

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2012

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
JUNE 30, 2012**

CONTENTS

Page

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Independent Auditors' Report.....	1
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FINANCIAL SECTION

Statement of Net Assets	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	8

HUD REQUIRED SUPPLEMENTARY INFORMATION

Financial Data Schedule	20
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NEW MEXICO STATE AUDITOR'S SUPPLEMENTARY INFORMATION

Schedule of Deposits and Investments.....	32
Schedule of Pledged Collateral	33
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34
Schedule of Findings and Responses	36
Status of Prior Year Audit Findings.....	42
Exit Conference	43



ALBUQUERQUE HOUSING AUTHORITY
"Improving quality of life through housing opportunities"

ALBUQUERQUE HOUSING AUTHORITY
BOARD OF COMMISSIONERS and TOP MANAGEMENT

Name
Janet M. McHard, CPA, CFE, CFFA, CFF Chairperson
Roxanne Rivera-Wiest Vice-Chairperson
Rebecca Chavez Resident Commissioner
Stephen J. Vogel Commissioner at Large
Linda Bridge Executive Director and Secretary to the Board
Andrew Estocin Associate Director
Barbara D'Onofrio Fiscal Officer

Independent Auditors' Report

Mr. Hector Balderas
New Mexico State Auditor,
The Board of Directors of the Albuquerque Housing
Authority Fund of the City of Albuquerque
and the
Honorable Mayor and City Council Members of
the City of Albuquerque

We have audited the accompanying financial statements of the Albuquerque Housing Authority Fund (the "Authority") of the City of Albuquerque as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I.A, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the City of Albuquerque, as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, on our consideration of the 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* and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying HUD required supplementary information and New Mexico State Auditor's supplementary information is presented for purposes of additional analysis and to meet the requirements of the United States Department of Housing and Urban Development and the State of New Mexico Office of the State Auditor, and are not required parts of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDWLLC

Albuquerque, New Mexico
March 20, 2013

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current assets

Cash and cash equivalents - Unrestricted	\$ 11,740,020
Grants and accounts receivable, net of allowance for uncollectable accounts of \$130,856	155,630
Inventories of supplies	<u>163,989</u>
Total current assets	<u>12,059,639</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	9,952,447
Escrow deposits	<u>254,115</u>
Total restricted assets:	10,206,562

Capital assets:

Land	3,767,389
Buildings and improvements	52,402,982
Machinery and equipment	1,485,149
Construction work-in-progress	971,510
Less accumulated depreciation	<u>(48,605,832)</u>

Total capital assets, net of depreciation 10,021,198

Total noncurrent assets 20,227,760

Total assets \$ 32,287,399

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - CONTINUED
JUNE 30, 2012

LIABILITIES

Current liabilities	
Accounts payable	\$ 254,317
Accrued payroll	9,184
Accrued vacation and sick leave pay	31,940
Due to other funds	954,809
Due to other governments	31,095
Other	174,004
Payable from restricted assets:	
Current portion - capital leases	105,694
Accrued interest	11,148
Total current liabilities	<u>1,572,191</u>
Noncurrent liabilities	
Payable from restricted assets:	
Tenant security deposits	254,115
Long term debt, excluding current portion:	
Capital leases	196,478
Accrued vacation and sick pay	127,754
Total noncurrent liabilities	<u>578,347</u>
Total liabilities	<u>2,150,538</u>

NET ASSETS

Invested in capital assets, net of related debt	9,719,026
Restricted for housing projects	9,802,440
Unrestricted	10,615,395
Total net assets	<u>\$ 30,136,861</u>

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
JUNE 30, 2012**

OPERATING REVENUES:

Tenant revenues	<u>\$ 2,057,103</u>
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OPERATING EXPENSES:

Salaries and fringe benefits	3,634,355
Depreciation	1,267,946
Fuels, repairs and maintenance	486,168
Contractual services	1,239,725
Utilities	734,616
Other operating expenses	1,080,807
Professional services	<u>46,548</u>
Total operating expenses	<u>8,490,165</u>
Operating loss	<u>(6,433,062)</u>

NON-OPERATING REVENUES (EXPENSES):

Interest on investments	10,865
Federal housing grants	27,867,345
Housing assistance payments	(23,261,478)
Interest expense	(17,446)
Other	<u>193,291</u>
Total nonoperating revenues (expenses)	<u>4,792,577</u>
Change in net assets	(1,640,485)
Net assets, July 1,	<u>31,777,346</u>
Net assets, June 30	<u>\$ 30,136,861</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
JUNE 30, 2012

Cash flows from operating activities:

Cash received from customers	2,496,423
Cash paid to employees for services	(3,774,657)
Cash paid to suppliers and others	(2,868,568)
Cash Paid to suppliers for goods and services	<u>(779,938)</u>

Net cash used by operating activities (4,926,740)

Cash flows from noncapital financing activities:

Operating grants received	27,867,345
Housing assistance payments	(23,261,478)
Other cash inflows, net	<u>193,291</u>

Net cash provided by noncapital financing activities 4,799,158

Cash flows from capital and related financing activities:

Principal paid on capital lease	(92,905)
Interest paid on capital lease	(14,198)
Acquisition and construction of capital assets	<u>(677,673)</u>

Net cash used by capital and related financing activities (784,776)

Cash flows from investing activities:

Interest and dividends on investments	<u>10,865</u>
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Net cash provided by investing activities 10,865

Net decrease in cash and cash equivalents	(901,493)
Cash and cash equivalents, July 1	<u>22,848,075</u>
Cash and cash equivalents, June 30	<u>\$ 21,946,582</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS - CONTINUED
JUNE 30, 2012

Reconciliation of operating loss to net cash used by operating activities

Operating loss	<u>\$ (6,433,062)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,267,946
Bad debt expense	39,102
Change in assets and liabilities:	
Grants and accounts receivable	386,854
Inventories of supplies	(1,100)
Accounts payable	61,383
Accrued payroll and vacation and sick leave pay	(140,302)
Due to other funds	(45,322)
Due to other governments	(75,603)
Deferred revenue	(55,764)
Tenant security deposits	69,128
Total adjustments	<u>1,506,322</u>
 Net cash used by operating activities	 <u><u>\$ (4,926,740)</u></u>

Cash and cash equivalents at June 30 consist of:

Current assets:	
Cash and cash equivalents - unrestricted	11,740,020
Restricted assets:	
Cash and investments - restricted	9,952,447
Escrow deposits	<u>254,115</u>
	21,946,582

Summary of Significant Noncash Activities:

Unrealized loss on investments	(19,132)
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**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

I. Summary of significant accounting policies

A. Reporting entity

The City of Albuquerque, New Mexico (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members elected from districts. As a governmental entity, the City is not subject to Federal or State income taxes.

The accompanying financial statements present only the financial position and the results of operations of the Albuquerque Housing Authority Fund (the Fund), which is an enterprise fund of the City, and are not intended to present fairly the financial position and result of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Fund on a separate fund basis. Where applicable, the Fund's share of the balance/activity is included (see notes II.A., II.G., and II.H.).

The accounting policies of the Fund as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units. The more significant of these accounting policies are summarized below.

B. Basis of presentation

The Fund accounts for all activities in connection with the operation of Albuquerque Housing Authority Fund. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. The principal operating revenues, such as tenant revenues, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include federal housing grants, investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

C. Measurement focus and basis of accounting

The Fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Fund reports based on the applicable Governmental Accounting Standards Board (GASB) pronouncements and with applicable Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards and interpretations, APB opinions, and ARBs issued before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Fund has not elected to apply FASB Statements and Interpretations issued after November 30, 1989.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

D. Assets, liabilities, and net assets

1. Cash and cash equivalents

The investment in the State of New Mexico local government investment pool (LGIP) is valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10. I through 6-10-10. P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

The following categories of investments are specifically authorized by the City's policy:

Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.

U.S. Treasury Obligations - bills, notes, and bonds.

Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.

Municipal Bonds - rated in any of the three highest major ratings categories by one or more nationally recognized rating agencies.

The following categories of deposits are specifically authorized by the policy:

Checking accounts - at insured financial institutions.

Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).

2. Receivables

All accounts receivable, except for restricted accounts receivable, are shown net of allowance for uncollectible accounts. The allowance for uncollectible accounts is based on management's assessment of the collectibility of specific accounts, aging of accounts receivable, historical experience and other currently available evidence.

3. Restricted assets

Restricted assets arise principally from tenant security deposits and investments.

4. Inventories of supplies

Inventories of supplies are valued at average cost and recorded as an expense when inventory items are consumed.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

5. Capital assets

Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the time received. State of New Mexico Administrative Code requires state and local governmental agencies to capitalize fixed assets costing in excess of \$5,000. Currently, the City defines capital assets as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of one year.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	15 - 50 years
Machinery and equipment	3 - 13 years

6. Accrued vacation and sick leave pay

City employees may accumulate limited amounts of vacation pay that are payable to the employee upon termination or retirement. For proprietary funds, vacation costs are recognized as a liability when incurred.

City employees may also accumulate limited amounts of sick leave that are payable to the employee upon termination or retirement. For proprietary funds, accumulated sick leave pay is recognized when vested or taken whichever occurs first.

7. Deferred revenue

Deferred revenue is reported a liability payable from restricted assets for revenues collected in advance, and as a current liability for customer deposits received. There is no deferred revenue reported as of June 30, 2012.

8. Long-term obligations

Long-term obligations used to finance the Fund's capital acquisitions are recorded in the Fund's Statement of Net Assets. These obligations are liquidated with revenue of the Fund.

9. Net assets

The net assets of the Fund are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted net assets – This category reflects net assets of the fund, not restricted for any project or other purpose.

10. Statement of cash flows

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the Fund are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits. Non-pooled investments with original maturities of

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

three months or more are deducted from cash and cash equivalents and changes therein are reported as cash flows from investing activities.

11. Estimated amounts reported in financial statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

12. Interfund Transactions

Transactions that would be recorded as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as operating transfers and are included in the determination of the results of operations.

13. New accounting pronouncements

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2012:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.
- GASB Statement No. 66, *Technical Corrections – 2012*.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date.

Except as discussed in the following paragraph, the City believes that the above listed GASB pronouncements will not have a significant financial impact to the City.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, becomes effective in the fiscal year ending June 30, 2015. The new standard will substantially change accounting and financial reporting for the City's participation in the Public Employees Retirement System (PERA), a cost sharing multiple-employer defined benefit retirement plan. The new standard will require the City's financial statements that use the economic resources measurement focus and accrual accounting to recognize a liability for the City's proportionate share of PERA's net pension liability, and to recognize pension expense, and to report deferred outflows of resources and deferred inflows of resources related to pensions, for its proportionate shares of PERA's collective pension expense and collective deferred outflows of resources and deferred inflows of resources.

14. Budgets

An annual budget, which is not legally adopted, for the Albuquerque Housing Authority Fund 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.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

II. Detailed notes

A. Cash and cash equivalents

The total cash and cash equivalents of Albuquerque Housing Authority Fund at June 30, 2012, consist of the following:

(In thousands of dollars)

Deposits and investments:	
<u>Deposits</u>	
Bank accounts at book balances	\$ 5,851
Escrow deposits	254
Total deposits	<u>6,105</u>
<u>Investments</u>	
Repurchase agreements	\$ 7,806
State of New Mexico local government investment pool	8,036
Total investments	<u>15,842</u>
Total deposits and investments	<u>\$ 21,947</u>
As reported in the statement of net assets:	
Current cash and cash equivalents:	
Cash and cash equivalents	\$ 11,740
Total current cash and cash equivalents	<u>11,740</u>
Restricted noncurrent cash and cash equivalents:	
Cash and cash equivalents	9,953
Escrow deposits	254
Total noncurrent cash and cash equivalents	<u>10,207</u>
Total cash and cash equivalents	<u>\$ 21,947</u>

Custodial credit risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s funds may not be returned to it. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2012, none of the Fund’s bank balances of \$6,166,693 was exposed to custodial credit risk.

Custodial credit risk – Investments. Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City’s name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting.

Credit risk – Investments. Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the City will not be able to recover the value of its principal. As a home rule city, the City’s general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The City’s Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. As part of the City’s allocation evaluation, these guidelines are reviewed periodically, considering the probability of market and default risk in various investment sectors. The City’s investment policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) certificates of deposit with local banks be fully insured by the FDIC. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. At June 30, 2012, the

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

City's internal investment pool held investments in fully-collateralized overnight repurchase agreements (repos), a fully-insured money market account, U.S. Treasury Securities, and U.S. Government agency notes.

In 2009, the City's internal investment pool liquidated its position in the New Mexico State Treasurers Office (STO) Local Government Investment Pool (LGIP). However, at June 30, 2012 the City continued to hold \$134,524 in the STO's "Reserve Contingency Fund" which represented the maximum potential loss from assets previously held in the LGIP's Primary Money Market Fund. The City does not expect any further recoveries from the reserve and has accrued the remaining balance as a loss. The City's Housing Authority Fund continued to hold a non-pooled position in the STO LGIP Fund of \$8,032,095 and a balance in the Reserve Contingency Fund of \$3,886.

Concentration of credit risk – Investments. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. The following general policies and constraints shall apply: With the exception of collateralized repos, U.S. Treasury securities, and authorized pools (comprising the "liquidity segment" of the portfolio), no more than 50% of the residual investment portfolio (the "core segment") will be invested in a single issue or at a single maturity.

Repo holdings (collateral) consisted of U.S. Agency securities permitted under Section 6-10-10 N.M.S.A. 1978, and by the City's investment policy.

Interest rate risk – Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City's investment policy limits the City's exposure to interest rate risk by requiring that no less than 80% of the funds invested in the core segment of the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities between three and five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Capital assets

Capital asset activity of the Fund for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 3,767,389	-	-	3,767,389
Construction work-in-progress	741,211	325,141	(94,842)	971,510
Total assets, not being depreciated	<u>4,508,600</u>	<u>325,141</u>	<u>(94,842)</u>	<u>4,738,899</u>
Assets being depreciated:				
Buildings and improvements	52,270,889	132,093	-	52,402,982
Machinery and Equipment	1,320,135	315,281	(150,267)	1,485,149
Total assets, being depreciated	<u>53,591,024</u>	<u>447,374</u>	<u>(150,267)</u>	<u>53,888,131</u>
Less: accumulated depreciation for:				
Buildings and improvements	47,072,704	1,162,081	-	48,234,785
Machinery and equipment	415,449	105,865	(150,267)	371,047
Total accumulated depreciation	<u>47,488,153</u>	<u>1,267,946</u>	<u>(150,267)</u>	<u>48,605,832</u>
Capital assets being depreciated, net	<u>6,102,871</u>	<u>(820,572)</u>	<u>-</u>	<u>5,282,299</u>
Total capital assets, net	<u>\$ 10,611,471</u>	<u>(495,431)</u>	<u>(94,842)</u>	<u>10,021,198</u>

C. Leases

Albuquerque Housing Authority Fund has entered into a lease agreement as lessee for financing the acquisition of equipment and improvements. This lease agreement is treated as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date in the basic financial statements. At June 30, 2012, the outstanding balance of the capital lease is \$302,172. Amortization expense is included with depreciation expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

The assets acquired through capital leases are as follows:

Equipment and Improvements	\$ 944,458
Less: Accumulated amortization	<u>(691,457)</u>
Total net book value	<u>\$ 253,000</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

Year Ending June 30:	<u>Principal and Interest</u>
2013	\$ 116,842
2014	116,842
2015	<u>87,634</u>
Total minimum lease payments	321,318
Less amount representing interest	<u>(19,146)</u>
Present value of minimum lease payments	<u>\$ 302,172</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

D. Long-term obligations

The change in long-term obligations for the Fund for the year ended June 30, 2012 is as follows:

	Outstanding				Amount due within one year
	June 30, 2011	Increases	Decreases	June 30, 2012	
Capital leases	\$ 395,077	\$ -	\$ 92,905	\$ 302,172	\$ 105,694
Tenant security deposits	184,987	118,804	49,676	254,115	-
Accrued vacation and sick leave pay	175,086	241,170	256,562	159,694	31,940
	<u>\$ 755,150</u>	<u>\$ 359,974</u>	<u>\$ 399,143</u>	<u>\$ 715,981</u>	<u>\$ 137,634</u>

E. Conduit debt

The U.S. Department of Housing and Urban Development (HUD) guaranteed third party debt consisting of revenue bonds and permanent notes, payable to the Federal Financing Bank, which were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the Albuquerque Housing Authority Fund. HUD regulations state that the bonds and notes do not constitute a debt of the Albuquerque Housing Authority Fund and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2012, the outstanding balance of the revenue bonds was \$135,000 with annual payments required through 2013, and the outstanding balance of the permanent notes was \$3,363,971 with annual payments required through 2017.

F. Defined benefit pension plan

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

Funding Policy. Plan members are required to contribute between 7.00%-16.65% of their gross salary, depending on the specific plan type. The City is required to contribute between 7.00%-21.25% of the gross covered salary, depending on the specific plan type.

The following are the plans covered by the City and the contribution requirements, (in thousands of dollars) for the year ended June 30, 2012:

Group Covered	Employee		Employer	
	Percent	Amount	Percent	Amount
General, Management, and Bus Drivers	13.15%	20,675	9.15%	14,386
Temporary Employees	7.00%	231	7.00%	231
J-Series 20 Year	16.65%	136	16.65%	136
Police	16.30%	10,448	18.50%	11,858
Fire	16.20%	6,192	21.25%	8,122
		<u>37,682</u>		<u>34,733</u>

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employee's contributions. The percentage of the employee's contribution paid by the City varies according to the specific plan type. The City's contributions to PERA for the years ending June 30, 2012, 2011, and 2010 were \$34,732,631, \$33,662,266, and \$36,343,828, respectively, which

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

equal the amount of required contributions for each fiscal year. The City's total contributions to PERA, including the employer required contributions and the portion the city pays for the employees for the years ending June 30, 2012, 2011, and 2010 were \$63,316,398, \$63,697,954, and \$67,071,415, respectively.

G. Post employment benefits

In addition to providing pension benefits described in Note F, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

Postemployment Life Insurance Benefits.

Plan Description. The City's Life Insurance Benefit Plan (Plan) is a single employer defined benefit plan administered by the City; the plan also includes coverage for the employees of the Albuquerque Bernalillo County Water Utility Authority (a separate legal entity, formerly a component unit of the City). Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of \$25,000. Effective July 1, 2008 the minimum amount of coverage per retiree will be \$12,500. The number of retired employees covered under the life insurance benefit was 4,280 at June 30, 2012, and the amount of life insurance coverage for these retired employees was \$91,602,150.

Funding Policy. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The required contribution is based on projected pay-as-you-go financing requirements. The current rate is .28 per \$1,000 face value of life insurance for actives and retirees. The life insurance premium costs for the City's retirees for the years ending June 30, 2012, 2011, and 2010 were \$310,637, \$275,971, and \$262,030, respectively. The life insurance and accidental death and dismemberment premium costs for the City's active employees for the years ending June 30, 2012, 2011 and 2010, were \$1,148,553, \$1,149,148, and \$1,178,243, respectively.

Annual OPEB Cost and Net OPEB Obligation. The City's annual postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Life Insurance Benefit plan.

Net OPEB Obligation at beginning of year	\$	<u>8,372,486</u>
<i>Plus</i> Projected Annual OPEB Cost:		
Interest on Net OPEB Obligation at beginning of year		334,900
Annual Required Contribution (ARC) for current fiscal year		3,951,642
ARC Adjustment for current fiscal year		<u>(376,900)</u>
		<u>3,909,642</u>
<i>Less</i> Net Employer Contribution		<u>(892,000)</u>
Expected Net OPEB Obligation at end of year	\$	<u>11,390,128</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 3,458,126	41.6%	\$ 5,989,231
6/30/11	\$ 3,664,536	35.0%	\$ 8,372,486
6/30/12	\$ 3,909,642	22.8%	\$ 11,390,128

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Funding Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the plan was 0% percent funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$60,846,010 (\$16,711,769 for active employees and \$44,134,331 for retired employees). There are no plan assets; however, the City has earmarked \$7,200,000 in the City's Internal Service Employee Insurance Fund for future plan costs. The covered payroll (annual payroll of active employees covered by the plan) was \$296,289,683 and the ratio of the UAAL to the covered payroll was 20.5%. The ARC as a percent of payroll is 1.3% of which .4% is the normal cost as a percent of payroll. The ARC per active employee is \$507. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information in the City's Comprehensive Annual Financial Report.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the Life Insurance Benefit plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2012, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the City's actuary believe that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 4.0 percent investment rate of return on expected long-term returns on the City's own investments calculated on the funded level of the plan at the valuation date. As of June 30, 2012, the plan has not been funded and no interest was earned on the plan assets during the year. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method, beginning in the next fiscal year. The remaining amortization period at June 30, 2012, was 26 years. The ARC was based on a 4.0 percent discount rate, funding will be based on an 6.0 percent discount rate.

Retiree Health Care Act Contributions.

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows, for employees who are not members of an enhanced retirement plan:

<u>Fiscal</u> <u>Year</u>	<u>Employer Contribution</u> <u>Rate</u>	<u>Employee Contribution</u> <u>Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal</u> <u>Year</u>	<u>Employer Contribution</u> <u>Rate</u>	<u>Employee Contribution</u> <u>Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$5,301,347, \$4,688,405, and \$3,478,108, respectively, which equal the required contributions for each year.

H. Risk management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,000,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2012, and is included in the unrestricted net assets of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequately funded. The cash balance grew by \$5,316,342 during Fiscal Year 2012. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000, the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started Fiscal Year 2012 with \$38,709,667 available in the committed General Fund balance.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the Fund's claims liability in fiscal years 2012 and 2011 were:

	2012		2011
Claims liability at July 1	\$ 66,902,536	\$	\$ 60,963,311
Current year claims and change in estimates	26,923,508		33,803,818
Claims liquidated	(21,689,486)		(27,864,593)
Claims liability at June 30	<u>\$ 72,136,558</u>	\$	<u>\$ 66,902,536</u>
The components of the claims liability at June 30 are:			
Current portion	\$ 16,800,000	\$	\$ 22,994,750
Noncurrent portion	55,336,558		43,907,786
Total claims liability	<u>\$ 72,136,558</u>	\$	<u>\$ 66,902,536</u>

I. Commitments and contingencies

Federal and State Grant Commitments

Albuquerque Housing Authority Fund has received a number of Federal and State grants for specific purposes. These grants are subject to audit and may result in discrepancies between the expenditures reported on the general ledger and requests for reimbursements to granting agencies that may not comply with the terms of the respective grant agreements. Based on prior experience, Housing Authority management believes that such discrepancies, if any, will not be material.

Contingent Liabilities

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimatability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

III. Significant effects of subsequent events

The City and the Albuquerque Housing Authority are in discussions for the Housing Authority Fund, an enterprise fund of the City, to become the Albuquerque Housing Services (AHS), a component unit of the City, per Council Resolution R-10-97 enacted December 28, 2012. Resolution R-10-97 also established a Board of Housing Commissioners, whose members and chairperson will be appointed by the Mayor with the advice and consent of the City Council. The Board will assume responsibility for the operations of the Fund and all of the assets, debts and employees of the Fund will be transferred to the AHS at that time.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

FDS Line Item No.		Project Total	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities
111	Cash - Unrestricted	5,157,470	5,998,435	
113	Cash - Other Restricted	29,105	1,766,459	
114	Cash - Tenant Security Deposits	254,115		
115	Cash - Restricted for Payment of Current Liabilities		120,902	
100	Total Cash	<u>5,440,690</u>	<u>7,885,796</u>	<u>-</u>
122	Accounts Receivable - HUD Other Projects	58,305		
124	Accounts Receivable - Other Government		5,668	
125	Accounts Receivable - Miscellaneous		39,704	
126	Accounts Receivable - Tenants	131,871		
126.1	Allowance for Doubtful Accounts -Tenants	(93,038)		
126.2	Allowance for Doubtful Accounts - Other	-	(37,818)	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>97,138</u>	<u>7,554</u>	<u>-</u>
132	Investments - Restricted			
143	Inventories			
143.1	Allowance for Obsolete Inventories			
144	Inter Program Due From			13,598
150	Total Current Assets	<u>5,537,828</u>	<u>7,893,350</u>	<u>13,598</u>
161	Land	3,767,389		
162	Buildings	49,635,655		
164	Furniture, Equipment & Machinery - Administration	874,710	192,120	
166	Accumulated Depreciation	(46,278,105)	(192,120)	
167	Construction in Progress	971,510		
160	Total Capital Assets, Net of Accumulated Depreciation	<u>8,971,159</u>	<u>-</u>	<u>-</u>
180	Total Non-Current Assets	<u>8,971,159</u>	<u>-</u>	<u>-</u>
190	Total Assets	<u>14,508,987</u>	<u>7,893,350</u>	<u>13,598</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
-	-	584,115	11,740,020		11,740,020
			1,795,564		1,795,564
			254,115		254,115
			120,902		120,902
-	-	584,115	13,910,601	-	13,910,601
	50,788		109,093		109,093
	-		5,668		5,668
	-	150	39,854		39,854
	-		131,871		131,871
	-		(93,038)		(93,038)
-	-	-	(37,818)		(37,818)
-	50,788	150	155,630	-	155,630
	-	8,035,981	8,035,981		8,035,981
	-	173,592	173,592		173,592
	-	(9,603)	(9,603)		(9,603)
31,877	-	2,192,855	2,238,330	(2,238,330)	-
31,877	50,788	10,977,090	24,504,531	(2,238,330)	22,266,201
	-		3,767,389		3,767,389
	-	2,767,327	52,402,982		52,402,982
	-	418,319	1,485,149		1,485,149
	-	(2,135,607)	(48,605,832)		(48,605,832)
	-		971,510		971,510
-	-	1,050,039	10,021,198	-	10,021,198
-	-	1,050,039	10,021,198	-	10,021,198
31,877	50,788	12,027,129	34,525,729	(2,238,330)	32,287,399

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

FDS Line Item No.		Project Total	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities
312	Accounts Payable <= 90 Days	193,731		
321	Accrued Wage/Payroll Taxes Payable			
322	Accrued Compensated Absences - Current Portion	13,953	17,151	
325	Accrued Interest Payable	11,148		
331	Accounts Payable - HUD PHA Programs			11,816
333	Accounts Payable - Other Government			
341	Tenant Security Deposits	254,115		
343	Current Portion of Long-term Debt - Capital	105,694		
345	Other Current Liabilities	20,203	8,000	
346	Accrued Liabilities - Other	20,899	120,902	
347	Inter Program - Due To		2,224,062	
310	Total Current Liabilities	<u>619,743</u>	<u>2,370,115</u>	<u>11,816</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage	196,478		
354	Accrued Compensated Absences - Non Current	55,819	64,942	
350	Total Non-Current Liabilities	<u>252,297</u>	<u>64,942</u>	<u>-</u>
300	Total Liabilities	<u>872,040</u>	<u>2,435,057</u>	<u>11,816</u>
508.1	Invested In Capital Assets, Net of Related Debt	8,668,987	-	
511.1	Restricted Net Assets	-	1,766,459	
512.1	Unrestricted Net Assets	4,967,960	3,691,834	1,782
513	Total Equity/Net Assets	<u>13,636,947</u>	<u>5,458,293</u>	<u>1,782</u>
600	Total Liabilities and Equity/Net Assets	<u>14,508,987</u>	<u>7,893,350</u>	<u>13,598</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	COCC	Subtotal	ELIM	Total
	-	60,586	254,317		254,317
		-	9,184		9,184
		-	836		31,940
			-		11,148
5,092	14,187		31,095		31,095
		-	954,809		954,809
			-		254,115
			-		105,694
		-	4,000		32,203
			-		141,801
	14,268		2,238,330	(2,238,330)	-
<u>5,092</u>	<u>28,455</u>	<u>1,029,415</u>	<u>4,064,636</u>	<u>(2,238,330)</u>	<u>1,826,306</u>
			-		196,478
		-	6,993		127,754
<u>-</u>	<u>-</u>	<u>6,993</u>	<u>324,232</u>	<u>-</u>	<u>324,232</u>
<u>5,092</u>	<u>28,455</u>	<u>1,036,408</u>	<u>4,388,868</u>	<u>(2,238,330)</u>	<u>2,150,538</u>
		-	1,050,039		9,719,026
		-	8,035,981		9,802,440
26,785	22,333	1,904,701	10,615,395		10,615,395
<u>26,785</u>	<u>22,333</u>	<u>10,990,721</u>	<u>30,136,861</u>	<u>-</u>	<u>30,136,861</u>
<u>31,877</u>	<u>50,788</u>	<u>12,027,129</u>	<u>34,525,729</u>	<u>(2,238,330)</u>	<u>32,287,399</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

FDS Line Item No.	Project Total	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities
70300 Net Tenant Rental Revenue	2,096,205		
70500 Total Tenant Revenue	2,096,205	-	-
70600 HUD PHA Operating Grants	3,185,305	23,936,632	269,497
70610 Capital Grants	409,417		
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70700 Total Fee Revenue			
71100 Investment Income - Unrestricted		777	
71400 Fraud Recovery		49,534	
71500 Other Revenue	20,056	7,402	
72000 Investment Income - Restricted		10,905	
70000 Total Revenue	5,710,983	24,005,250	269,497

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	-	2,096,205	-	2,096,205
-	-	-	2,096,205	-	2,096,205
44,790	21,704		27,457,928		27,457,928
	-		409,417		409,417
	-	1,151,748	1,151,748	(1,151,748)	-
	-	114,360	114,360	(114,360)	-
	-	442,005	442,005	(442,005)	-
	-	761,785	761,785	(761,785)	-
	-	2,469,898	2,469,898	(2,469,898)	-
	-		777		777
	-		49,534		49,534
	-	116,299	143,757		143,757
	-	18,495	29,400		29,400
44,790	21,704	2,604,692	32,656,916	(2,469,898)	30,187,018

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

FDS Line Item No.	Project Total	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities
91100 Administrative Salaries	131,322	656,213	27,985
91200 Auditing Fees	6,000	3,000	1,000
91300 Management Fee	657,811	493,937	
91310 Book-keeping Fee	84,705	357,300	
91500 Employee Benefit contributions - Administrative	61,429	298,760	13,169
91600 Office Expenses	64,340	200,855	
91700 Legal Expense	5,426		
91800 Travel	391	1,618	
91900 Other	74,084	61,695	
91000 Total Operating - Administrative	<u>1,085,508</u>	<u>2,073,378</u>	<u>42,154</u>
92000 Asset Management Fee	<u>114,360</u>		
92100 Tenant Services - Salaries	153,672		
92200 Relocation Costs	5,968		
92300 Employee Benefit Contributions - Tenant Services	71,912		
92400 Tenant Services - Other	28,887		
92500 Total Tenant Services	<u>260,439</u>	<u>-</u>	<u>-</u>
93100 Water	418,773		
93200 Electricity	206,096		
93300 Gas	96,466		
93000 Total Utilities	<u>721,335</u>	<u>-</u>	<u>-</u>
94100 Ordinary Maintenance and Operations - Labor	240,429		
94200 Ordinary Maintenance and Operations - Materials and Other	317,694	2,755	
94300 Ordinary Maintenance and Operations Contracts	1,041,206		
94500 Employee Benefit Contributions - Ordinary Maintenance	112,510		
94000 Total Maintenance	<u>1,711,839</u>	<u>2,755</u>	<u>-</u>
95200 Protective Services - Other Contract Costs	<u>54,238</u>		
95000 Total Protective Services	<u>54,238</u>	<u>-</u>	<u>-</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
7,048	-	1,285,518	2,108,086		2,108,086
	-	2,000	12,000		12,000
	-		1,151,748	(1,151,748)	-
	-		442,005	(442,005)	-
3,291	-	576,974	953,623		953,623
	-	252,464	517,659		517,659
	-	23,154	28,580		28,580
	-	14,968	16,977		16,977
18	9	59,294	195,100		195,100
10,357	9	2,214,372	5,425,778	(1,593,753)	3,832,025
	-		114,360	(114,360)	-
	-		153,672		153,672
	-		5,968		5,968
	-		71,912		71,912
	-		28,887		28,887
-	-	-	260,439	-	260,439
	-	2,346	421,119		421,119
	-	8,033	214,129		214,129
	-	2,902	99,368		99,368
-	-	13,281	734,616	-	734,616
	-		240,429		240,429
	-	20,719	341,168		341,168
	-	198,519	1,239,725		1,239,725
	-		112,510		112,510
-	-	219,238	1,933,832	-	1,933,832
	-		54,238		54,238
-	-	-	54,238	-	54,238

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

FDS Line Item No.	Project Total	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities
96110	137,360		
96130	-	44,997	-
96100	<u>137,360</u>	<u>44,997</u>	<u>-</u>
96200	538,485	224,050	
96210	25,320	33,722	
96400	34,487		
96600	-	4,615	
96000	<u>598,292</u>	<u>262,387</u>	<u>-</u>
96720	17,446		
96700	<u>17,446</u>	<u>-</u>	<u>-</u>
96900	<u>4,700,817</u>	<u>2,383,517</u>	<u>42,154</u>
97000	<u>1,010,166</u>	<u>21,621,733</u>	<u>227,343</u>
97100	145,000		
97300		22,979,789	225,561
97400	1,121,194	1,309	
90000	<u>5,967,011</u>	<u>25,364,615</u>	<u>267,715</u>
10010	239,506		
10020	<u>(239,506)</u>		
10100	<u>-</u>	<u>-</u>	<u>-</u>
10000	<u>(256,028)</u>	<u>(1,359,365)</u>	<u>1,782</u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
	-	65,532	202,892		202,892
-	-	16,985	61,982	-	61,982
-	-	82,517	264,874	-	264,874
	-	2,322	764,857	(761,785)	3,072
	-	(64,919)	(5,877)		(5,877)
	-		34,487		34,487
	-		4,615		4,615
-	-	(62,597)	798,082	(761,785)	36,297
	-		17,446		17,446
-	-	-	17,446	-	17,446
10,357	9	2,466,811	9,603,665	(2,469,898)	7,133,767
34,433	21,695	137,881	23,053,251	-	23,053,251
	-		145,000		145,000
34,433	21,695		23,261,478		23,261,478
	-	145,443	1,267,946		1,267,946
44,790	21,704	2,612,254	34,278,089	(2,469,898)	31,808,191
	-		239,506	(239,506)	-
	-		(239,506)	239,506	-
-	-	-	-	-	-
-	-	(7,562)	(1,621,173)	-	(1,621,173)

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

<u>FDS Line Item No.</u>	<u>Project Total</u>	<u>14.871 Housing Choice Vouchers</u>	<u>14.181 Supportive Housing for Persons with Disabilities</u>
11020 Required Annual Debt Principal Payments	101,167	-	-
11030 Beginning Equity	13,892,975	6,570,769	-
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	246,889	
11170 Administrative Fee Equity		3,691,834	
11180 Housing Assistance Payments Equity		1,766,459	
11190 Unit Months Available	11,436	48,597	600
11210 Number of Unit Months Leased	11,244	43,688	590
11270 Excess Cash	4,497,203		
11610 Land Purchases	-		
11620 Building Purchases	173,869		
11630 Furniture & Equipment - Dwelling Purchases	235,548		

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2012

14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.856 Lower Income Housing Assistance Program_Sec 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
-	-	-	101,167		101,167
26,785	22,333	11,017,595	31,530,457		31,530,457
	-	(19,312)	227,577		227,577
	-		3,691,834		3,691,834
	-		1,766,459		1,766,459
144	84	-	60,861		60,861
144	84	-	55,750		55,750
	-		4,497,203		4,497,203
	-	-	-		-
	-	-	173,869		173,869
	-	-	235,548		235,548

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF DEPOSITS AND INVESTMENTS BY FINANCIAL INSTITUTION
June 30, 2012

Financial Institution: Account name	Type of Account	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
Bank of America				
Housing Authority - Public Housing	Checking	6,017,412	(21,785)	5,995,627
Housing Authority - Section 8	Checking	3,720	(39,842)	(36,122)
Housing Authority - Section 8 FSS	Checking	116,383	-	116,383
Housing Authority - Public Housing FSS	Checking	29,178	-	29,178
Total deposit accounts		<u>6,166,693</u>	<u>(61,627)</u>	<u>6,105,066</u>
Investments:				
Bank of America				
Short-Term Investment Account (Repurchase Agreement)	Investment	7,805,535	-	7,805,535
		<u>7,805,535</u>	<u>-</u>	<u>7,805,535</u>
State of New Mexico				
Local Government Investment Pool				
LGIP Fund Pool-4101	Investment	8,032,095	-	8,032,095
LGIP Fund Pool-4102	Investment	3,886	-	3,886
Total investments		<u>15,841,516</u>	<u>-</u>	<u>15,841,516</u>
Total cash and cash equivalents		<u>\$ 22,008,209</u>	<u>\$ (61,627)</u>	<u>\$ 21,946,582</u>
Cash and cash equivalents on Statement of Net Assets				<u><u>\$ 21,946,582</u></u>

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL BY FINANCIAL INSTITUTION
June 30, 2012

The collateral for repurchase agreement is as follows:

<u>Financial Institution</u> <u>Collateral Description</u>	<u>Original</u> <u>Face</u>	<u>Current</u> <u>Face</u>	<u>Current</u> <u>Market</u>	<u>Maturity</u> <u>Date</u>	<u>Coupon</u> <u>Rate</u>
Bank of America					
Housing Authority					
Gov Natl Mtg Assoc	\$ 6,561,388	\$ -	\$ 7,354,069	04/20/2041	4.50%
Fed Natl Mtg Assoc	542,087		\$ 607,577	02/20/2041	4.50%
	<u>\$ 7,103,475</u>	<u>\$ 7,805,535</u>	<u>\$ 7,961,646</u>		
102% collateral requirement			<u>7,961,646</u>		
Collateral in excess (deficit) of requirement			<u>\$ -</u>		

Location of collateral: Bank of America, N.A, Charlotte, N.C.

All pledged collateral is held in the city's name at each financial institution.
Directed trades (portfolio investment purchases) are held at the Federal Reserve Bank, Richmond, Virginia in an account separate from the account where the collateral for the common fund repurchase agreement is held.

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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***

Mr. Hector Balderas
New Mexico State Auditor,
The Board of Directors of the Albuquerque Housing
Authority Fund of the City of Albuquerque
and the
Honorable Mayor and City Council Members of
the City of Albuquerque

We have audited the financial statements of the Albuquerque Housing Authority Fund (the "Authority"), an enterprise fund of the City of Albuquerque, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The Authority's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item FS 12-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 12-02 through FS 12-04 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16 and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items SA 12-01 and SA 12-02.

The Authority's responses to the findings identified in our audit are included in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Authority's Board of Directors, the Mayor, the City Council, others within the City, the New Mexico Department of Finance and Administration, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors and the pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

REDWLLC

Albuquerque, New Mexico
March 20, 2013

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

B — Financial Statement Findings

FS 12-01 Cash and Investment Reconciliations (Material Weakness)

Criteria: Bank reconciliations are an important element of internal control, facilitating timely detection of book/bank differences so they can be investigated and resolved. Such reconciliations are consistent with New Mexico statutes, Section 6-6-3 A NMSA 1978, which require that an entity “keep all the books, records, and accounts in their respective offices in a form as prescribed by the Local Government Division.” The Local Government Division of the Department of Finance and Administration has, pursuant to this statute, published the Budgeting and Accounting Manual and other guidance for New Mexico municipalities to follow.

Condition: The bank reconciliation for the Authority’s operating bank account was not reconciled for four months during fiscal year 2012. Bank reconciliations were also not being reviewed by someone independent of this process during the year. In addition, the Authority’s investments with the New Mexico State Investment Council (NMSIC) were not being consistently reconciled.

Cause: There was significant turnover at the Authority during fiscal year 2012, including the entire accounting staff and the Executive Director position.

Effect: Errors in general ledger cash and investment balances, and/or bank errors, may not be detected. The investments with NMSIC recorded a loss in fiscal year 2008, which was not reflected in the Authority’s general ledger until fiscal year 2012. Moreover, the cash balance at year-end was incorrectly stated and required an audit adjustment to correct.

Auditors’ Recommendations: The Authority should establish and implement procedures to ensure general ledger cash and investment balances are regularly reconciled to corresponding bank balances and to statements from NMSIC. Any unreconciled differences identified through this process should be investigated and resolved on a timely basis.

Management’s Response: The Authority agrees with this finding. The Finance Department was down five of ten positions, including two senior positions. The Senior Accountant position was filled in November 2012, the Executive Director position in December 2012, and the Fiscal Officer in January 2013. With the addition of staff in our Finance Department we do not expect any continued problems with regular account reconciliation. We will establish and implement procedures to ensure general ledger cash and investment accounts are reconciled on a monthly basis.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

B — Financial Statement Findings — continued

FS 12-02 Journal Entries (Significant Deficiency)

Criteria: Journal entries should not be prepared and recorded to the general ledger by the same individual. There should be separation of duties adequate to reduce the likelihood of error or fraud.

Condition: Journal entries reviewed as part of the fiscal year 2012 audit were prepared and recorded in the general ledger by the same individual. There was no evidence of an independent review of these entries.

Cause: There was significant turnover at the Authority during fiscal year 2012, including the entire accounting staff and the Executive Director position.

Effect: Journal entries that are not reviewed or approved by someone other than the preparer could result in a misstatement of the financial statements.

Auditors' Recommendations: The Authority should implement a process whereby all journal entries are reviewed and approved by someone other than the preparer of the entry.

Management's Response: The Authority agrees with this finding. The Finance Department was down five of ten positions, including two senior positions. The Senior Accountant position was filled in November 2012, the Executive Director position in December 2012, and the Fiscal Officer in January 2013. With this senior staff in place we will implement a process where all journal entries are reviewed and approved by someone other than the preparer.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

B — Financial Statement Findings — continued

FS 12-03 Unrecorded Capital Asset Additions (Significant Deficiency)

Criteria: Property records should be maintained to accurately report the capital assets of the Authority. There should be processes in place to ensure that all capital assets are identified and capitalized in accordance with the Authority's capitalization policy and the State of New Mexico Administrative Code.

Condition: The Authority maintains property records in accordance with applicable requirements, but this listing is not complete. During the 2012 audit, approximately \$101,000 of capital assets were recorded as repairs and maintenance expenses, instead of being capitalized in accordance with the Authority's capitalization policy.

Cause: There was not adequate review of all repairs and maintenance accounts for unrecorded capital assets.

Effect: The capital assets balance was incorrectly stated, which required an audit adjustment to correct. In addition, the Authority's property records did not include these unrecorded capital assets.

Auditors' Recommendations: Implement a process to review repairs and maintenance accounts throughout the year for evidence of unrecorded capital assets. If any assets are identified through this review, ensure that they are added to the Authority's capital asset listing.

Management's Response: The Authority agrees with this finding. Vacant senior staff positions in the Finance Department are now filled. This senior staff will provide the oversight so that errors in the identification of capital assets do not continue. We will establish a process to review repairs and maintenance accounts to ensure that capital assets are not recorded as maintenance expenses.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

B — Financial Statement Findings — continued

FS 12-04 Accounts Payable Cutoff (Significant Deficiency)

Criteria: Procedures should be in place to ensure that all vendor invoices are recorded in the correct period.

Condition: Invoices relating to fiscal year 2012 were initially recorded in fiscal year 2013.

Cause: There is not adequate review of significant invoices paid after year-end to determine the proper period in which to record them.

Effect: Invoices are recorded in the wrong period, resulting in the misstatement of assets, liabilities and expenses in the year-end financial statements.

Auditors' Recommendations: Accounts payable cutoff procedures should be improved to include a more thorough review of all significant invoices paid after year-end to determine the correct period in which to record them.

Management's Response: This Authority agrees with this finding. The Finance Department was down five of ten positions, including two senior positions. The senior staff positions in the Finance Department are now filled and we do not expect any continued problems with recording invoices in the correct period. All recommendations will be implemented to ensure all significant invoices are recorded in the correct period.

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

D — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

SA 12-01 Reporting Unclaimed Property (Other)

Criteria: The Uniform Unclaimed Property Act (1995) Article SA states that property held by a court, government, governmental subdivision, or agency is assumed abandoned if it is unclaimed by the apparent owner one year after the property becomes distributable. Such funds must be escheated to the State of New Mexico.

Condition: The Authority did not report unclaimed property to the State, as required by the Uniform Unclaimed Property Act (1995). This unclaimed property includes outstanding checks as well as unclaimed tenant security deposits.

Cause: Procedures were not in place to ensure that unclaimed property is reported to the state on a yearly basis.

Effect: Noncompliance with the Uniform Unclaimed Property Act (1995) Article SA.

Auditors' Recommendations: The Authority should evaluate all unclaimed property and exercise due diligence in reporting unclaimed property to the state.

Management's Response: The Authority agrees with this finding. The Finance Department was down five of ten positions, including two senior positions. The senior staff positions are now filled and will provide the oversight necessary to prevent a repeat of this finding. We will establish procedures to ensure that unclaimed property including unclaimed tenant security deposits and outstanding checks are reported and escheated to the State of New Mexico annually. The current unclaimed property will be reported and escheated to the State of New Mexico by February 25, 2013.

ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

D — Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978 — continued

SA 12-02 Audit Report Due Date (Other)

Criteria: Section 2.2.2.9A (1) (d) of NMAC Audit Rule 2012, Requirements for Contracting and Conducting Audits of Agencies, requires that annual audit reports be received in the Office of the State Auditor on or before December 1st.

Condition: The fiscal year 2012 financial statements for the Authority was not submitted to the New Mexico Office of the State Auditor by the December 1, 2012 submission deadline.

Cause: The Authority was unable to close its books in a timely manner, primarily as a result of significant turnover at the Authority during fiscal year 2012.

Effect: The Authority was unable to close their accounting records in a timely manner and have the records ready for the audit. The Authority is not in compliance with the New Mexico State Auditor Rule.

Auditors' Recommendations: The Authority should work towards having their books closed and ready for audit in a timely manner.

Management's Response: The Authority is in agreement. The Finance Department was down five of ten positions, including two senior positions. The Senior Accountant position was filled in November 2012, the Executive Director position in December 2012, and the Fiscal Officer in January 2013. With the addition of staff in our Finance Department we do not expect any continued problems with preparing for the audit in a timely manner.

**ALBUQUERQUE HOUSING AUTHORITY FUND
AN ENTERPRISE FUND OF THE CITY OF ALBUQUERQUE, NEW MEXICO
STATUS OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

Prior-Year Number	Description	Current-Year Number
None		

ALBUQUERQUE HOUSING AUTHORITY

EXIT CONFERENCE

June 30, 2012

An exit conference was held on March 7, 2013, and attended by the following:

City Personnel:

Pamela Fanelli
Accounting Officer

B. Jesse Muñiz
Assistant Accounting Officer

Albuquerque Housing Authority Personnel:

Linda Bridge
Executive Director

Janet McHard
Chairperson, Board of Commissioners

Barbara D'Onofrio
Fiscal Officer

REDW, LLC Personnel:

Chris Tyhurst
Principal

Joshua Trujillo
Senior Manager

Jennifer Novak
Staff Accountant