

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

**Board of Commissioners and Management
June 30, 2016**

Board of Directors

Chairperson	Veral d'Entremont
Commissioner	Randy Hazelbaker
Commissioner	Patricia Heredia
Commissioner	Marty Petsonk
Resident Commissioner	Lisa Crawford

Administrative Officials

Executive Director	Louisa Madrid
--------------------	---------------

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		ii
FINANCIAL SECTION		
Independent Auditors' Report		1
Basic Financial Statements:		
Statement of Net Position	A	3
Statement of Revenues, Expenses and Changes in Net Position	B	4
Statement of Changes in Net Position	C	5
Statement of Cash Flows	D	6
Notes to Financial Statements		7
Financial Statements of Individual Funds:		
Combining Balance Sheet – Proprietary Funds	A-1	17
Combining Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	A-2	18
Combining Statement of Cash Flows – Proprietary Funds	A-3	19
Statement of Revenues, Expenses, and Changes in Net Position – Budgetary (non-GAAP Basis) and Actual:		
Low Rent Public Housing Proprietary Fund	A-4	20
Capital Projects Program Proprietary Fund	A-5	21
SUPPORTING SCHEDULES		
Schedule of Cash and Cash Equivalents by Depository for Public Funds	I	22
Schedule of Depository Collateral	II	23
Schedule of Vendors over \$60,000	III	24
Financial Data Schedule		25
COMPLIANCE		
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>		30
Schedule of Findings and Responses	IV	32

FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Tim Keller, New Mexico State Auditor
The Office of Management and Budget
Chairman and Board Members
Artesia Housing Authority, Artesia, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Artesia Housing Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's the budgetary comparisons for the major business-type funds, presented as supplementary information, as defined by the Government Accounting Standards Board (GASB), in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons 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 opinions on the Authority's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other supplemental information and supporting schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and supporting schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted *Management's Discussion and Analysis* that 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 basic financial statements is not affected by this missing information.

The Schedule of Vendors over \$60,000 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
December 14, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

Exhibit A

ASSETS

Current assets :

Cash and cash equivalents	\$ 795,595
Accounts receivable - tenants (net of allowance of \$946)	8,425
Accounts receivable - governments	-
Prepaid assets	47,720
Restricted cash and cash equivalents	32,795

Non-current assets :

Land, structures, and equipment (net of accumulated depreciation)	2,269,462
<i>Total assets</i>	<u>3,153,997</u>

LIABILITIES

Current liabilities :

Accounts payable	\$ 31,385
Accrued salaries and benefits	14,797
Compensated absences, due within one year	6,535
<i>Current liabilities (payable from restricted assets)</i>	
Tenant deposits	<u>34,287</u>

Non-current liabilities :

Compensated absences, due in more than one year	3,219
<i>Total liabilities</i>	<u>90,223</u>

NET POSITION

Net investment in capital assets	2,269,462
Restricted	-
Unrestricted	794,312
<i>Total net position</i>	<u><u>3,063,774</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

<i>Operating revenues:</i>	
Charges for services	\$ 524,927
HUD operating subsidy	221,515
Miscellaneous	5,791
<i>Total operating revenues</i>	<u>752,233</u>
 <i>Operating expenses:</i>	
Administration	172,608
Tenant services	288,167
Utilities	122,912
Other general expenses	63,603
Depreciation	227,123
<i>Total operating expenses</i>	<u>874,413</u>
 <i>Operating loss</i>	 <u>(122,180)</u>
 <i>Non-operating revenues(expenses):</i>	
Interest income (expense)	580
Gain on asset disposal	
HUD capital grants	97,799
<i>Total non-operating revenues</i>	<u>98,379</u>
 <i>Change in net position</i>	 (23,801)
 <i>Total net position - beginning of year</i>	 <u>3,087,575</u>
 <i>Total net position - end of year</i>	 <u>\$ 3,063,774</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C

	Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total
Balance June 30, 2015	\$ 2,488,760	\$ (1,956)	\$ 591,081	\$ 3,077,885
Net change in net position for the year ended June 30, 2015	<u>(219,298)</u>	<u>1,956</u>	<u>203,231</u>	<u>(14,111)</u>
Balance June 30, 2016	<u>\$ 2,269,462</u>	<u>\$ -</u>	<u>\$ 794,312</u>	<u>\$ 3,063,774</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit D

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 746,529
Cash paid to suppliers and employees	(656,253)
<i>Net cash used for capital financing activities</i>	<u>90,276</u>
<i>Cash flows used by capital financing activities:</i>	
Acquisition and construction of capital assets	(80,383)
Intergovernmental HUD capital subsidy	97,799
Gain on asset disposal	-
Principal payments on notes	-
Interest payments on notes	-
<i>Net cash used for capital financing activities</i>	<u>17,416</u>
<i>Cash flows from investing activities:</i>	
Interest received	<u>580</u>
<i>Net decrease in cash and cash equivalents</i>	108,272
<i>Cash and cash equivalents - beginning of year</i>	<u>720,118</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 828,390</u></u>
<i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (122,180)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	227,123
Increase in accounts receivable	(7,311)
Increase in prepaid expenses	(375)
Decrease in accounts payable	686
Increase in accrued expenses	(12,348)
Increase in tenant security deposits	1,607
Increase in compensated absences	3,074
<i>Net cash used for operating activities</i>	<u><u>\$ 90,276</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

The Artesia Housing Authority (the Authority) was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in 1968. The agreement provided for 138 low-rent housing units, the construction of which was financed by bonds guaranteed by the U.S. Government. The terms of the agreement provided that HUD shall provide annual contributions to cover the debt service on bonds used for the construction and subsidies for operations of the program. As of June 30, 2013 the Authority was determined to not be a component unit of the City of Artesia. As such, the Authority is reported as a primary entity in accordance with the requirements of HUD.

The primary goal of the Low Rent Public Housing program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development and operation of a Low Rent Public Housing program. The PHA is a local housing authority (LHA) governed by an appointed board of directors who employ an administrative staff headed by an executive director.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the City's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The Authority has implemented Governmental Accounting Standards Board (GASB) statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2016. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures unless those pronouncements conflict with or contradict GASB pronouncements.

The more significant of the Authority's accounting policies are described below.

The following programs are maintained as major enterprise funds by the Authority:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the overall objective of the Low Rent Public Housing Program is to provide cost-effective, decent, safe and affordable dwellings for lower income families through reduced rate rental units built and owned by the Authority.
- **Capital Fund Projects** – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing, and modernization of public housing developments and for management improvements. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program on the Financial Statements.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. *Financial Reporting Entity*

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the financial reporting entity was made by applying the criteria set forth in GASB #14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units and the Authority does not meet the requirements to be reported as a component unit of the City of Artesia.

B. *Basis of Presentation*

All of the Authority's programs are accounted for as business-type activities using proprietary (enterprise) funds for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary. That category, in turn, is divided into separate "funds".

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

B. *Basis of Presentation (Continued)*

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

GASB No. 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net Position – The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's operating revenues consist primarily of charges for services and operating grants. Operating expenses include administration, utilities and ordinary repairs and maintenance expenses as well as general expenses, housing assistance payments, and depreciation expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

D. *Assets, Liabilities, and Equity*

Cash and Cash Equivalents

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

New Mexico Statutes require that financial institutions with public monies on deposit to pledge collateral to the owner of such public monies in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Note 2).

Accounts Receivable

All trade receivables and 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.

Inventory

Inventories are valued at cost.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services that are applicable to future accounting periods.

Land, Structures and Equipment

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at the time the contribution is made. Repairs and maintenance are recorded as expenses, while renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more, per section 12-6-10 NMSA 1978, and a useful life of more than one year. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the Authority's capital assets reported in the basic financial statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Buildings & Building Improvements	10-40 years
Machinery & Equipment	5-10 years

Accounts Payable

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

Accrued Expenses

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

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. Vested or accumulated vacation leave is reported as an expenditure and a liability of the program that will pay it.

Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Interfund Transactions

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Authority's financial statements include management's estimate of the useful lives of capital assets.

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction and improvement of the assets: debt related to the unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as: lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net assets not included in the above categories.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Restricted Assets

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned. The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants in the accompanying financial statements.

E. *Budgets*

The Authority adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures for the Capital Funds Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net position. The Authority does not budget for depreciation expense.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Authority's Board of Directors for approval.
5. The Board of Directors approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level. The Authority submitted its budget to the State of New Mexico Department of Finance and Administration.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. Cash and Cash Equivalents

State statutes authorize the investment of the Authority's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2016.

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

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

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

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for a least one half of the amount on deposit with the institution. The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Authority's deposits.

	First American Bank
Total amount of deposits	\$ 842,400
FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	592,400
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>335,000</u>
Uninsured and uncollateralized	<u>\$ 257,400</u>
Collateral requirement (50% of uninsured public funds)	\$ 296,200
Total pledged collateral	<u>335,000</u>
Total (over) under requirement	<u>\$ (38,800)</u>

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2. Cash and Cash Equivalents (Continued)

At June 30, 2016, the carrying amount of the Authority's deposits was \$720,118.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, none of the Authority's bank balance of \$720,517 was exposed to custodial credit risk because the amount uninsured was collateralized by collateral held by the pledging bank's trust department in the Authority's name.

Reconciliation of Cash and Temporary Investments

Proprietary Funds – Statement of Net Position	
Cash and cash equivalents per Exhibit A	\$ 828,390
Less: Petty Cash	(20)
Add: Outstanding and Other Reconciling Items	<u>14,030</u>
Total Amount of Deposits per Bank	<u>\$ 842,400</u>

Note 3. Accounts Receivable

The Authority's accounts receivable at June 30, 2016, are as follows:

	Accounts Receivable	Allowance	Net
Accounts receivable – Tenants	\$ 9,371	\$ 946	\$ 8,425
Total	<u>\$ 9,371</u>	<u>\$ 946</u>	<u>\$ 8,425</u>

Note 4. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other funds" or "due to other funds" on the balance sheet.

As of June 30, 2016, the Authority did not have any balances due between funds.

As of June 30, 2016, the Authority did have any transfers between funds of \$97,799.

Note 5. Land, Structures, and Equipment

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

	Balance 6/30/2014	Additions	Deletions	Transfers	Balance 6/30/2016
Capital Assets, Not Being Depreciated:					
Land	\$ 102,969	\$ 0	\$ 0	0	\$ 102,969
Capital Assets, Not Being Depreciated:	<u>102,969</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>102,969</u>
Capital Assets, Being Depreciated:					
Furniture, fixtures, & equipment	203,045	0	0	0	203,045
Buildings & building improvement	<u>7,271,305</u>	<u>80,383</u>	<u>0</u>	<u>0</u>	<u>7,351,688</u>
Total Public Housing Program	<u>7,474,350</u>	<u>80,383</u>	<u>0</u>	<u>0</u>	<u>7,554,733</u>

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5. Land, Structures, and Equipment (Continued)

	Balance 6/30/2015	Additions	Deletions	Transfers	Balance 6/30/2016
Total Capital Assets, Being Depreciated:	<u>7,577,319</u>	<u>80,383</u>	<u>(0)</u>	<u>0</u>	<u>7,657,702</u>
Accumulated Depreciation:					
Furniture, fixtures, & equipment	(186,786)	(4,702)	0	0	(191,488)
Buildings & building improvement	<u>(4,974,331)</u>	<u>(222,421)</u>	<u>0</u>	<u>0</u>	<u>(5,196,752)</u>
Total Public Housing Program	<u>(5,161,117)</u>	<u>(227,123)</u>	<u>0</u>	<u>0</u>	<u>(5,388,240)</u>
Total Accumulated Depreciation:	<u>(5,161,117)</u>	<u>(227,123)</u>	<u>0</u>	<u>0</u>	<u>(5,388,240)</u>
Total Capital Assets, Net of Depreciation:	<u>\$ 2,416,202</u>	<u>\$ (146,740)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,269,462</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2016, totaled \$227,123.

Note 6. Long-Term Debt

The following summarizes changes in long-term liabilities during the year ended June 30, 2016.

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
Compensated Absences	<u>\$ 6,680</u>	<u>\$ 15,001</u>	<u>\$ (11,927)</u>	<u>\$ 9,754</u>	<u>\$ 6,535</u>
Total	<u>\$ 6,680</u>	<u>\$ 15,001</u>	<u>\$ (11,927)</u>	<u>\$ 9,754</u>	<u>\$ 6,535</u>

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which vacation is payable to the employee upon termination or retirement. The amount due within one year is \$6,535.

Note 7. Risk Management

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

Note 8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although Authority expects such amounts, if any, to be immaterial.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 9. Concentrations

Approximately 29% percent of the Authority's revenues are derived from grants from various federal agencies. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

Note 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

Excess of expenditures over appropriations: There were no funds which exceeded approved budgetary authority for the year ended June 30, 2016.

Note 11. Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2016. There were no events noted as of this date.

Note 12. Subsequent Accounting Standard Pronouncements

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Pension Plans*, which is effective for financial statement for periods beginning after December 15, 2015.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which is effective for financial statement for periods beginning after December 15, 2015.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No.14*, which is effective for financial statement for periods beginning after June 15, 2016.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for financial statement for periods beginning after December 15, 2016.

In March 2015, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, which is effective for financial statement for periods beginning after June 15, 2017.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

Statement A-1

	<u>Low-Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 795,595	\$ -	\$ 795,595
Accounts receivable - tenants (net of allowance of \$946)	8,425	-	8,425
Accounts receivable - other	-	-	-
Prepaid assets	47,720	-	47,720
Restricted cash and cash equivalents	32,795	-	32,795
 <i>Non-current assets:</i>			
Land, structures and equipment (net of depreciation)	<u>2,269,462</u>	-	<u>2,269,462</u>
<i>Total assets</i>	<u><u>3,153,997</u></u>	<u><u>-</u></u>	<u><u>3,153,997</u></u>
 LIABILITIES			
<i>Current liabilities (payable from current assets):</i>			
Accounts payable	\$ 31,385	-	31,385
Accrued salaries & benefits	14,797	-	14,797
Compensated absences	6,535	-	6,535
 <i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	34,287	-	34,287
 <i>Non-current liabilities:</i>			
Compensated absences, due in more than one year	<u>3,219</u>	-	<u>3,219</u>
<i>Total liabilities</i>	<u>90,223</u>	<u>-</u>	<u>90,223</u>
 NET POSITION			
Net investment in capital assets	2,269,462	-	2,269,462
Restricted	-	-	-
Unrestricted	<u>794,312</u>	-	<u>794,312</u>
<i>Total net position</i>	<u><u>3,063,774</u></u>	<u><u>-</u></u>	<u><u>3,063,774</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Statement A-2

	<u>Low-Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ 524,927	\$ -	\$ 524,927
Operating subsidy	221,515	-	221,515
Miscellaneous	5,791	-	5,791
<i>Total operating revenues</i>	<u>752,233</u>	<u>-</u>	<u>752,233</u>
<i>Operating expenses:</i>			
Administration	172,608	-	172,608
Tenant services	288,167	-	288,167
Utilities	122,912	-	122,912
Other general expenses	63,603	-	63,603
Depreciation	227,123	-	227,123
<i>Total operating expenses</i>	<u>874,413</u>	<u>-</u>	<u>874,413</u>
<i>Operating income/(loss)</i>	<u>(122,180)</u>	<u>-</u>	<u>(122,180)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	580	-	580
Capital grants	-	97,799	97,799
<i>Total non-operating revenues (expenses)</i>	<u>580</u>	<u>97,799</u>	<u>98,379</u>
<i>Other Financing Sources (Uses)</i>			
Capital transfer in (out)	<u>97,799</u>	<u>(97,799)</u>	<u>-</u>
<i>Change in net position</i>	(23,801)	-	(23,801)
<i>Total net position - beginning of year</i>	<u>3,087,575</u>	<u>-</u>	<u>3,087,575</u>
<i>Total net position - end of year</i>	<u>\$ 3,063,774</u>	<u>\$ -</u>	<u>\$ 3,063,774</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Statement A-3

	Low-Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Cash flows from operating activities:</i>			
Cash received from customers	746,529	\$ -	\$ 746,529
Cash paid to suppliers and employees	(656,253)	-	(656,253)
<i>Net cash provided by (used for) operating activities</i>	90,276	-	90,276
 <i>Cash flows used by noncapital financing activities:</i>			
Capital grants	97,799	(97,799)	-
Housing assistance payments	-	-	-
<i>Net cash provided by noncapital financing activities</i>	97,799	(97,799)	-
 <i>Cash flows used by capital financing activities:</i>			
Acquisition and construction of capital assets	(80,383)	-	(80,383)
Intergovernmental HUD capital subsidy	-	97,799	97,799
Interest payments on notes	-	-	-
<i>Net cash provided by capital financing activities</i>	(80,383)	97,799	17,416
 <i>Cash flows from investing activities:</i>			
Interest received	580	-	580
<i>Net increase/(decrease) in cash and cash equivalents</i>	108,272	-	108,272
<i>Cash and cash equivalents - beginning of year</i>	720,118	-	720,118
<i>Cash and cash equivalents - end of year</i>	\$ 828,390	\$ -	\$ 828,390
 <i>Reconciliation of operating (loss) to net cash provided by (used for) operating activities:</i>			
Operating income (loss)	\$ (122,180)	\$ -	\$ (122,180)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	227,123	-	227,123
Increase in accounts receivable	(7,311)	-	(7,311)
Increase in prepaid expenses	(375)	-	(375)
Decrease in accounts payable	686	-	686
Increase in accrued expenses	(12,348)	-	(12,348)
Increase/(decrease) in tenant security deposits	1,607	-	1,607
Increase in compensated absences	3,074	-	3,074
<i>Net cash provided by (used for) operating activities</i>	\$ 90,276	\$ -	\$ 90,276

STATE OF NEW MEXICO

Statement A-4

ARTESIA HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
 LOW RENT PUBLIC HOUSING PROGRAM PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	\$ -	\$ 524,927	\$ 524,927	\$ -
HUD operating subsidy	-	221,515	221,515	-
Other operating revenue	-	5,791	5,791	-
<i>Total revenues</i>	<u>-</u>	<u>752,233</u>	<u>752,233</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
Administration	-	172,608	172,608	-
Tenant services	-	288,167	288,167	-
Ordinary maintenance and operations	-	-	-	-
Utilities	-	122,912	122,912	-
Insurance expenses	-	-	-	-
Other general expenses	-	63,603	63,603	-
Depreciation expense	-	227,123	227,123	-
Capital fund operating costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>874,413</u>	<u>874,413</u>	<u>-</u>
<i>Operating Income (loss)</i>	<u>-</u>	<u>(122,180)</u>	<u>(122,180)</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash	-	121,600	-	(121,600)
Gain on asset disposal	-	-	-	-
HUD capital project grants	-	-	-	-
Investment income	-	580	580	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>122,180</u>	<u>580</u>	<u>(121,600)</u>
<i>Other Financing Sources (Uses)</i>				
Capital transfer in (out)	-	97,799	97,799	-
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(23,801)</u>	<u>\$ (121,600)</u>
<i>Net position - beginning of year</i>			<u>3,087,575</u>	
<i>Net position - end of year</i>			<u>\$ 3,063,774</u>	
Reconciliation to GAAP Basis				
Net change in net position			\$ (23,801)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (23,801)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-5

ARTESIA HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
PUBLIC HOUSING CAPITAL PROGRAM PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other operating revenue	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
Administration	-	-	-	-
Tenant services	-	-	-	-
Ordinary maintenance and operations	-	-	-	-
Utilities	-	-	-	-
Insurance expense	-	-	-	-
Depreciation expense	-	-	-	-
Other general expenses	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating Income (loss)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash	-	-	-	-
Capital grants	-	249,882	97,799	(152,083)
HUD operating subsidy	-	-	-	-
Housing assistance payments	-	-	-	-
Transfers	-	(249,882)	(97,799)	152,083
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<i>Net assets - beginning of year</i>			<u>-</u>	
<i>Net assets - end of year</i>			<u>\$ -</u>	
Reconciliation to GAAP Basis				
Net change in net assets			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF CASH AND CASH EQUIVALENTS BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2016

Schedule I

Financial Institution	First American Bank	Total
<i>BALANCE PER BANK</i>		
Checking - General Operating Fund	\$ 548,838	\$ 548,838
Checking - Payroll Account	47,543	47,543
Checking - Investment Account	212,864	212,864
Checking - Security Deposits	33,155	33,155
	<hr/>	<hr/>
Total on Deposit	842,400	842,400
Reconciling Items	(14,030)	(14,030)
	<hr/>	<hr/>
Reconciled Balance, June 30, 2015	\$ 828,370	828,370
	<hr/>	
Petty Cash		20
		<hr/>
Total Cash per Government-wide Financial Statements		\$ 828,390
		<hr/>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF DEPOSITORY COLLATERAL
PUBLIC FUNDS
JUNE 30, 2016

Schedule II

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2015	Name and Location of Safekeeper
First American Bank, N.A.	Torrance Etc Cntys NM CUSIP #891400NR0 3.00%, Due 12/11/14	\$ 335,000	FHLB: Federal Home Loan Bank
	Total	<u>\$ 335,000</u>	

The accompanying notes are an integral part of these financial statements

ARTESIA HOUSING AUTHORITY
 SCHEDULE OF VENDOR INFORMATION
 For the Year Ended June 30, 2016

Schedule III

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>
6006-A	Artesia Housing Auth	Independent Housing A	N/A	No Disclosure Required			

ARTESIA HOUSING AUTHORITY
 SCHEDULE OF VENDOR INFORMATION
 For the Year Ended June 30, 2016

Schedule III

<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
--------------------------------------	---	---	--	---	---

Housing Authority of the City of Artesia (NM021)

ARTESIA, NM

Entity Wide Balance Sheet Summary

Submission Type: Non Single Audit

Fiscal Year End: 06/30/2016

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$581,240	\$581,240	\$581,240
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$34,287	\$34,287	\$34,287
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$615,527	\$615,527	\$615,527
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$9,371	\$9,371	\$9,371
126.1 Allowance for Doubtful Accounts - Tenants	-\$946	-\$946	-\$946
126.2 Allowance for Doubtful Accounts - Other			
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,425	\$8,425	\$8,425
131 Investments - Unrestricted	\$212,864	\$212,864	\$212,864
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$47,720	\$47,720	\$47,720
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$884,536	\$884,536	\$884,536
161 Land	\$102,969	\$102,969	\$102,969
162 Buildings	\$5,364,972	\$5,364,972	\$5,364,972
163 Furniture, Equipment & Machinery - Dwellings	\$197,495	\$197,495	\$197,495
164 Furniture, Equipment & Machinery - Administration	\$170,945	\$170,945	\$170,945
165 Leasehold Improvements	\$1,442,169	\$1,442,169	\$1,442,169
166 Accumulated Depreciation	-\$5,388,239	-\$5,388,239	-\$5,388,239
167 Construction in Progress	\$379,151	\$379,151	\$379,151
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,269,462	\$2,269,462	\$2,269,462
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$2,269,462	\$2,269,462	\$2,269,462
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$3,153,998	\$3,153,998	\$3,153,998

311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$31,385	\$31,385	\$31,385
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$14,797	\$14,797	\$14,797
322 Accrued Compensated Absences - Current Portion	\$9,754	\$9,754	\$9,754
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits	\$34,287	\$34,287	\$34,287
342 Unearned Revenue			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$90,223	\$90,223	\$90,223
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$90,223	\$90,223	\$90,223
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$2,269,463	\$2,269,463	\$2,269,463
511.4 Restricted Net Position			
512.4 Unrestricted Net Position	\$794,312	\$794,312	\$794,312
513 Total Equity - Net Assets / Position	\$3,063,775	\$3,063,775	\$3,063,775
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,153,998	\$3,153,998	\$3,153,998

Housing Authority of the City of Artesia (NM021)
ARTESIA, NM

Entity Wide Revenue and Expense Summary

Submission Type: Non Single Audit

Fiscal Year End: 06/30/2016

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$512,979	\$512,979	\$512,979
70400 Tenant Revenue - Other	\$2,079	\$2,079	\$2,079
70500 Total Tenant Revenue	\$515,058	\$515,058	\$515,058
70600 HUD PHA Operating Grants	\$319,315	\$319,315	\$319,315
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$579	\$579	\$579
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$15,660	\$15,660	\$15,660
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$850,612	\$850,612	\$850,612
91100 Administrative Salaries	\$127,635	\$127,635	\$127,635
91200 Auditing Fees			
91300 Management Fee			
91310 Book-keeping Fee	\$10,666	\$10,666	\$10,666
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$42,835	\$42,835	\$42,835
91600 Office Expenses	\$27,761	\$27,761	\$27,761
91700 Legal Expense	\$1,419	\$1,419	\$1,419
91800 Travel	\$5,127	\$5,127	\$5,127
91810 Allocated Overhead			
91900 Other			
91000 Total Operating - Administrative	\$215,443	\$215,443	\$215,443
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0

93100 Water	\$40,991	\$40,991	\$40,991
93200 Electricity	\$38,992	\$38,992	\$38,992
93300 Gas	\$23,561	\$23,561	\$23,561
93400 Fuel			
93500 Labor			
93600 Sewer	\$19,367	\$19,367	\$19,367
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$122,911	\$122,911	\$122,911
94100 Ordinary Maintenance and Operations - Labor	\$99,396	\$99,396	\$99,396
94200 Ordinary Maintenance and Operations - Materials and Other	\$32,066	\$32,066	\$32,066
94300 Ordinary Maintenance and Operations Contracts	\$74,343	\$74,343	\$74,343
94500 Employee Benefit Contributions - Ordinary Maintenance	\$39,526	\$39,526	\$39,526
94000 Total Maintenance	\$245,331	\$245,331	\$245,331
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$55,530	\$55,530	\$55,530
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total insurance Premiums	\$55,530	\$55,530	\$55,530
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents	\$8,074	\$8,074	\$8,074
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$8,074	\$8,074	\$8,074
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$647,289	\$647,289	\$647,289
97000 Excess of Operating Revenue over Operating Expenses	\$203,323	\$203,323	\$203,323
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$227,123	\$227,123	\$227,123
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$874,412	\$874,412	\$874,412

10010 Operating Transfer In	\$97,800	\$97,800	\$97,800
10020 Operating transfer Out	-\$97,800	-\$97,800	-\$97,800
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$23,800	-\$23,800	-\$23,800
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$3,087,575	\$3,087,575	\$3,087,575
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1656	1656	1656
11210 Number of Unit Months Leased	1520	1520	1520
11270 Excess Cash	\$692,653	\$692,653	\$692,653
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$97,800	\$97,800	\$97,800
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

COMPLIANCE



Griego Professional Services, LLC

Certified Public Accountants

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

Independent Auditor's Report

Tim Keller, New Mexico State Auditor
The Office of Management and Budget
To the Mayor and the City Commissioners
Artesia Housing Authority, Artesia, 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 the business-type activities, each major fund, the aggregate remaining fund information, of the Artesia Housing Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the combining and individual funds and related budgetary comparison of the Authority, presented as supplemental information, and have issued our report hereon date December 14, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items FS 2016-001.

The Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority'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 result 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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
December 14, 2016

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to financial statements noted? | No |

Section I – Financial Statement Findings

FS 2016-001 — Personnel Files (Compliance and Other Matter)

Condition: Fifteen personnel files were examined during payroll testing. During our testwork, we noted an instance in which an employee was paid a one dollar rate higher, \$12.96 vs \$11.96 per hour, than her personnel file indicated.

Criteria: Good internal controls include that rates of pay be properly authorized and documented. Implementing the proper pay rates is required. Good internal controls include documenting authorization for payroll deductions.

Effect: Employees could be paid at a rate which is not properly authorized. Employees could be having a payroll deduction for which they did not authorize.

Cause: Personnel files are not being reviewed for accuracy and completeness.

Auditors' Recommendations: All personnel files should be reviewed and updated as needed.

Responsible Officials' Views: The Executive Director will review the payroll processes and implement procedures to ensure pay rates and processed within the payroll process accurately.

Corrective Action: The Executive Director has been charged with reviewing all personnel file and insuring compliance by June 30, 2017.

Section II – Federal Award Findings and Questioned Costs

None

Section III – Prior Year Audit Findings

None

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Authority's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 14, 2016. The following individuals were in attendance:

Artesia Housing Authority & City of Artesia Officials
Louisa Madrid, Executive Director
Veral d'Entremont, City Manager

Griego Professional Services, LLC
J.J. Griego, CPA, Partner