	Transfers between Project and Program - Out	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>82,119</u>	<u>(82,119)</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(478,298)	(19,941)	52,074	2,756,339	2,310,174	-	2,310,174
11020	Required Annual Debt Principal Payments	\$ -	-	114,308	-	114,308	-	114,308
11030	Beginning Equity	7,418,084	9,372	157,757	(5,093)	7,580,120	-	7,580,120
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	-	(12,165)	-	-	(12,165)	-	(12,165)
11180	Housing Assistance Payments Equity	-	1,674	-	-	1,674	-	1,674
11190	Unit Months Available	<u>3,156</u>	<u>431</u>	<u>288</u>	<u>-</u>	<u>3,875</u>	<u>-</u>	<u>3,875</u>
11210	Number of Unit Months Leased	<u>3,078</u>	<u>254</u>	<u>288</u>	<u>-</u>	<u>3,620</u>	<u>-</u>	<u>3,620</u>
11270	Excess Cash	\$ <u>886,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,181</u>	<u>-</u>	<u>886,181</u>
11610	Land Purchases	-	-	-	-	-	-	-
11620	Building Purchases	\$ <u>46,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,226</u>	<u>-</u>	<u>46,226</u>
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE, 2024**

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 \$	146,470
Total Housing Voucher Cluster		146,470
Low Rent Public Housing Program	* 14.850	867,688
Public Housing Capital Fund Program	14.872	520,991
Total Direct from U.S. Department of Housing and Urban Development		1,535,149
Total Expenditures of Federal Awards		\$ 1,535,149

\* = Denotes major program

Reconciliation of federal expenditures to federal revenues:

Federal revenue per Statement of Revenues, Expenses and Changes in Fund Net Position	\$	1,535,149
Federal awards expended per SEFA		1,535,149
Difference	\$	-

**Notes to Schedule of Expenditures of Federal Awards**

**1 - Basis of Presentation**

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

**2 - Non-Cash Federal Assistance**

No non-cash federal assistance was received during the year ended June 30, 2024.

**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.

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**INDEPENDENT AUDITORS' 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***

To Joseph M. Maestas, P.E.  
New Mexico State Auditor  
The U.S. Department of Housing and Urban Development  
To the Board of Commissioners of  
Gallup Housing Authority  
Gallup, New Mexico

We have audited, 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, the financial statements of the business-type activities each major fund, and the aggregate remaining fund of the Gallup Housing Authority (Housing Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and the related budgetary comparisons of the Housing Authority, presented as supplemental information, and have issued our report thereon dated December 16, 2024.

***Internal Control over Financial Reporting***

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

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

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**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
December 16, 2024

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

To Joseph M. Maestas, P.E.  
New Mexico State Auditor  
The U.S Department of Housing and Urban Development  
To the Board of Commissioners of  
Gallup Housing Authority  
Gallup, New Mexico

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

***Opinion on Each Major Federal Program***

We have audited Gallup Housing Authority’s (Housing Authority) 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, 2024. 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 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, 2024.

***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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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 the 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.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### ***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 GAAS, 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 GAAS, 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 regarding 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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.

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown, & Hill, L.L.P.  
Albuquerque, New Mexico  
December 16, 2024

**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, 2024**

**SECTION I: SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	No
• Noncompliance material to the financial statements noted?	No

***Federal Awards:***

Internal control over major federal programs:					
• Material weaknesses identified?	No				
• Significant deficiencies identified not considered to be material weaknesses?	No				
• Noncompliance material to the financial statements noted?	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)	No				
Identification of major programs:					
<table style="margin: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 0 10px;">Assistance Listing Number</td> <td style="text-align: center; padding: 0 10px;">Federal Program</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; padding-top: 5px;">14.850</td> <td style="text-align: center; border-top: 1px solid black; padding-top: 5px;">Low Rent Public Housing Program</td> </tr> </table>	Assistance Listing Number	Federal Program	14.850	Low Rent Public Housing Program	
Assistance Listing Number	Federal Program				
14.850	Low Rent Public Housing Program				
Dollar threshold used to distinguish between type A and type B programs:	\$750,000				
Auditee qualified as low-risk auditee?	Yes				

**SECTION II: PRIOR YEAR AUDIT FINDINGS**

**NONE**

**SECTION III: FINANCIAL STATEMENT FINDINGS**

**NONE**

**SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS**

**NONE**

**SECTION V: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**NONE**

**STATE OF NEW MEXICO  
GALLUP HOUSING AUTHORITY  
A COMPONENT UNIT OF THE CITY OF GALLUP  
Exit Conference  
For the Year Ended June 30, 2024**

**EXIT CONFERENCE**

An exit conference was held, in closed session, on December 16, 2024. The following individuals were in attendance:

Representing the Housing Authority:

James Roger Morris	Board Vice-Chairman
Richard F. Kontz	Executive Director
Telisia M. Buggie	Accountant

Representing Pattillo Brown & Hill LLP:

Chris Garner, CPA	Partner
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**FINANCIAL STATEMENTS**

The financial statements of the Housing Authority as of June 30, 2024, were substantially prepared by Pattillo Brown & Hill LLP; however, the financial statements are the responsibility of management.