

**BERNALILLO COUNTY AFFORDABLE  
HOUSING NONPROFIT**

**A COMPONENT UNIT OF  
BERNALILLO COUNTY  
STATE OF NEW MEXICO**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT**

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**Year Ended June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Bernalillo County Affordable Housing Nonprofit and  
Mr. Brian S. Colón, New Mexico State Auditor  
Albuquerque, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bernalillo County Affordable Housing Nonprofit, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenditures, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Bernalillo County Affordable Housing Nonprofit and  
Mr. Brian S. Colón, New Mexico State Auditor

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bernalillo County Affordable Housing Nonprofit as of June 30, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying management’s discussion and analysis and schedule of bank accounts are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of Bernalillo County Affordable Housing Nonprofit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bernalillo County Affordable Housing Nonprofit’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bernalillo County Affordable Housing Nonprofit’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 15, 2019

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT**  
**Management's Discussion and Analysis**  
**June 30, 2019**

As management of the Bernalillo County Affordable Housing Nonprofit (BCAHN), we offer readers of the BCAHN's financial statements this narrative overview and analysis of the financial activities of the BCAHN for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The BCAHN's total assets exceed liabilities by \$1,037,475 (*net position*) as of June 30 2019.
- As of June 30, 2019, the BCAHN's unrestricted net position had a deficit of \$162,687.
- As of June 30, 2019 the BCAHN's total revenues were \$540,981. Per Section 57-22-6(c), NMSA 1978, "A charitable organization that received total revenue in excess of five hundred thousand dollars (\$500,000) shall be audited by an independent certified public accountant." The BCAHN's financial statements and supplementary information for the 2019, were prepared as our good faith effort to comply with this statute.

**Measurement Focus and Basis of Accounting**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

**Overview of the BCAHN**

The BCAHN is a registered 501(c)(3) that provides housing to low income elderly and disabled residents of Bernalillo County. These services are delivered through our public housing program which is comprised of 75 public housing units. The primary source of funding is provided by the Bernalillo County Housing Choice Voucher Program.

The BCAHN is committed to maintaining and increasing decent, safe, affordable housing for the entire Bernalillo County community. Our vision and commitment is to maintain and increase the housing stock and to expand housing choices for people with low to very low incomes. We strive to collaborate with our community partners and to expand and reach the residents of Bernalillo County so that everyone has an opportunity to live in a healthy, secure environment.

The BCAHN was first established October 28, 2016. However, due to the approval delay of Bernalillo County Housing Department's Rental Assistance Demonstration (RAD) transaction, the BCAHN did not have any activity until September 1, 2018. At that time, ownership of Bernalillo County's 75 public housing units were transferred to the BCAHN including all assets, liabilities and equity.

The BCAHN is governed by a five member Board of Directors, all of whom are Bernalillo County Commissioners. The Executive Director serves without compensation. Employees working at the public housing units and for the BCAHN, remain employees of Bernalillo County. The BCAHN contracts with primary government for all services to cover its general operating needs.

Due to the fact that the primary government and the BCAHN have the same board members, the primary government can significantly influence the BCAHN. Financial benefit and burden relationship exists between primary government and the BCAHN, as the BCAHN's primary source of revenue is provided by Bernalillo County's Housing Choice Voucher Program. The primary government has taken financial responsibility of a long term bond for the El Centro public housing units. BCAHN depends on the primary government for operations and is reported as a blended component unit within the primary government's comprehensive annual financial report (CAFR).

## **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the BCAHN's basic financial statements. The BCAHN's basic financial statements are comprised of four components: 1) the statement of net position), 2) statement of revenues, expenses and changes in net position, 3) statement of cash flows, and 4) the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

- **Statement of Net Position** presents financial information on all of the BCAHN's assets, liabilities, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial stability of the BCAHN is improving or declining.
- **Statement of Revenues, Expenses and Changes in Net Position** presents the operating and non-operating revenues and expenses for the fiscal year. It can be used to determine the change in net position for the year. It can also be used to measure the success of the BCAHN's operations during the year and will indicate how costs are funded.
- **Statement of Cash Flows** presents financial information regarding cash receipts and cash payments. It shows the inflow and outflows of cash resulting from operating, noncapital financing activities, capital and related financing activities and investing activities. It provides a good indicator of BCAHN's ability to pay its obligations.

## **Bernalillo County Affordable Housing BCAHN's Programs**

Fiscal year 2019 was the BCAHN's first year of operations. In 2019, the BCAHN only had one program it operated, which consists of two properties with a combined total of 75 public housing units that house elderly and disabled residents. The BCAHN contracts with the primary government for all operations and maintenance of their units. The primary source of revenue is Section 8 rental subsidy received from primary government, and rental payments received from tenants.

The BCAHN hopes to continue its mission by furthering its affordable housing programs and initiatives. We hope to accomplish this by fostering our community partnerships to expand affordable housing opportunities to residents.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-17 of this report.

**Other Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. Supplementary information can be found on page 18 of this report.

## **Financial Analysis**

**Assets.** The largest portion of the BCAHN's net position reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any debt used to acquire those assets, which is still outstanding. The BCAHN uses the \$1,200,162 in capital assets as of June 30, 2019 to provide affordable housing to citizens; consequently, these assets are not available for future spending.

**Liabilities.** The BCAHN's liabilities are comprised of accounts payable and other current liabilities, tenant security deposits, and an advance due to the primary government. Security deposits are due to tenants upon move out, less any outstanding rent and damage charges. The advance to the primary government represents the outstanding balance of the Series 2010B bonds issued by the primary government, whereby the proceeds from that bond issuance were advanced to the BCAHN. The primary government is responsible for debt service payments.

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a BCAHN's financial position. The BCAHN's assets exceeded liabilities by \$1,037,475 for the fiscal year ending June 30, 2019.

The unrestricted net position is the amount that may be used to meet the BCAHN's ongoing obligations to citizens and creditors. The BCAHN has an unrestricted net position deficit of \$162,687 due to transfer of net position deficit from El Centro as part of the RAD transaction. El Centro's net position deficit was due to an advance to the primary government exceeding current assets. The primary government is providing annual transfer in to pay off this debt.

## **Revenues, Expenses, and Changes in Net Position**

**Operating Revenues and Expenses.** Operating revenues exceeded operating expenses by 7.3% or \$36,660 due to BCAHN's ability to use its own staff for repairs to the housing units instead of using contracted services as was originally anticipated.

**Nonoperating Revenues, Expenses, Transfers, and Changes in Net Position.** Nonoperating revenue in the amount of \$1,549 consisted of interest income. Transfers in from Bernalillo County Housing Authority's Central Office (COCC) included transfer in of \$320,000 for operations, as well as \$143,501 in Capital Fund program grants transferred from Seybold Village for the BCAHN's replacement reserve and RAD closing costs and related expenses. Additional transfers in consisted of ending cash balances of Seybold Village in the amount of \$160,816, El Centro project based vouchers in the amount of \$87,882, and El Centro new construction in the amount of \$105,428. Furthermore, transfer in of \$181,639 was a balance sheet transfer from Seybold Village and El Centro and was designated as a special item.

## Capital Assets and Debt Administration

**Capital Assets.** The BCAHN's investment in capital assets for its activities as of June 30, 2019 amounts to \$1,200,162 (*net of accumulated depreciation*). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

As a blended component unit, the BCAHN participates in Bernalillo County's Capital Improvement Program (*CIP*) in order to plan both long and short range financing for the county's capital projects. The CIP process provides for the development and submittal of requests for the annual and six-year requests for the Capital Improvements Program. A wide range of public facilities and equipment is considered in the CIP, including housing.

**Debt Administration.** As previously mentioned the BCAHN did not issue any debt in 2019. Bonds issued to benefit the BCAHN (as mentioned above), were issued by the primary government and all debt service payments will be made by the primary government, not the BCAHN.

## Economic Factors

Nearly 20% of residents in the unincorporated area are employed in arts, entertainment, recreation, accommodation, food services, and retail trade, which are the lowest wage industries in the Bernalillo County. Approximately 23% of residents are employed in educational services, health care and social services, which also have below average wages. Other categories with below average wages are combined with higher wage categories, so it is not possible to determine the percentage of residents employed in those jobs.

The number of residents the unincorporated area who are employed in low wage occupations is an indicator of the need for workforce housing.

The median household income in Bernalillo County and the Metropolitan Statistical Area (MSA) is \$50,386, which is higher than the state. However, incomes vary across the region.

Low income households in the unincorporated area are concentrated in the South Valley and Southwest Mesa, where the median income in most census tracts is less than \$41,821. Portions of the North Valley have median incomes below \$50,236.

There are dramatic differences in income among groups in Bernalillo County. The lowest incomes by race and ethnicity are Hispanic, African American, and Native American households.

Single parent households have the lowest incomes, especially single mothers.

For non-family households, female households living alone and male households living alone have the lowest household incomes.

The groups with the lowest incomes are likely targets for new affordable rental housing.



## **Next Year's Budgets and Rates**

For the fiscal year 2020, total BCAHN's budget as follows: \$660,287 was budgeted for revenues, and \$617,237 for expenses. The budget represents a balanced and comprehensive view of the funding requirements and maintains the required RAD year two replacement reserve of \$43,050.

## **Request for Information**

This financial report is designed to provide a general overview of the BCAHN's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bernalillo County Affordable Housing BCAHN Executive Director, 1900 Bridge Blvd SW, Albuquerque, NM 87105.

## **BASIC FINANCIAL STATEMENTS**

**COUNTY OF BERNALILLO, NEW MEXICO  
ENTERPRISE FUNDS-BERNALILLO COUNTY  
AFFORDABLE HOUSING NONPROFIT (BCAHN)  
STATEMENT OF NET POSITION  
June 30, 2019**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 920,635
Accounts receivable, net	107
Cash - restricted	<u>45,849</u>

Total current assets	<u>966,591</u>
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Capital assets:

Land	242,352
Land improvements	185,860
Buildings	4,775,552
Equipment, machinery, and furniture	<u>6,423</u>
	5,210,187

Less accumulated depreciation	<u>(4,010,025)</u>
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Net capital assets	<u>1,200,162</u>
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Total assets	<u><u>\$ 2,166,753</u></u>
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**LIABILITIES**

Current liabilities:

Accounts payable and other current liabilities	\$ 48,377
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Noncurrent liabilities:

Deposits held in trust for others	15,901
Advance from primary government	<u>1,065,000</u>

Total noncurrent liabilities	<u>1,080,901</u>
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Total liabilities	<u>1,129,278</u>
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**NET POSITION**

Invested in capital assets	1,200,162
Restricted	29,948
Unrestricted	<u>(192,635)</u>

Total net position	<u>1,037,475</u>
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Total liabilities and net position	<u><u>\$ 2,166,753</u></u>
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*The Notes to Financial Statements are an integral part of these statements.*

**COUNTY OF BERNALILLO, NEW MEXICO  
ENTERPRISE FUNDS-BERNALILLO COUNTY  
AFFORDABLE HOUSING NONPROFIT (BCAHN)  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
Year Ended June 30, 2019**

Operating revenues:		
Rental income:		
Tenants	\$	315,663
HUD subsidies		220,916
Other income		<u>2,853</u>
Total operating revenues		<u>539,432</u>
Operating expenses:		
Materials and supplies		28,332
Other services and charges		341,448
Depreciation		<u>132,992</u>
Total operating expenses		<u>502,772</u>
Operating income		<u>36,660</u>
Non-operating revenue:		
Interest income		1,549
Equity transfer from primary government		<u>817,627</u>
Change in net position before special items		855,836
Special Items		<u>181,639</u>
Change in net position after special items		<u>1,037,475</u>
Total net position - beginning		<u>-</u>
Total net position - ending	\$	<u><u>1,037,475</u></u>

*The Notes to Financial Statements are an integral part of these statements.*

**COUNTY OF BERNALILLO, NEW MEXICO**  
**ENTERPRISE FUNDS-BERNALILLO COUNTY**  
**AFFORDABLE HOUSING NONPROFIT (BCAHN)**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2019**

Cash flows from operating activities:	
Cash received from rents	\$ 538,719
Cash receipts for goods and services	7,990
Cash payments to vendors for goods and services	(333,067)
Miscellaneous cash received	3,666
Net cash provided by operating activities	<u>217,308</u>
Cash flows from noncapital financing activities:	
Payment on advance to primary government	(70,000)
Operating transfers-in from primary government	817,627
Net cash provided by noncapital financing activities	<u>747,627</u>
Cash flows from investing activities	
Interest received on investments	1,549
Net cash provided by investing activities	<u>1,549</u>
Net increase in cash and cash equivalents	966,484
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, ending of year	<u><u>\$ 966,484</u></u>
Reconciliation of operating income to net cash flows provided by operating activities:	
Operating income	\$ 36,660
Adjustments to reconcile operating income to net cash flows:	
Depreciation	132,992
Decrease in:	
Accounts receivable	334
Allowance for uncollectable accounts	1,806
Increase in:	
Accounts payable	44,703
Tenants payable	813
Net cash flows from operations	<u><u>\$ 217,308</u></u>
Noncash investing, capital, and financing activities:	
Contribution of capital assets	\$ 1,333,154
Transfer of advance	1,135,000
Transfer of other assets and liabilities	16,515

*The Notes to Financial Statements are an integral part of these statements.*

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
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**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**I. Summary of significant accounting policies**

The financial statements of the Bernalillo County Affordable Housing Nonprofit (BCAHN), a component unit of Bernalillo County (primary government), have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The basic financial statements of the BCAHN are presented in the Comprehensive Annual Financial Report (CAFR) of the primary government as a proprietary type blended component unit. The significant governmental accounting policies are described below.

**A. Reporting entity**

The BCAHN is registered as 501(c)(3) and is a separate public corporate body that contracts with the U.S. Department of Housing and Urban Development. The BCAHN board members are made up of the Bernalillo County Board of Commissioners. Therefore, the BCAHN is significantly influenced and depends on the primary government for operations. The BCAHN provides affordable housing to low income residents of Bernalillo County. The BCAHN's primary sources of revenue include public housing tenant rental revenues and a rental subsidy received from Bernalillo County's Housing Choice Voucher Program. The Housing Authority at Bernalillo County is responsible for compliance with Housing and Urban Development requirements, including preparation and submission of a Financial Data Schedule (FDS).

The BCAHN was first established October 28, 2016. However, due to the approval delay of Bernalillo County Housing Department's Rental Assistance Demonstration (RAD) transaction, the BCAHN did not have any activity until September 1, 2018. At that time, ownership of primary government's 75 public housing units were transferred to the BCAHN including all assets, liabilities and equity. Of these units, Seybold Village has 21 handicapped units and El Centro has 54 elderly units.

The BCAHN's basic financial statements include all activities and accounts of the BCAHN's "financial reporting entity" and are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and related statements. The BCAHN's basic financial statements are comprised of three components: Management's Discussion and Analysis, Basic Financial Statements, and Supplementary Information. The BCAHN follows GASB pronouncements as codified under GASB 62.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The BCAHN's activity is accounted for using the flow of economic resources management focus and the accrual basis of accounting. These activities include, but are not limited to, administration, operation, maintenance, 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 BCAHN distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

in connection with BCAHN'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 nonoperating revenues or expenses. These include federal housing grants, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

When both restricted and unrestricted amounts are available for use, it is BCAHN's standard practice to consider restricted amounts to be reduced first.

**C. Assets, liabilities, and net position**

**1. Cash and cash equivalents**

The BCAHN's cash consists of cash on hand, cash in operating bank account, and demand deposits.

**2. Accounts receivable**

All tenant receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

**3. Capital assets**

Capital assets include: property, plant, equipment, software, and hardware, and are reported in the financial statements. The BCAHN defines capital assets as assets with an initial, individual cost of more than \$5,000. Purchased or constructed assets are recorded at original cost or estimated cost. Donated capital assets are recorded at acquisition value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and other improvements	15-40
Machinery and equipment	5-10



**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**4. *Restricted cash***

Certain amounts are set aside for the purpose of maintaining the BCAHN's Rental Assistance Demonstration (RAD) replacement reserve for Seybold Village, required by HUD. Additionally, tenant security deposits are held as insurance against the non-payment for services rendered. These amounts are classified as restricted on the balance sheet, because their use is limited.

**5. *Accounts payable***

Accounts payable are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**6. *Deposits held in trust for others***

Deposits held in trust for others are tenant security deposits paid by residents at time of move in. At the time of move out, the cost to repair the unit are deducted from the security deposit, and any outstanding balance is refunded to the tenant.

**7. *Advance from primary government***

Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advance from primary government." Advance from primary government represents a noncurrent portion of the outstanding principal of series 2010B.

**8. *Net position***

The financial statements utilize a net position presentation. Net position is categorized as follows:

**Net investment in capital assets** – This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

**Restricted net position** – This category reflects the portion of net position that has third party limitations on its use.

**Unrestricted net position** – This category reflects net position of the BCAHN, not restricted for any project or other purpose.

**9. *Use of estimates***

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 period. Actual results could differ from those estimates.

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**10. Budgets**

An annual budget, which is not legally adopted, is prepared on a cash basis as part of the primary government's budget.

**II. Detailed notes**

**A. Cash and cash equivalents**

The total cash as of June 30, 2019, consists of the following:

Cash	\$920,649
Cash - restricted	<u>45,849</u>
Total amount of deposits per bank	<u><u>\$966,498</u></u>

*Custodial credit risk - deposits.* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, BCHAN will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. BCAHN's deposits with Wells Fargo Bank were held in collateralized account. As of June 30, 2019 collateral held in the BCAHN's name exceeded the State of New Mexico's collateralization requirement, which varies by institution from 50% to 100%, for deposits. However, \$44,563 of the BCAHN's deposits are uninsured and uncollateralized. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the primary government.

	<u><b>Wells Fargo Bank</b></u>
Total deposits – overnight repurchase agreement	\$966,498
Collateral held	<u>921,935</u>
Uninsured and uncollateralized balance	<u><u>\$44,563</u></u>

*Restricted cash.* Certain resources are set aside for the purpose of maintaining the BCAHN's Rental Assistance Demonstration (RAD) replacement reserve for Seybold Village. RAD replacement reserve is required by HUD and subject to HUD restrictions on how it may be used. In the first year after conversion, HUD's requirement is \$29,948. Additionally, deposits held in trust for others in the amount of \$15,901 consisted of tenant security deposits held as insurance against the non-payment for services rendered. The tenant security deposits are refunded at the time tenants are ready to move out less deductions for the cost of unit repairs.

**B. Accounts receivable**

The BCHAN's accounts receivable as of June 30, 2019, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts Receivable - Tenants	\$10,943	\$10,836	\$107
Total	<u><u>\$10,943</u></u>	<u><u>\$10,836</u></u>	<u><u>\$107</u></u>

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**C. Capital assets**

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows.

	June 30, 2018	Increases	Decreases	June 30, 2019
<b>Affordable Housing Non Profit</b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 242,352	\$ -	\$ 242,352
Total capital assets, not being depreciated	-	242,352	-	242,352
Capital assets, being depreciated:				
Land improvements	-	185,860	-	185,860
Buildings	-	4,775,552	-	4,775,552
Machinery and equipment	-	43,587	(37,164)	6,423
Total capital assets being depreciated	-	5,004,999	(37,164)	4,967,835
Less Accumulated depreciation for:				
Land improvements	-	(123,292)	-	(123,292)
Buildings	-	(3,880,309)	-	(3,880,309)
Machinery and equipment	-	(43,587)	37,164	(6,423)
Total accumulated depreciation	-	(4,047,188)	37,164	(4,010,024)
Total capital assets, being depreciated, net	-	957,811	-	957,811
Capital assets, net	\$ -	\$ 1,200,163	\$ -	\$ 1,200,163

Depreciation expense for the year ended June 30, 2019, totaled \$132,992.

**D. Advance from primary government**

The 2010 Debit Service Fund of the primary government advanced the Housing Authority \$1,650,000 in 2010. As of June 30, 2019, the BCAHN reports the outstanding portion of the 2010B bond issued by the primary government as a long term liability in the amount of \$1,065,000. Primary government is covering all bond payments, and will continue to do so until it is paid in full. The principal is transferred annually by the primary government and is recorded as a transfer in by BCAHN.

The change in advance from primary government for the year ended June 30, 2019 is as follows:

	June 30, 2018	Increases	Decreases	June 30, 2019
Advance from primary government	\$ -	\$ 1,135,000	\$ 70,000	\$ 1,065,000

**E. Unrestricted net position deficit**

This category reflects net position not restricted for any project or other purpose. The BCAHN had an unrestricted net position deficit of \$162,687 in fiscal year 2019. The deficit was due to transfer of net position deficit from El Centro as part of the RAD transaction. El Centro's net position deficit was due to an advance to the primary government exceeding current assets. The primary government is providing annual transfer in to pay off this debt.

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**F. Risk management**

The BCAHN is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the BCAHN, through the primary government, is insured through public risk pools. Specifically, these three public entity risk pools (Worker's Compensation, Multiline, and Law Enforcement) operate as a common risk management and insurance program for workers' compensation, property and casualty, and law enforcement coverage, and the cost of the BCAHN's portion of the insurance is covered through the management fee paid to the primary government.

On the annual basis, the primary government completes a review of its insurance coverage to ensure adequate coverage. Settled claims have not exceeded coverage in any of the past three years.

**III. Related-party transactions**

In 2019, after approval of RAD transaction, total transfers in from Bernalillo County Housing Authority's Central Office (COCC) to BCAHN amounted to \$999,266 and consisted of the following: \$320,000 for operations, \$143,501 in Capital Fund program grants transferred from Seybold Village for the BCAHN's replacement reserve, RAD closing costs, and related expenses. Additional transfers in consisted of ending cash balances of Seybold Village in the amount of \$160,816, El Centro project based vouchers in the amount of \$87,882, and El Centro new construction in the amount of \$105,428. Furthermore, transfer in of \$181,639 was a balance sheet transfer from Seybold Village and El Centro and was designated as a special item.

The BCAHN participates in medical, dental, and retirement plans offered to the employees of COCC. The BCAHN is responsible for reimbursing salaries and benefits paid by COCC, and in 2019, the BCAHN reimbursed \$132,794 in salaries and benefits. BCAHN also reimbursed COCC for the actual costs of cellular devices and travel in the amount of \$1,537 and \$165 respectively.

Additionally, COCC provides accounting, insurance, payroll, purchasing, and other management services to BCAHN. The management fee that COCC charges BCAHN is calculated as 10% of the BCAHN's revenues. In fiscal year 2019, the cost of management fee was \$54,064. The COCC also provides administrative building space and other operational services.

**IV. Special item**

During 2019, when RAD transaction was approved, the primary government transferred assets and liabilities from El Centro and Seybold village to BCAHN. Total amount of this transfer amounted to \$181,639. Liabilities related to salaries and benefits were not included in that transfer.

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT (BCAHN)**  
**SCHEDULE OF BANK ACCOUNTS**  
**June 30, 2019**

<b>Financial Institution: Account name</b>	<b>Type of Account</b>	<b>Bank Balance</b>	<b>(Checks) Deposits</b>	<b>Book Balance</b>
Wells Fargo Bank				
Bernalillo County Housing Authority Nonprofit (BCAHN)	Checking - overnight repurchase agreement	\$ 966,498	\$ (14)	\$ 966,484
Total bank and book balance		\$ 966,498	\$ (14)	\$ 966,484

As of June 30, 2019 the Bernalillo County Affordable Housing Nonprofit does not have any investment accounts.



**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**

Board of Directors  
Bernalillo County Affordable Housing Nonprofit and  
Mr. Brian S. Colón, New Mexico State Auditor  
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bernalillo County Affordable Housing Nonprofit, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Nonprofit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bernalillo County Affordable Housing Nonprofit's internal control. Accordingly, we do not express an opinion on the effectiveness of Bernalillo County Affordable Housing Nonprofit's internal control.

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

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

Board of Directors  
Bernalillo County Affordable Housing Nonprofit and  
Mr. Brian S. Colón, New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bernalillo County Affordable Housing Nonprofit'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* listed as items 2019-001 and 2019-002 in the accompanying schedule of findings and responses.

### **Bernalillo County Affordable Housing Nonprofit's Response to Findings**

Bernalillo County Affordable Housing Nonprofit's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bernalillo County Affordable Housing Nonprofit's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.



### **CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 15, 2019

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no



**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2019-001 DISASTER RECOVERY PLAN (OTHER MATTER - FINDING THAT DOES NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY)**

**Condition:** Bernalillo County (the County) is responsible for the information technology operation and oversight of Bernalillo County Affordable Housing Nonprofit. The County does not have an overall business continuity plan in place to address the business and information technology needs of the County in the event of a disaster.

**Criteria:** ISACA's COBIT 5 framework (DSS04 Manage Continuity) provides a plan that enables the business and IT to respond to incidents and disruptions in order to continue operation of critical business process and required IT services. This process includes establishing and maintaining an up-to-date continuity plan reflecting current business requirements.

**Cause:** The County has relied on its Information Technology Department to provide the disaster recovery portion of business continuity plan.

**Effect:** Although the County has taken various measures to address brief interruptions to systems processing (such as regular back-ups and redundancy), the lack of a plan does not address the recovery and resumption of critical systems, data, and business processes in the event of an interruption due to changes in the environment and personnel. Such a disaster or major business interruption could prevent critical business processes from occurring and prevent access to information systems and data.

**Recommendation:** The County should develop both a disaster recovery portion and incorporate business resumptions into its continuity plan. The plan should address how the County will maintain critical business processes.

**Management's Response:** Management is in agreement. The IT Department has developed a baseline Disaster Recovery Plan but the overall has not pursued a Business Continuity Plan or strategy. The Disaster Recovery Plan will be significantly revised in the next year due to the new infrastructure purchase and implementation. Additionally, a Business Continuity Plan will be an essential activity for the County overall.

**2019-002 SECURITY MONITORING (OTHER MATTER - FINDING THAT DOES NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY)**

**Condition:** The County has established security logs to capture events that occurred on the network. The County does not have a documented security monitoring process in place.

**Criteria:** ISACA's COBIT 5 framework (DSS05 Manage Security Services) provides the need to maintain a level of information security acceptable to the organization in accordance with security policy. This process includes establishing and maintaining security measures and related management procedures to protect information.

**Cause:** The County has not established security monitoring processes and procedures.

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-002 SECURITY MONITORING (OTHER MATTER - FINDING THAT DOES NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY), Continued**

**Effect:** Unauthorized or malicious activity that occurs on the County's network can remain undetected for an extended period of time.

**Recommendation:** The County should implement some form of network security monitoring. Network activity including unsuccessful attempts to gain access during and after business hours to the switches, firewall, routers, telecommunications systems, IDS, IPS and other networking hardware. These attempts should be logged and monitored for issues related to security. In addition, network performance should be monitored on a continuous basis to detect degradation, interruption of service or other issues impacting availability.

**Management's Response:** Management is in agreement. The information security team was recently increased for two personnel to four personnel. One of those individuals will be focused on network security and monitoring. One of the initial activities will be development of a strategy and procedure for regular monitoring and systematically documenting network security findings and action plans.

**BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2019**

An exit conference was held on November 9, 2019 and attended by the following:

**Audit Committee**

Mandy Funchess, Chair  
JoHanna Cox, Attorney, Member  
Armando Sanchez, CPA, Member

**External Auditors – CliftonLarsonAllen**

Raul Anaya, Principal  
Ryan Jones, Director  
Brannon Credle, Associate

**County Personnel**

Ken Martinez, County Attorney  
Shirley Ragin, Deputy County Manager Finance  
Roger Paul, Deputy County Manager, Public Works Division  
Michelle Aguilar, Deputy Assessor  
Bobby Espinosa, Deputy Assessor  
Bernadette Perez, HR Director, Human Resources Department  
Dinah Esquivel, Director, Procurement & Business Services Department  
Pamela Moon, CPA, Director, Accounting & Budget Department  
Jacqueline Sanchez, MBA, Assistant Director of Accounting & Budget Department  
Anthony Infantino, MBA, Principal Accountant, Accounting & Budget Department  
Bridgette Long, Payroll Manager, Principal Accountant, Accounting & Budget Department  
Brandee Pacheco Martinez, Principal Accountant, Housing Department  
Nataliya Rubinchik, Senior Financial Accountant, Accounting & Budget Department  
David Trujillo, Senior Financial Accountant, Accounting & Budget Department  
Kimberly Rosales, Audit Liaison, Financial Accountant, Accounting & Budget Dept.  
Leticia Carreon, Financial Accountant, Accounting & Budget Department  
Renata Harrison, CPA, Financial Accountant, Accounting & Budget Department  
Elias Archuleta, Technical Services Director, Public Works  
Antonio Jaramillo, Operations & Maintenance Director, Public Works  
Elie Boujaoude, Deputy Chief Information Technology Officer  
Lisa Manwill, Construction Program Manager, Facilities  
Jared Divett, Fleet Program Manager  
Ryan Travelstead, Principal Accountant, Treasurer's Office  
Amanda Colburn, Special Programs Coordinator, Community Services Division  
Debbie Jo Almager, Parks, Recreation & Open Space Director  
Corina Cortez, Parks, Recreation & Open Space Department Administrative Manager  
Sulema Lenz, Senior Analyst, Economic Development  
Carl Broach, Special Projects Coordinator, Risk Management  
Marilyn Sanchez, Administrative Officer III, Accounting & Budget Department  
Loren Alaniz, Intern, Accounting & Budget Department