

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF
PECOS, NEW MEXICO)**

Annual Financial Report
For the Year Ended June 30, 2017

INTRODUCTORY SECTION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
June 30, 2017

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Official Roster
As of June 30, 2017

MAYOR AND BOARD OF TRUSTEES

Tony Jose Roybal	Mayor
Florencio Varela	Chairperson
Joe Modesto Benavides	Trustee
Herman Gallegos	Trustee
Ralph Lopez	Trustee

ADMINISTRATIVE STAFF

Ricardo Valenzuela	Executive Director
Rose M. A. Petry	Executive Secretary

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

And

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
Pecos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the State of New Mexico, Housing Authority of the Village of Pecos, New Mexico (Housing Authority) (a component unit of the Village of Pecos, New Mexico), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

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.

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 Controller 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 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.

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 and each major fund of the Housing Authority as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

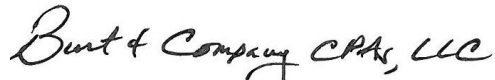
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Deposit and Investment Amounts required by Section 2.2.2 NMAC and the accompanying Financial Data Schedule, as required by U.S. Department of Housing and Urban Development (HUD), are the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by Section 2.2.2. NMAC and the schedule required by HUD are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

New Mexico Office of the State Auditor, and
State of New Mexico Housing Authority
of the Village of Pecos
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority's internal control over financial reporting and compliance.


Burt & Company CPAs, LLC

November 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

The management of the Pecos Housing Authority (Housing Authority), Pecos, New Mexico, presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2017. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be tenant rentals, whereas subsidies and grants from the Department of Housing and Urban Development (HUD) provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$536,927 at the close of the fiscal year ended 2017.
 - Of this amount, \$472,388 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - The remainder of \$64,539 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals approximately 28% of the total operating expenditures of \$226,099 for the fiscal year 2017, which means the Authority might be able to operate about three months using the unrestricted assets alone, which is an improvement from the two months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$7,591, a decrease of approximately 1% from the prior fiscal year. This decrease is attributable to the net effect of a decrease in operating expenditures and an increase in federal grants and facilities revenue, described in more detail below.
- The decrease in net position of these funds was accompanied by an increase in federal grants for operations of \$13,430.
- The Authority spent \$7,883 on capital asset additions during the fiscal year.
- The Authority increased its cash balances by \$29,796.
- These changes led to a decrease in total assets of \$7,238 and an increase in total liabilities of \$353. As related measure of financial health, there are still over \$8 of current assets covering each dollar of total current liabilities, which compares with \$5 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

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June 30, 2017
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OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Overview of the Housing Authority

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in them. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or worsening. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Public Housing Capital Fund Program

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The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: all of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net position, is an important financial indicator.

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
(Excluding Interfund Transfers)
As of June 30, 2017**

	2017	2016
ASSETS		
Current assets	\$ 74,426	48,884
Assets restricted for tenant deposits	8,620	7,772
Capital assets, net of depreciation	472,388	506,016
<i>Total assets</i>	\$ 555,434	562,672
LIABILITIES		
Current liabilities	\$ 9,684	10,565
Tenant security deposits payable	8,620	7,589
Long-term liabilities	203	-
<i>Total liabilities</i>	18,507	18,154
NET POSITION		
Net investment in capital assets, net of depreciation	472,388	506,016
Unrestricted net position	64,539	38,502
<i>Total net position</i>	536,927	544,518
<i>Total liabilities and net position</i>	\$ 555,434	562,672

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**Condensed Statement of Revenues, Expenditures,
and Change in Net Position
(Excluding Interfund Transfers)
As of June 30, 2017**

	2017	2016
OPERATING REVENUES		
Facilities revenue	\$ 107,637	101,913
Federal grants for operations	<u>110,841</u>	<u>97,411</u>
<i>Total operating revenues</i>	<u>218,478</u>	<u>199,324</u>
 OPERATING EXPENSES		
Administrative	72,462	63,834
Ordinary maintenance	60,878	85,658
Utilities	37,230	41,475
General operating	14,018	13,073
Depreciation	<u>41,511</u>	<u>36,242</u>
<i>Total operating expenses</i>	<u>226,099</u>	<u>240,282</u>
 <i>(Losses) from operations</i>	 (7,621)	 (40,958)
 NON-OPERATING REVENUES		
Interest and investment income	<u>30</u>	<u>9</u>
<i>Total non-operating revenues</i>	<u>30</u>	<u>9</u>
 <i>(Losses) after non-operating revenues</i>	 (7,591)	 (40,949)
 <i>Net (decrease) in net position</i>	 (7,591)	 (40,949)
 <i>Net position, beginning of year</i>	 <u>544,518</u>	 <u>585,467</u>
 <i>Net position, end of year</i>	 <u>\$ 536,927</u>	 <u>544,518</u>

The net position of these funds decreased by \$7,591 or by approximately 1%, from those of fiscal year 2016, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

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EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$19,175 or by approximately 9%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal operating revenues from HUD for operations increased by \$13,430 or by approximately 13% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant.
- Total tenant revenue increased by \$5,724 or by approximately 6% from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income.
- Interest income increased by \$21 or by approximately 233% from that of the prior fiscal year primarily due to an increase in the amount on deposit in the savings account.

Compared with the prior fiscal year, total operating and non-operating expenses decreased by \$14,183 or by approximately 6% but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$5,269 or by approximately 14% from that of the prior fiscal year. The increase in depreciation expense is due to the adjustment of depreciation on two assets to actual balances.
- Maintenance and repairs decreased by \$24,780 or by approximately 29% from that of the prior fiscal year.
- Administrative expenses increased by \$8,628 or by approximately 13% from that of the prior fiscal year, due to an increase in fees and costs related to lead based paint inspection of the units.
- General expenses increased by \$945 or by approximately 7% from that of the prior fiscal year. The largest increase were in liability and vehicle insurance costs.
- Utilities expense decreased by \$4,245 or by approximately 10% from that of the prior fiscal year.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Housing Authority had a total cost of \$1,620,868 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$2,147 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of June 30, 2017**

	<u>2017</u>	<u>2016</u>
Land	\$ 14,400	14,400
Buildings and building improvements	1,257,142	1,257,142
Land/Site improvements	238,463	238,463
Furniture, fixtures and equipment	110,863	108,716
Accumulated depreciation	<u>(1,148,480)</u>	<u>(1,112,705)</u>
Total	\$ <u>472,388</u>	<u>506,016</u>

As of the end of the 2017 fiscal year, the Authority is still in the process of completing HUD grants of \$51,628 awarded but not funded during the 2017 fiscal year.

Debt

The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

Budget

The Housing Authority budgets in accordance with HUD requirements which are utilized only as a guideline. No budget amendments were made during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by federal budget than by local economic conditions. The capital budgets for the 2017 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Ricardo Valenzuela at the Housing Authority of the Village of Pecos, 114 Chamisa Road, Pecos, NM 87552.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
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(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Statement of Net Position
June 30, 2017

	United States Department of Housing and Urban Development Programs		
Assets	Low Rent Housing	Capital Funds Program	Total
Current assets:			
Cash and cash equivalents	\$ 56,626	-	56,626
Accounts receivable, net	411	-	411
Inventory			
Maintenance supplies	15,638	-	15,638
Propane	1,751	-	1,751
Prepaid insurance	-	-	-
Restricted cash and cash equivalents - tenant deposits	8,620	-	8,620
Total current assets	83,046	-	83,046
Capital assets:			
Non-depreciating:			
Land	14,400	-	14,400
Depreciating:			
Site improvements	238,463	-	238,463
Buildings and building improvements	1,257,142	-	1,257,142
Furniture, fixtures and equipment	110,863	-	110,863
Accumulated depreciation	(1,148,480)	-	(1,148,480)
Total capital assets (net of depreciation)	472,388	-	472,388
Total assets	\$ 555,434	-	555,434
Liabilities			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 5,204	-	5,204
Accounts payable-Village of Pecos	1,544	-	1,544
Accrued salaries and benefits	2,453	-	2,453
Accrued compensated absences - current portion	483	-	483
Total current liabilities payable from unrestricted assets	9,684	-	9,684
Current liabilities, payable from restricted assets			
Tenant security deposits payable	8,620	-	8,620
Total current liabilities payable from restricted assets	8,620	-	8,620
Long-term liabilities, payable from unrestricted assets:			
Accrued compensated absences - long-term portion	203	-	203
Total liabilities	18,507	-	18,507
Net Position			
Net investment in capital assets	472,388	-	472,388
Unrestricted	64,539	-	64,539
Total net position	\$ 536,927	-	536,927

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

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Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended June 30, 2017

	United States		
	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Operating revenues			
Facilities rentals	\$ 107,637	-	107,637
HUD grant and subsidy	<u>69,596</u>	<u>41,245</u>	<u>110,841</u>
Total operating revenues	177,233	41,245	218,478
Operating expenses			
Administrative	60,232	12,230	72,462
Utilities	37,230	-	37,230
Ordinary maintenance	49,310	11,568	60,878
General	14,018	-	14,018
Depreciation	<u>41,511</u>	<u>-</u>	<u>41,511</u>
Total operating expenses	<u>202,301</u>	<u>23,798</u>	<u>226,099</u>
Operating income (loss)	(25,068)	17,447	(7,621)
Non-operating revenues (expenses)			
HUD Capital grants	-	-	-
Interest income	<u>30</u>	<u>-</u>	<u>30</u>
Total non-operating revenues (expenses)	<u>30</u>	<u>-</u>	<u>30</u>
Income (loss) before transfers	<u>(25,038)</u>	<u>17,447</u>	<u>(7,591)</u>
Transfers in	9,565	-	9,565
Transfers out	<u>-</u>	<u>(9,565)</u>	<u>(9,565)</u>
Change in net position	(15,473)	7,882	(7,591)
Net position, beginning of year	544,518	-	544,518
Equity transfers	<u>7,882</u>	<u>(7,882)</u>	<u>-</u>
Net position, end of year	<u>\$ 536,927</u>	<u>-</u>	<u>536,927</u>

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

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Statement of Cash Flows
For The Year Ended June 30, 2017

	Low Rent Housing	Capital Funds Program	Total
Cash flows from operating activities			
Cash received from HUD for operating purposes	\$ 71,882	41,245	113,127
Cash received from tenants and others for charges	108,668	-	108,668
Cash payments to and on behalf of employees	(66,188)	-	(66,188)
Cash payments to vendors for goods and services	<u>(94,161)</u>	<u>(23,798)</u>	<u>(117,959)</u>
Net cash provided by operating activities	20,201	17,447	37,648
Cash flows from noncapital financing activities			
Interprogram net transfers	<u>9,565</u>	<u>(9,565)</u>	-
Net cash provided (used) by noncapital financing activities	9,565	(9,565)	-
Cash flows from investing activities			
Purchase of property and equipment	-	(7,882)	(7,882)
Interest and dividends on investments	<u>30</u>	<u>-</u>	<u>30</u>
Net cash provided (used) by investing activities	30	(7,882)	(7,852)
Net increase in cash and cash equivalents	29,796	-	29,796
Cash and cash equivalents at beginning of year	<u>35,450</u>	<u>-</u>	<u>35,450</u>
Cash and cash equivalents at end of year	\$ <u><u>65,246</u></u>	<u><u>-</u></u>	<u><u>65,246</u></u>
Shown on statement of net position as:			
Cash and cash equivalents	\$ 56,626	-	56,626
Cash and cash equivalents, restricted - tenant deposits	<u>8,620</u>	<u>-</u>	<u>8,620</u>
	\$ <u><u>65,246</u></u>	<u><u>-</u></u>	<u><u>65,246</u></u>

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

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Statement of Cash Flows (continued)
For The Year Ended June 30, 2017

	Low Rent Housing	Capital Funds Program	Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss) income	\$ (25,068)	17,447	(7,621)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	41,511	-	41,511
Change in assets and liabilities:			
Due from grantor	2,286	-	2,286
Accounts receivable, net	(411)	-	(411)
Maintenance supplies inventory	2,353	-	2,353
Propane inventory	(822)	-	(822)
Accounts payable	686	-	686
Accrued salaries and benefits	(923)	-	(923)
Accrued compensated absences	(442)	-	(442)
Tenant security deposits payable	<u>1,031</u>	<u>-</u>	<u>1,031</u>
Total adjustments	<u>45,269</u>	<u>-</u>	<u>45,269</u>
Net cash provided by operating activities	\$ <u>20,201</u>	<u>17,447</u>	<u>37,648</u>

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

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Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

A. Program Goal and the PHA

The primary goal of the Low Income Housing (LIH) 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 most other housing subsidy programs. The LIH program is administered by Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development of operation of a LIH Program. The PHA is a local housing authority (LHA) governed by an elected (Village Council) board of directors who employ an administrative staff headed by an executive director, and has operational authority over the Housing Authority.

The Housing Authority of the Village of Pecos, New Mexico was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in July 1970. The contract provided for 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. The Village of Pecos agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

B. Financial Reporting Entity

The Housing Authority of the Village of Pecos is a Department of the Village of Pecos, New Mexico, and is considered a component unit thereof. The Department's basic financial statements include the accounts of all of its departmental operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. There were no component units of the Housing Authority of the Village of Pecos during the year ended June 30, 2017.

C. Basis of Presentation

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Housing Authority's funds are grouped into a single fund type (proprietary funds) and include the following individual funds/projects:

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1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

Low Rent Housing Program:
PHA Code: NM054

Project No. NM054-00000116D

Project No. NM054-00000117D

Capital Funds Program:

Project No. NM02P054501-16

Project No. NM02P054501-17

D. Basis of Accounting

All proprietary funds are accounted for using the economics resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred in flows of resources resulting from exchange transactions are recognized when the exchange takes place.

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The Housing Authority of the Village of Pecos does not have any governmental, internal service or fiduciary funds and is a single department of the Village of Pecos, New Mexico.

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

Program revenues include charges paid by the recipients for the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing.

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1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Charges for services include rental and other charges to tenants. Operating grants and contributions and capital grants and contributions are amounts paid the Housing Authority by HUD that are used for operations and capital activities.

E. Funds Reporting

Major individual proprietary funds are normally reported as separate columns in the fund financial statements. The Housing Authority of the Village of Pecos only has major funds; therefore, each fund is presented in a separate column on the Statement of Revenues, Expenses and Changes in Fund Net Position. The major enterprise funds are:

Low Rent Housing Project (LRH). This fund is used to account for the operation and maintenance of low-rent housing units.

Capital Funds Program (CFP). This fund is used to account for the capital and management improvement activities of low-rent housing units.

F. Revenue Recognition

The Low Rent Housing operation subsidy is recognized in the year approved by and received from the U.S. Department of Housing and Urban Development. Reimbursements due from federally funded projects are accrued as revenue at the time the allowable expenditures are made, or when received in advance, deferred until expenditures are made.

Revenue from grants that are received for a restricted purpose are recognized when all of the requirements for expenditures have been met.

G. Cash and Cash Equivalents

Amounts reflected as "cash and cash equivalents" on the Statement of Net Position include amounts on hand and in demand deposits as well as short-term savings and investment accounts with maturity dates within three months of the date acquired by the Housing Authority.

H. Inventory

Inventory is reported in the Statement of Net Position when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2017, inventory cost amounting to \$1,751 for propane

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1. Summary of Significant Accounting Policies (continued)

H. Inventory (continued)

delivered, but unused, and \$15,638 in maintenance supplies not yet put in use, are reflected on the Statement of Net Position. Maintenance inventory is valued using the first-in first- out method.

I. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Infrastructure such as streets, traffic signals and signs are capitalized. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

Donated capital assets are capitalized at estimated fair market value on the date donated.

There was no interest to capitalize on construction.

The Housing Authority does not develop "internal use" software. Rather, purchased software is depreciated over its expected useful life using the straight-line method.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Land/site improvements	15-20 years
Building and building improvements	10-40 years
Furniture, fixtures, and equipment	5-10 years

J. Unpaid Compensated Absences

Accrued compensated absences of the proprietary funds are recorded on the Statement of Net Position. A liability has been recognized for all employees who have unused annual leave and for sick pay for only those employees who will be paid for unused sick leave upon termination. As of June 30, 2017, there was a liability for compensated liabilities in the amount of \$686. See Note 7.

K. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also

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1. Summary of Significant Accounting Policies (continued)

K. Operating Revenues and Expenses (continued)

includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

L. Interfund Activities

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables and payables, if any, are eliminated from the Statement of Net Position and interfund transfers are eliminated from the Statement of Activities.

At June 30, 2017 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2017 is presented in Note 5.

M. Expenditures of Restricted Sources

It is the Housing Authority's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

N. Management Estimates and Assumptions

The accompanying financial statements include estimates and assumptions by management that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities less deferred inflows of resources. The Housing Authority classifies net position in the following three components:

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1. Summary of Significant Accounting Policies (continued)

O. Net Position (continued)

- Net investment in capital assets:
This account represents the total of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Housing Authority had no restricted net assets at June 30, 2017.
- Unrestricted net position:
Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

2. Stewardship, Compliance and Accountability

By its nature as a federally funded Housing Authority, the Housing Authority of the Village of Pecos is subject to various federal and contractual regulations. An analysis of the Housing Authority's compliance with significant laws and regulations and demonstration of its stewardship over its resources are as follows:

A. Deposits and Investments, Laws and Regulations

The Housing Authority of the Village of Pecos is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States. All monies not immediately necessary for the public uses of the Housing Authority may be invested in:

1. Fully collateralized certificates of deposit that are also FDIC insured.
2. Securities of the United States, its agencies or instrumentalities.
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions.
4. Securities, including student loans that are guaranteed by the United States or the State of New Mexico.
5. Revenue bonds that are underwritten by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

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2. Stewardship, Compliance and Accountability (continued)

A. Deposits and Investments, Laws and Regulations (continued)

The maximum authorized maturity for these securities will be one year or less.

During the year ended June 30, 2017, the Housing Authority of the Village of Pecos (Housing Authority or Authority) had complied with its investment policy and all deposits were insured.

B. Revenue Restrictions

The Housing Authority has various restrictions placed over its revenue sources by the U.S. Housing and Urban Development Department. The primary restricted revenue sources include:

Revenue Source	Legal Restriction of Use
<p>Low Rent Housing Program: LRH Operating subsidy and tenant rental income</p>	<p>Funds are available to achieve and maintain adequate operating and maintenance services and reserves.</p>
<p>Public Housing Capital Fund: Federal (HUD) grant</p>	<p>Funds are available to public housing agencies to carry out capital and management improvement activities.</p>

C. Budgetary Information

Annual Budgets are adopted on a basis consistent with accounting principles approved by the U.S. Department of Housing and Urban Development (HUD). However, the budgets do not include depreciation expense and therefore, are not consistent with principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all of Authority's funds.

Prior to June 1, the Authority's Director submits to the Board of Directors and HUD a proposed operating budget for the subsequent fiscal year. The operating budget includes proposed expenditures and the budget revenues.

The Authority's Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Authority's Board of Directors.

Formal budgetary integration is employed as a management control device during the year for all funds. The Authority at the functional level performs this budgetary control. The legal level of budgetary control is at the fund level.

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3. Deposits and Investments

The Housing Authority's policies regarding deposits of cash are discussed in Notes 1 and 2. The Housing Authority attempts to limit its exposure to various risks inherent to its cash and investments as follows:

Interest rate risk – The Housing Authority attempts to maximize its rate of return while insuring that the investment vehicle is either fully insured or fully collateralized by investments of the Federal Government. During the year ended June 30, 2017, the Housing Authority had not made any investment and retained its accounts with a local bank in checking and money market accounts.

Credit risk – State law limits the types of investment allowed by the Housing Authority (see Note 2). As stated above, the Housing Authority complied with the restriction imposed by the State of New Mexico in an effort to limit its credit risk.

Concentration credit risk – During the year ended June 30, 2017, the Housing Authority limited its concentration of credit risk by depositing its funds in a local bank where its accounts were fully insured.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. In order to limit this exposure, the Housing Authority deposits its funds in a local bank and monitors the bank's collateralization of its deposits. At June 30, 2017, none of the Housing Authority's bank deposits of \$65,354 were subject to custodial credit risk because they were fully FDIC insured.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Housing Authority did not have any custodial credit risk – investments.

Restricted assets – The amounts reported as restricted cash and cash equivalents are amounts held for customer rent and pet deposits.

4. Accounts Receivable, Net

At June 30, 2017 there was \$411 in accounts receivable consisting of unpaid tenant charges for rent and related charges and there were no amounts due from HUD for Low Rent Housing (LRH). All amounts are considered collectible, and therefore, at June 30, 2017, there was no allowance for doubtful accounts.

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5. Transfers

During the year ended June 30, 2017, the Capital Funds Project (CFP) transferred a total of \$9,565 in cash to LRH. The transfers were eliminated in the Statement of Revenues, Expenditures, and Changes in Net Position.

6. Capital Assets

Capital Assets activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Low rent housing:				
Assets not being depreciated				
Land	\$ 14,400	-	-	14,400
	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
Assets being depreciated				
Land/site improvements	238,463	-	-	238,463
Building and building improvements	1,257,142	-	-	1,257,142
Furniture, fixtures and equipment	108,716	7,883	(5,736)	110,863
	<u>1,604,321</u>	<u>7,883</u>	<u>(5,736)</u>	<u>1,606,468</u>
Less accumulated depreciation				
Land/site improvements	(167,193)	(12,874)	-	(180,067)
Building and building improvements	(854,545)	(22,054)	-	(876,599)
Furniture, fixtures and equipment	(90,967)	(6,583)	5,736	(91,814)
	<u>(1,112,705)</u>	<u>(41,511)</u>	<u>5,736</u>	<u>(1,148,480)</u>
Net capital assets	\$ <u>506,016</u>	<u>(33,628)</u>	<u>-</u>	<u>472,388</u>

Depreciation expense of \$41,511 for the year ended June 30, 2017 has been included in the Statement of Activities as a Low Rent Housing Program expense.

7. Annual and Sick Leave

Housing Authority staff is entitled to annual leave and sick leave in accordance with the following schedule per pay period, and subject to a maximum of 75.14 hours:

	Annual Leave	Sick Leave
Executive Director	2.89 hours	2.89 hours
Executive Secretary	2.89 hours	2.89 hours
Maintenance	0.77 hours	0.77 hours

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7. Annual and Sick Leave (continued)

	Balance		Balance	
	June 30,	Increase	June 30,	Due Within
	2016	Decrease	2017	One Year
Compensated absences	\$ 1,128	3,339	(3,781)	686
				483

8. Economic Dependency

Substantially all revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Housing Authority's continued compliance with grant provision and the continuance of the grant programs by the United State Department of Housing and Urban Development.

9. Contingencies and Risk Management

Amounts received or receivable from grantor agencies are subject to audit and adjustment 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, or expenditures that may be disallowed by the grantor cannot be determined at this time although the Housing Authority expects such amounts, if any, to be immaterial.

The Housing Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property, injury to staff or others, errors and omissions and natural disasters. The Housing Authority insures itself against these losses through commercial insurance carriers.

The New Mexico Tort Claims Act limits the Housing Authority's risk for torts.

10. Related Party Transactions

Water and sewer services are provided to the Housing Authority by the Village of Pecos. Fees paid by the Housing Authority to the Village of Pecos and included in the fund financial Statement of Revenues, Expenses, and Changes in Fund Net Position and in the department-wide Statement of Activities were \$18,533 in the year ended June 30, 2017. Amounts payable to the Village of Pecos for water and sewer at June 30, 2017 were \$1,544.

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11. Individual Fund Disclosures

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

Excess of expenditures over appropriations. Budgetary authority is at the fund level. The following funds exceeded approved budgetary authority for the year ended June 30, 2017:

Proprietary Fund:	
Low Rent Housing Fund	\$3,311

12. Subsequent Events

The Housing Authority has evaluated subsequent events through November 6, 2017, is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
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Schedule of Deposit and Investment Accounts
June 30, 2017

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits in Transit</u>	<u>Carrying Balance</u>	<u>Fair Value</u>
Deposits with financial institutions						
Southwest Capital Bank:						
Pecos Housing Authority	Non-interest bearing checking	\$ 4,656	(158)	-	4,498	4,498
Pecos Housing Authority	Non-interest bearing checking	40	-	-	40	40
Pecos Housing Authority	Non-interest bearing checking	8,620	-	-	8,620	8,620
Pecos Housing Authority	Non-interest bearing checking	<u>52,038</u>	<u>-</u>	<u>-</u>	<u>52,038</u>	<u>52,038</u>
Total deposits with financial institutions		<u>65,354</u>	<u>(158)</u>	<u>-</u>	<u>65,196</u>	<u>65,196</u>
Cash on hand						<u>50</u>
Total petty cash and deposits					\$	<u><u>65,246</u></u>
Shown on Statement of Net Position as:						
Cash and cash equivalents					\$	56,626
Cash and cash equivalents, restricted - tenant deposits						<u>8,620</u>
					\$	<u><u>65,246</u></u>

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Financial Data Schedule
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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Assets:				
111	Cash - Unrestricted	\$ 56,626	-	56,626
112	Cash - Restricted - Modernization and Development	-	-	-
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant security deposits	8,620	-	8,620
115	Cash - Restricted for payment of current liabilities	-	-	-
100	Total Cash	<u>65,246</u>	<u>-</u>	<u>65,246</u>
121	Accounts receivable - PHA projects	-	-	-
122	Accounts receivable - HUD other projects	-	-	-
124	Accounts receivable - other government	-	-	-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	411	-	411
126.1	Allowance for doubtful accounts - tenants	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-
127	Notes, loans and 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	<u>411</u>	<u>-</u>	<u>411</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-
142	Prepaid expenses and other assets	-	-	-
143	Inventories	17,389	-	17,389
143.1	Allowance for obsolete inventories	-	-	-
144	Inter program due from	-	-	-
145	Assets held for sale	-	-	-
150	Total current assets	<u>17,389</u>	<u>-</u>	<u>17,389</u>

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Financial Data Schedule (continued)
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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
161	Land	14,400	-	14,400
162	Buildings	1,257,142	-	1,257,142
163	Furniture, equipment and machinery - dwellings	60,444	-	60,444
164	Furniture, equipment and machinery - administration	50,419	-	50,419
165	Leasehold improvements	238,463	-	238,463
166	Accumulated depreciation	(1,148,480)	-	(1,148,480)
167	Construction in progress	-	-	-
168	Infrastructure	-	-	-
160	Total capital assets, net of accumulated depreciation	<u>472,388</u>	<u>-</u>	<u>472,388</u>
171	Notes, loans and mortgages receivable - noncurrent	-	-	-
172	Notes, loans and mortgages receivable - noncurrent - past due	-	-	-
173	Grants receivable - noncurrent	-	-	-
174	Other assets	-	-	-
176	Investments in join ventures	-	-	-
180	Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>
190	Total assets	555,434	-	555,434
Liabilities:				
311	Bank overdraft	-	-	-
312	Accounts payable ≤ 90 days	5,204	-	5,204
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	2,453	-	2,453
322	Accrued compensated absences - current portion	483	-	483
324	Accrued contingency liability	-	-	-
325	Accrued interest payable	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-
332	Accounts payable - PHA projects	-	-	-
333	Accounts payable - other government	1,544	-	1,544
341	Tenant security deposits	8,620	-	8,620
342	Deferred revenues	-	-	-

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Financial Data Schedule (continued)
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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
343	Current portion of long-term debt - capital projects/ mortgage	-	-	-
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	<u>18,304</u>	<u>-</u>	<u>18,304</u>
351	Long-term debt, net of current - capital projects/ mortgage revenue	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-
353	Noncurrent liabilities - other	-	-	-
354	Accrued compensated absences - noncurrent	203	-	203
355	Loan liability - noncurrent	-	-	-
356	FASB 5 liabilities	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-
350	Total noncurrent liabilities	<u>203</u>	<u>-</u>	<u>203</u>
300	Total liabilities	18,507	-	18,507
400	Deferred inflow of resources	-	-	-
508.1	Invested in capital assets, net of related debt	472,388	-	472,388
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	<u>64,539</u>	<u>-</u>	<u>64,539</u>
513	Total equity/net assets	<u>536,927</u>	<u>-</u>	<u>536,927</u>
600	Total liabilities and equity/net assets	<u>\$ 555,434</u>	<u>-</u>	<u>555,434</u>

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FDS		Low Rent	Public	Total
Line #	Accounts Description	Public	Housing	
		Housing	Capital	
			Funds	
			Program	
	Revenue:			
70300	Net tenant rental revenue	\$ 98,267	-	98,267
70400	Tenant revenue - other	9,370	-	9,370
70500	Total tenant revenue	<u>107,637</u>	<u>-</u>	<u>107,637</u>
70600	HUD PHA operating grants	69,596	41,245	110,841
70610	Capital grants	-	-	-
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70700	Total fee revenue	<u>69,596</u>	<u>41,245</u>	<u>110,841</u>
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	30	-	30
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	-	-	-
71600	Gain or loss on sale of capital assets	-	-	-
72000	Investment income - restricted	-	-	-
70000	Total revenue	<u>177,263</u>	<u>41,245</u>	<u>218,508</u>

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Financial Data Schedule (continued)
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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
	Expenses:			
91100	Administrative salaries	41,151	-	41,151
91200	Auditing fees	4,517	4,600	9,117
91300	Management fee	-	-	-
91310	Bookkeeping fee	3,037	-	3,037
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions - administrative	5,674	-	5,674
91600	Office expenses	2,912	-	2,912
91700	Legal expense	-	-	-
91800	Travel	-	-	-
91810	Allocated overhead	-	-	-
91900	Other	2,941	7,630	10,571
91000	Total operating - administrative	<u>60,232</u>	<u>12,230</u>	<u>72,462</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
	Expenses:			
93100	Water	11,880	-	11,880
93200	Electricity	3,043	-	3,043
93300	Gas	15,654	-	15,654
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	6,653	-	6,653
93700	Employee benefit contributions - utilities	-	-	-
93800	Other utilities expense	-	-	-
93000	Total utilities	<u>37,230</u>	<u>-</u>	<u>37,230</u>

See independent auditors' report

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2017

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
94100	Ordinary maintenance and operations - labor	15,616	-	15,616
94200	Ordinary maintenance and operations - materials and other	8,712	11,568	20,280
94300	Ordinary maintenance and operations contracts	22,600	-	22,600
94500	Employee benefit contributions - ordinary maintenance	2,382	-	2,382
94000	Total maintenance	<u>49,310</u>	<u>11,568</u>	<u>60,878</u>
95100	Protective services - labor	-	-	-
95200	Protective services - other contract costs	-	-	-
95300	Protective services - other	-	-	-
95500	Employee benefit contributions - protective services	-	-	-
95000	Total protective services	<u>-</u>	<u>-</u>	<u>-</u>
96110	Property insurance	-	-	-
96120	Liability insurance	-	-	-
96130	Workmen's compensation	-	-	-
96140	All other insurance	14,018	-	14,018
96100	Total insurance premiums	<u>14,018</u>	<u>-</u>	<u>14,018</u>
96200	Other general expenses	-	-	-
96210	Compensated absences	-	-	-
96300	Payments in lieu of taxes	-	-	-
96400	Bad debt - tenant rents	-	-	-
96500	Bad debt - mortgages	-	-	-
96600	Bad debt - other	-	-	-
96800	Severance expense	-	-	-
96000	Total other general expenses	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total operating expenses	<u>160,790</u>	<u>23,798</u>	<u>184,588</u>

See independent auditors' report

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2017

FDS		Low Rent Public Housing	Public Housing Capital Funds Program	Total
Line #	Accounts Description			
97000	Excess of operating revenue over operating expenses	16,473	17,447	33,920
	Expenses:			
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses - non-capitalized	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP portability-in	-	-	-
37400	Depreciation expense	41,511	-	41,511
37500	Fraud losses	-	-	-
37600	Capital outlays - governmental funds	-	-	-
37700	Debt principal payment - governmental funds	-	-	-
37800	Dwelling units rent expense	-	-	-
90000	Total expenses	<u>41,511</u>	<u>-</u>	<u>41,511</u>
	Other financing sources (uses):			
10010	Operating transfer in	9,565	-	9,565
10020	Operating transfer out	-	(9,565)	(9,565)
10030	Operating transfers from/to primary government	-	-	-
10040	Operating transfers from/to component unit	-	-	-
10050	Proceeds from notes, loans and bonds	-	-	-
10060	Proceeds from property sales	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-
10080	Special items (net gain/loss)	-	-	-
10091	Inter project excess cash transfer in	-	-	-
10092	Inter project excess cash transfer out	-	-	-
10093	Transfers between program and project - in	-	-	-
10094	Transfers between project and program - out	-	-	-
10100	Total other financing sources (uses)	<u>9,565</u>	<u>(9,565)</u>	<u>-</u>
10000	Excess (deficiency) of total revenue over (under) total	<u>(15,473)</u>	<u>7,882</u>	<u>(7,591)</u>

See independent auditors' report

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2017

FDS		Low Rent	Public Housing Capital Funds	Total
Line #	Accounts Description	Housing	Program	
11020	Required annual debt principal payments	-	-	-
11030	Beginning equity	544,518	-	544,518
11040	Prior period adjustments, equity transfers and correction	7,882	(7,882)	-
11050	Changes in compensated absence balance	(442)	-	(442)
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	372	-	372
11210	Number of unit months leased	367	-	367
11270	Excess cash	-	-	-
11610	Land purchases	-	-	-
11620	Building purchases	-	-	-
11630	Furniture and equipment - dwelling purchases	-	-	-
11640	Furniture and equipment - administrative purchases	-	-	-
11650	Leasehold improvements purchases	-	-	-
11660	Infrastructure purchases	-	-	-
13510	CFFP debt service payments	-	-	-
13901	Replacement housing factor funds	-	-	-

See independent auditors' report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico
And
Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
Pecos, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Housing Authority, of the State of New Mexico, Housing Authority (Housing Authority) a component of the Village of Pecos as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) 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 Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

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

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.

Compliance and Other Matters

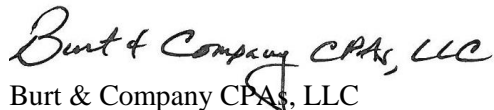
As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Responses* as items: 2017-001, 2017-002, and 2017-003.

The Housing Authority's Response to Finding

The Housing Authority's responses to findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The Housing 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 it.

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.


Burt & Company CPAs, LLC

November 6, 2017

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Summary Schedule of Findings
June 30, 2017

Financial Statement Findings:

Prior Year Findings

Status

2016-001	Controls Over Bank Reconciliations	Resolved
2016-002	Controls Over Fixed Assets	Resolved
2016-003	Expenditures in Excess of Budget	Repeated as 2017-003

Current Year Findings

2017-001	Form 1099 Noncompliance	
2017-002	Controls Over Revenue	
2017-003 (2016-003)	Expenditures in Excess of Budget	

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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Schedule of Findings and Responses
June 30, 2017

2017-001 Form 1099 Non-compliance – Other Non-compliance

Condition: The Housing Authority did not file Form 1099 for tax year 2016 for payments to vendors in excess of \$600 in accordance with IRS regulations.

Criteria: IRS regulations require that Form 1099 be issued to vendors for payments in excess of \$600. The Housing Authority does not have sufficient procedures to ensure compliance with IRS regulations.

Effect: Form 1099s were not filed for tax year 2016.

Cause: The Housing Authority does not have sufficient procedures over Form 1099 compliance to determine if filings were made in accordance with IRS regulations.

Recommendations: The Housing Authority should establish and implement procedures over Form 1099 compliance.

Management's Response: This finding was corrected immediately during the audit. It was found that the Fee Accountant, Quality Accounts did not have this detail in her contract with the Pecos Housing Authority. The Executive Director has assured our Auditor Ronald E. Schranz, CPA, CVA with Burt & Company, that we the Housing Administration Staff would from here on out accept the full responsibility for ensuring all Form 1099 are completed in a timely manner. In addition, the Executive Director has reviewed our 1099 Summary per our Quick Books software and have ensured that the three (3) tenants that have assisted us during the year have completed and prepared Form I-9 and have been issued a Form 1099. The Executive Director is responsible for implementation and expects this to be fully corrected in FY18.

2017-002 Controls Over Revenue – Other Non-compliance

Condition: The Housing Authority has the following deficiencies over revenues:

- One tenant tested did not report all sources of income in the amount of \$6,876 for the fiscal year
- Income thresholds and program rent amounts were not updated for current HUD amounts

Criteria: HUD regulations require that all sources of income, monetary and nonmonetary be included in the process of determining eligibility for public housing. HUD regulations specify the income thresholds and the related program rent amounts to be used to determine eligibility for each year.

Effect: The Housing Authority is not in compliance with HUD regulations for tenant income reporting and program eligibility.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Schedule of Findings and Responses
June 30, 2017

Cause: The Housing Authority does not have sufficient procedures over the income determination process and the HUD income and program thresholds for program compliance.

Recommendations: The Housing Authority should establish and implement procedures over the income determination process and the HUD income and program thresholds to ensure program compliance on an annual basis.

Management's Response: This finding was corrected immediately during the audit. The Executive Director has updated our FY-17 Fair Market Rent figures to include our FY-17 Income Limits for our area within the San Miguel County of New Mexico. In addition, the Executive Director will ensure that these figures are updated each year from here on out. The Executive Director is responsible for implementation and expects this to be fully corrected in FY18.

2017-003 (2016-003) Expenditures in Excess of Budget - Other Non-compliance

Condition: Expenditures exceeded the approved budget in the following funds:

<u>Proprietary Funds</u>	
Low Rent Housing Fund	\$3,311

Management has made significant progress toward the resolution of this finding and expects to have this finding fully resolved in FY18.

Criteria: Per Section 6-6-6, NMSA 1978, any claims or warrants in excess of budget are a violation.

Effect: Any expenditure in excess of the approved budget shall be a liability against the officials so allowing or paying such claims or warrants, and recover of such excess amounts so allowed or paid may be had against the bondsmen of such official.

Cause: The Housing Authority does not have adequate monitoring of budgeting procedures at year end.

Recommendations: The Housing Authority should establish adequate procedures to monitor budget compliance with state statutes.

Management's Response: The Executive Director will monitor the budget on a quarterly basis and revise spending levels as needed in a proactive manner going forward. The Executive Director is responsible for implementation and expects this to be fully corrected in FY18.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)

Exit Conference

June 30, 2017

Preparation of Financial Statements

The Pecos Public Housing Authority is responsible for the form and content of the accompanying financial statements which have been prepared by Burt & Company CPAs, LLC with the assistance and approval of authority personnel.

Exit Conference

An exit conference was held on November 6, 2017 to discuss the audit. The following individuals were in attendance:

State of New Mexico, Housing Authority of the Village of Pecos

Tony Jose Roybal, Mayor

Florencio Varela, Chairperson

Ricardo Valenzuela, Housing Authority Executive Director

Art Varela, Village Treasurer

Rose Petry, Executive Secretary

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Partner