

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

FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

Official Roster

Mayor and Board of Trustees

<u>Name</u>	<u>Title</u>
Tony Jose Roybal	Mayor
Florencio Varela	Chairperson
Joe Modesto Benavides	Secretary-Treasurer
Kathleen L. Ramsay, DVM	Trustee
Heman Gallegos	Trustee
James Varela	Trustee

Administrative Staff

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

Independent Auditor's Report

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
(A Department of the Village of Pecos, New Mexico), and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, 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 Department of the Village of Pecos, New Mexico) as of and for the year ended June 30, 2013, 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. We have also audited the budgetary comparisons for the major proprietary-type fund financial statements presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 the 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.

State of New Mexico Housing Authority of the Village of Pecos
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

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, 2013, and the respective changes in financial position and where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the proprietary-type fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Housing Authority are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pecos that is attributable to the transactions of the Housing Authority. They do not purport to, and do not, present fairly the financial position of the Village of Pecos as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 the missing information.

State of New Mexico Housing Authority of the Village of Pecos
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Other Information

Our audit was conducted for the purpose of forming opinions on the Housing Authority's financial statements and the budgetary comparisons that collectively comprise the Housing Authority's basic financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Financial Data Schedule, as required by U.S. Department of Housing and Urban Development, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 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.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
November 21, 2013

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
STATEMENT OF NET POSITION
June 30, 2013

	Business Type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 27,535
Accounts receivable, net of allowance for doubtful accounts of \$-0-	688
Inventory	
Maintenance supplies	22,160
Propane	3,312
Prepaid insurance and other deferred charges	7,531
Temporary restricted assets:	
Cash and cash equivalents	7,535
Capital assets not being depreciated:	
Land	14,400
Capital assets net of accumulated depreciation:	
Site improvements	102,109
Buildings and building improvements	501,213
Furniture, fixtures and equipment	16,634
	<hr/>
Total assets	703,117
	<hr/>
LIABILITIES	
Accounts payable	6,710
Accrued salaries and benefits	3,358
Accrued compensated absences	1,213
Insurance contract payable	5,839
Tenant security deposits payable	7,535
	<hr/>
Total liabilities	24,655
	<hr/>
NET POSITION	
Net investment in capital assets	634,356
Unrestricted	44,106
	<hr/>
Total net position	\$ 678,462
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
STATEMENT OF ACTIVITIES
June 30, 2013

	Program Revenues			Net Revenue (Expense) and Changes in Net Position
<u>Functions/Programs</u>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-type activities:				
Housing services	291,020	91,854	149,415	11,425
				(38,326)
General Revenues:				
Interest and investment income				1
Change in net position				(38,325)
Net position, beginning				692,056
Prior period adjustment				24,731
Net position, beginning, as restated				716,787
Net position, ending				\$ 678,462

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
PROPRIETARY FUNDS / ENTERPRISE FUNDS
STATEMENT OF NET POSITION
June 30, 2013

	United States Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 27,535	-	27,535
Accounts receivable, net	688	-	688
Inventory			
Maintenance supplies	22,160	-	22,160
Propane	3,312	-	3,312
Prepaid insurance and other deferred charges	7,531	-	7,531
Cash and cash equivalents, restricted - tenant deposits	7,535	-	7,535
Total current assets	<u>68,761</u>	<u>-</u>	<u>68,761</u>
Capital Assets			
Non-depreciating:			
Land	14,400	-	14,400
Depreciating:			
Site improvements	231,815	-	231,815
Buildings and building improvements	1,257,142	-	1,257,142
Furniture, fixtures and equipment	108,216	-	108,216
Accumulated depreciation	(977,217)	-	(977,217)
Total capital assets (net of depreciation)	<u>634,356</u>	<u>-</u>	<u>634,356</u>
Total assets	<u>\$ 703,117</u>	<u>-</u>	<u>703,117</u>
LIABILITIES			
Current Liabilities, payable from unrestricted assets			
Accounts payable	\$ 6,710	-	6,710
Accrued salaries and benefits	3,358	-	3,358
Accrued compensated absences	1,213	-	1,213
Insurance contract payable	5,839	-	5,839
Total current liabilities payable from unrestricted assets	<u>17,120</u>	<u>-</u>	<u>17,120</u>
Current Liabilities, payable from restricted assets			
Tenant security deposits payable	7,535	-	7,535
Total liabilities	<u>\$ 24,655</u>	<u>-</u>	<u>24,655</u>
NET POSITION			
Net investment in capital assets	\$ 634,356	-	634,356
Unrestricted	44,106	-	44,106
Total net position	<u>\$ 678,462</u>	<u>-</u>	<u>678,462</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS/ENTERPRISE FUNDS
June 30, 2013**

	United States Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues			
Facilities rentals	\$ 91,854	-	91,854
HUD grant and subsidy	82,774	66,641	149,415
Total operating revenues	<u>174,628</u>	<u>66,641</u>	<u>241,269</u>
Operating Expenses			
Administrative	67,736	7,019	74,755
Utilities	60,741	-	60,741
Ordinary maintenance	69,527	21,148	90,675
General	11,436	-	11,436
Depreciation	53,413	-	53,413
Total operating expenses	<u>262,853</u>	<u>28,167</u>	<u>291,020</u>
Operating income (loss)	<u>(88,225)</u>	<u>38,474</u>	<u>(49,751)</u>
Nonoperating Revenues (Expenses)			
HUD Capital grants	-	11,425	11,425
Interest income	1	-	1
Total nonoperating revenues (expenses)	<u>1</u>	<u>11,425</u>	<u>11,426</u>
Income (loss) before transfers	<u>(88,224)</u>	<u>49,899</u>	<u>(38,325)</u>
Transfers in	38,474	-	38,474
Transfers out	-	(38,474)	(38,474)
Change in net position	<u>(49,750)</u>	<u>11,425</u>	<u>(38,325)</u>
Net position, beginning of year	692,056	-	692,056
Prior period adjustment	24,731	-	24,731
Net position, beginning of year, as restated	<u>716,787</u>	<u>-</u>	<u>716,787</u>
Equity transfers	11,425	(11,425)	-
Net position, end of year	<u>\$ 678,462</u>	<u>-</u>	<u>678,462</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS/ENTERPRISE FUNDS
Year Ended June 30, 2013

	Low Rent Housing	Capital Funds Program	Total
Cash Flows from Operating Activities			
Cash received from HUD for operating purposes	\$ 84,046	66,641	150,687
Cash received from tenants and others for charges	92,325	-	92,325
Cash payments to and on behalf of employees	(75,867)	-	(75,867)
Cash payments to vendors for goods and services	(128,048)	(28,167)	(156,215)
Net cash provided (used) by operating activities	(27,544)	38,474	10,930
Cash Flows from Noncapital Financing Activities			
Interprogram net transfers	49,899	(49,899)	-
Net cash provided (used) by noncapital financing activities	49,899	(49,899)	-
Cash Flows from Capital and Related Financing Activities			
HUD contributions for capital acquisitions	-	11,425	11,425
Acquisition and construction of capital assets	(11,425)	-	(11,425)
Net cash used by capital and related financing activities	(11,425)	11,425	-
Cash Flows from Investing Activities			
Interest and dividends on investments	1	-	1
Net cash provided by investing activities	1	-	1
Net increase (decrease) in cash and cash equivalents	10,931	-	10,931
Cash and cash equivalents at beginning of year	24,139	-	24,139
Cash and cash equivalents at end of year	\$ 35,070	-	35,070
Shown on Statement of Net Position as:			
Cash and cash equivalents	27,535	-	27,535
Cash and cash equivalents, restricted - tenant deposits	7,535	-	7,535
\$	35,070	-	35,070

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS/ENTERPRISE FUNDS
Year Ended June 30, 2013

	Low Rent Housing	Capital Funds Program	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating (loss) income	\$ (88,225)	38,474	(49,751)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation/amortization	53,413	-	53,413
Change in assets and liabilities			
Due from grantor	1,272	-	1,272
Accounts receivable, net	(284)	-	(284)
Maintenance supplies inventory	2,571	-	2,571
Propane inventory	13,809	-	13,809
Prepaid insurance and other deferred charges	(2,877)	-	(2,877)
Accounts payable	(10,166)	-	(10,166)
Accrued salaries and benefits	330	-	330
Accrued compensated absences	(323)	-	(323)
Insurance contract payable	2,181	-	2,181
Tenant security deposits payable	755	-	755
Total adjustments	60,681	-	60,681
Net cash provided (used) by operating activities	\$ (27,544)	38,474	10,930

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 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.

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. 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 GASBS 14 as amended by GASBS 39. There were no component units of the Housing Authority of the Village of Pecos during the year ended June 30, 2013.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Low Rent Housing Program:

PHA Code: NM054

Project No. NM054-00000112D

Project No. NM054-00000113D

Capital Funds Program:

Project No. NM02P054501-11

Project No. NM02P054501-12

D. Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

All proprietary funds are accounted for using the economic 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 inflows 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 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 of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a 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.

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

E. Fund Financial Statements

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

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenue Recognition

The Low Rent Housing operating 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 (department-wide statement) and balance sheet (fund financial statement) when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2013, inventory costs amounting to \$3,312 for propane delivered, but unused, and \$22,160 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.

The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets and Depreciation (Continued)

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. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, 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, 2013, there was a liability for compensated liabilities in the amount of \$1,213.

K. FASB Pronouncements - Proprietary Fund Accounting

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statements No. 20 and 34 provided the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply FASB pronouncements issued after November 30, 1989.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

M. 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, 2013 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2013 is presented in Note 5.

N. 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.

O. 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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:

- 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 borrowings 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, 2013.
- Unrestricted net position:
Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Q. New Government Accounting Standards

GASB continues to issue statements that may or may not have a bearing on the accounting and financial reporting of individual governments. The following recap of recently issued GASB Statements shows their applicability or non-applicability to the Housing Authority of the Village of Pecos.

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, issued March 2012, effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. This statement establishes (1) accounting and financial reporting standards regarding deferred inflows and outflows of resources; (2) changes in the determination of the major fund calculations; and (3) limits on the use of the term "deferred" in financial statements. (This standard will be implemented in the fiscal year ending June 30, 2014).

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Government Accounting Standards (Continued)

GASB Statement No. 66 *Technical Corrections – 2012 – an amendment of GASB Statements No.10 and No. 62*, issued March 2012, effective for financial statements for periods beginning after December 15, 2012, with early application encouraged. The purpose of this statement is to resolve conflicting guidance regarding certain reporting of risk financing activities, operating lease transactions, loan acquisition, and recognition of servicing fees related to mortgage loans that are sold. (This standard is expected to have no effect on the Housing Authority in upcoming years).

GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, effective for financial statements for fiscal years beginning after June 15, 2013, with early application encouraged. The statement replaces requirements as they relate to pension plans that are administered through trust or equivalent arrangements. (This standard is expected to have no effect on the Housing Authority in upcoming years).

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, effective for financial statements for periods beginning after June 15, 2014, with early application encouraged. The statement replaces requirements as they relate to pensions that are provided through pension plans administered as trusts. (This standard is expected to have no effect on the Housing Authority in upcoming years).

GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, issued January 2013, effective for financial statements for periods beginning after December 15, 2013, with early application encouraged. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. (This standard is expected to have no effect on the Housing Authority in upcoming years).

GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, effective for financial statements for reporting beginning after June 15, 2013, with early application encouraged. The objective of the statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. (This standard is expected to have no effect on the Housing Authority in upcoming years).

R. Subsequent Events

The Housing Authority has evaluated subsequent events through November 21, 2013, which is the date the financial statements were available to be issued.

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NOTE 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 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 under written by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

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

During the year ended June 30, 2013, the Housing Authority of the Village of Pecos 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:

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

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NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles approved by the US 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 the 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 budgeted 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.

NOTE 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, 2013, the Housing Authority had not made any investments and retained its accounts with a local bank in checking and money market accounts.

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

Concentration of credit risk - During the year ended June 30, 2013, the Housing Authority limited its concentration of credit risk by depositing its funds in a local bank where its accounts were fully insured.

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June 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2013, none of the Housing Authority's deposits of \$35,070 were subject to custodial credit risk because they were fully 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 investments 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.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of unpaid tenant charges for rent and related charges and was considered collectible. At June 30, 2013, there was no allowance for doubtful accounts.

NOTE 5. TRANSFERS

During the year ended June 30, 2013, the Capital Funds Project (CFP) transferred a total of \$49,899 to Low Rent Housing (LRH). Cash was transferred in the amount of \$38,474 (treated as an operating transfer) and net capital assets were transferred in the amount of \$11,425 (treated as a residual equity transfer). The transfers were eliminated in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Low Rent Housing:				
Assets not being depreciated				
Land	\$ 14,400	-	-	14,400
Construction work in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
Assets being depreciated				
Land/site improvements	231,815	-	-	231,815
Building and building improvements	1,245,717	11,425	-	1,257,142
Machinery and equipment	<u>108,216</u>	<u>-</u>	<u>-</u>	<u>108,216</u>
	<u>1,585,748</u>	<u>11,425</u>	<u>-</u>	<u>1,597,173</u>
Less accumulated depreciation				
Land/site improvements	(116,521)	(13,185)	-	(129,706)
Building and building improvements	(717,962)	(37,967)	-	(755,929)
Machinery and equipment	<u>(89,321)</u>	<u>(2,261)</u>	<u>-</u>	<u>(91,582)</u>
	<u>(923,804)</u>	<u>(53,413)</u>	<u>-</u>	<u>(977,217)</u>
Net capital assets	\$ <u>676,344</u>	<u>(41,988)</u>	<u>-</u>	<u>634,356</u>

Depreciation expense of \$53,413 for the year ended June 30, 2013 has been included in the Statement of Activities as a Low Rent Housing Program expense.

NOTE 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:

	<u>Annual Leave</u>	<u>Sick Leave</u>
Executive Director	1.92 hours	1.92 hours
Executive Secretary	1.54 hours	1.54 hours

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 1,536	360	(683)	1,213	1,213

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NOTE 8. ECONOMIC DEPENDENCY

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

NOTE 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, of expenditures which 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.

NOTE 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, 2013. Amounts payable to the Village of Pecos for water and sewer at June 30, 2013 were \$1,544.

NOTE 11. PRIOR PERIOD ADJUSTMENT

The beginning net position of the Low Rent Housing Fund has been restated on the fund basis and government-wide financial statements to record a prior period adjustment to correct the balance in maintenance inventory for inventory items purchased in prior year. The adjustment increased the change in net position for the year ended June 30, 2012 by \$24,731 and had no impact on the change in net position for the year ended June 30, 2013.

STATE OF NEW MEXICO
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STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
LOW RENT HOUSING FUND
Year Ended June 30, 2013

	Budget Amounts		Actual Amount	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Operating Revenues				
HUD grant and subsidy	\$ 91,790	91,790	82,774	(9,016)
Charges for services	95,200	95,200	91,854	(3,346)
Interest	200	200	1	(199)
	<hr/>			
Total operating revenues	187,190	187,190	174,629	(12,561)
	<hr/>			
Operating Expenses				
Administrative	68,300	68,300	67,736	564
Utilities	44,800	44,800	60,741	(15,941)
Maintenance	72,600	72,600	69,527	3,073
General	12,500	12,500	11,436	1,064
	<hr/>			
Total operating expenses	198,200	198,200	209,440	(11,240)
	<hr/>			
Operating income (loss)	(11,010)	(11,010)	(34,811)	(23,801)
	<hr/>			
Nonoperating Revenues (Expenses)				
Transfers in	38,474	38,474	38,474	-
	<hr/>			
Change in net position	\$ 27,464	27,464	3,663	(23,801)
	<hr/>			
Reconciliation to GAAP Basis Statement:				
Non-budgeted income/expense				
Depreciation			(53,413)	
			<hr/>	
Change in net position			\$ (49,750)	
			<hr/>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
CAPITAL FUNDS PROGRAMS
Year Ended June 30, 2013

	Budget Amounts		Actual Amount	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Operating Revenues				
HUD Operating grants	\$ 52,119	52,119	66,641	14,522
HUD Capital grants	36,845	36,845	11,425	(25,420)
Total operating revenues	88,964	88,964	78,066	(10,898)
Operating Expenses				
Administrative	13,645	13,645	7,019	6,626
Maintenance	36,845	36,845	21,148	15,697
Total operating expenses	50,490	50,490	28,167	22,323
Operating income (loss)	38,474	38,474	49,899	11,425
Nonoperating Revenues (Expenses)				
Transfers out	(38,474)	(38,474)	(38,474)	-
Change in net position	\$ -	-	11,425	11,425

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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SCHEDULE OF BANK DEPOSITORIES**

June 30, 2013

	Type of Account	Bank Balance	Outstanding Checks	Deposits in Transit	Carrying Balance	Fair Value
Deposits with financial institutions:						
Southwest Capital Bank:						
Pecos Housing Authority	Demand Deposits \$	5,611	(638)	-	4,973	4,973
Pecos Housing Authority	Demand Deposits	34	-	-	34	34
Pecos Housing Authority	Demand Deposits	7,535	-	-	7,535	7,535
Pecos Housing Authority	Money Market	22,478	-	-	22,478	22,478
	Total deposits with financial institutions	<u>35,658</u>	<u>(638)</u>	<u>-</u>	<u>35,020</u>	<u>35,020</u>
Cash on hand					<u>50</u>	
	Total petty cash and deposits					<u>\$ 35,070</u>

Shown on Statement of Net Position as:

Cash and cash equivalents \$ 27,535
Cash and cash equivalents, restricted - tenant deposits 7,535

\$ 35,070

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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FINANCIAL DATA SCHEDULE
June 30, 2013

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
ASSETS:				
111	Cash - Unrestricted	\$ 27,535		27,535
112	Cash - Restricted - Modernization and Development	-		-
113	Cash - Other Restricted	-		-
114	Cash - Tenant Security Deposits	7,535		7,535
115	Cash - Restricted for Payment of Current Liabilities	-		-
100	Total Cash	<u>35,070</u>	<u>-</u>	<u>35,070</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	688		688
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>688</u>	<u>-</u>	<u>688</u>
131	Investments - Unrestricted	-		-
132	Investments - Restricted	-		-
135	Investments - Restricted for Payment of Current Liability	-		-
142	Prepaid Expenses and Other Assets	7,531		7,531
143	Inventories	25,472		25,472
143.1	Allowance for Obsolete Inventories	-		-
144	Inter Program Due From	-		-
145	Assets Held for Sale	-		-
150	Total Current Assets	<u>68,761</u>	<u>-</u>	<u>68,761</u>
161	Land	14,400		14,400
162	Buildings	1,257,142		1,257,142
163	Furniture, Equipment and Machinery - Dwellings	52,561		52,561
164	Furniture, Equipment and Machinery - Administration	55,655		55,655
165	Leasehold Improvements	231,815		231,815
166	Accumulated Depreciation	(977,217)		(977,217)
167	Construction in Progress	-		-
168	Infrastructure	-		-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>634,356</u>	<u>-</u>	<u>634,356</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 Joint Ventures	-		-
180	Total Non-Current Assets	<u>634,356</u>	<u>-</u>	<u>634,356</u>
190	Total Assets	<u>703,117</u>	<u>-</u>	<u>703,117</u>

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June 30, 2013

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
LIABILITIES:				
311	Bank Overdraft	\$ -		-
312	Accounts Payable <= 90 Days	6,710		6,710
313	Accounts Payable >90 Days Past Due	-		-
321	Accrued Wage/Payroll Taxes Payable	3,358		3,358
322	Accrued Compensated Absences - Current Portion	1,213		1,213
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	7,535		7,535
342	Deferred Revenues	-		-
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	5,839		5,839
310	Total Current Liabilities	<u>24,655</u>	<u>-</u>	<u>24,655</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	-		-
355	Loan Liability - Noncurrent	-		-
356	FASB 5 Liabilities	-		-
357	Accrued Pension and OPEB Liabilities	-		-
350	Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
300	Total Liabilities	<u>24,655</u>	<u>-</u>	<u>24,655</u>
400	Deferred Inflow of Resources	-		-
508.1	Invested In Capital Assets, Net of Related Debt	634,356		634,356
511.1	Restricted Net Assets	-		-
512.1	Unrestricted Net Assets	44,106		44,106
513	Total Equity/Net Assets	<u>678,462</u>	<u>-</u>	<u>678,462</u>
600	Total Liabilities and Equity/Net Assets	<u>703,117</u>	<u>-</u>	<u>703,117</u>

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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
REVENUE:				
70300	Net Tenant Rental Revenue	\$ 88,095	-	88,095
70400	Tenant Revenue - Other	3,759	-	3,759
70500	Total Tenant Revenue	<u>91,854</u>	<u>-</u>	<u>91,854</u>
70600	HUD PHA Operating Grants	82,774	66,641	149,415
70610	Capital Grants	-	11,425	11,425
70710	Management Fee	-	-	-
70720	Asset Management Fee	-	-	-
70730	Bookkeeping Fee	-	-	-
70740	Front Line Service Fee	-	-	-
70750	Other Fees	-	-	-
70700	Total Fee Revenue	<u>82,774</u>	<u>78,066</u>	<u>160,840</u>
70800	Other Government Grants	-	-	-
71100	Investment Income - Unrestricted	1	-	1
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>174,629</u>	<u>78,066</u>	<u>252,695</u>
EXPENSES:				
91100	Administrative Salaries	38,711	-	38,711
91200	Auditing Fees	3,895	7,019	10,914
91300	Management Fee	-	-	-
91310	Bookkeeping Fee	9,308	-	9,308
91400	Advertising and Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	4,799	-	4,799
91600	Office Expenses	8,445	-	8,445
91700	Legal Expense	-	-	-
91800	Travel	315	-	315
91810	Allocated Overhead	-	-	-
91900	Other	2,263	-	2,263
91000	Total Operating - Administrative	<u>67,736</u>	<u>7,019</u>	<u>74,755</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>

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FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund - Program	Total
EXPENSES:				
93100	Water	\$ 11,880	-	11,880
93200	Electricity	2,714	-	2,714
93300	Gas	39,494	-	39,494
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	6,653	-	6,653
93700	Employee Benefit Contributions - Utilities	-	-	-
93800	Other Utilities Expense	-	-	-
93000	Total Utilities	<u>60,741</u>	<u>-</u>	<u>60,741</u>
94100	Ordinary Maintenance and Operations - Labor	27,193	-	27,193
94200	Ordinary Maintenance and Operations - Materials and Other	18,460	-	18,460
94300	Ordinary Maintenance and Operations Contracts	20,180	-	20,180
94500	Employee Benefit Contributions - Ordinary Maintenance	3,694	-	3,694
94000	Total Maintenance	<u>69,527</u>	<u>-</u>	<u>69,527</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	5,231	-	5,231
96120	Liability Insurance	1,594	-	1,594
96130	Workmen's Compensation	1,455	-	1,455
96140	All Other Insurance	-	-	-
96100	Total insurance Premiums	<u>8,280</u>	<u>-</u>	<u>8,280</u>
96200	Other General Expenses	2,039	-	2,039
96210	Compensated Absences	22	-	22
96300	Payments in Lieu of Taxes	-	-	-
96400	Bad Debt - Tenant Rents	1,095	-	1,095
96500	Bad Debt - Mortgages	-	-	-
96600	Bad Debt - Other	-	-	-
96800	Severance Expense	-	-	-
96000	Total Other General Expenses	<u>3,156</u>	<u>-</u>	<u>3,156</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>209,440</u>	<u>7,019</u>	<u>216,459</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>(34,811)</u>	<u>71,047</u>	<u>36,236</u>

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
FINANCIAL DATA SCHEDULE
June 30, 2013

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
EXPENSES:				
97100	Extraordinary Maintenance	\$ -	21,148	21,148
97200	Casualty Losses - Non-capitalized	-	-	-
97300	Housing Assistance Payments	-	-	-
97350	HAP Portability-In	-	-	-
97400	Depreciation Expense	53,413	-	53,413
97500	Fraud Losses	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-
97800	Dwelling Units Rent Expense	-	-	-
90000	Total Expenses	<u>53,413</u>	<u>21,148</u>	<u>74,561</u>
OTHER FINANCING SOURCES (USES)				
10010	Operating Transfer In	38,474	-	38,474
10020	Operating Transfer Out	-	(38,474)	(38,474)
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>38,474</u>	<u>(38,474)</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	<u>(49,750)</u>	<u>11,425</u>	<u>(38,325)</u>
11020	Required Annual Debt Principal Payments	-	-	-
11030	Beginning Equity	692,056	-	692,056
11040	Prior Period Adjustments, Equity Transfers and Correction of	36,156	(11,425)	24,731
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	-	-	-
11210	Number of Unit Months Leased	-	-	-
11270	Excess Cash	-	-	-
11610	Land Purchases	-	-	-
11620	Building Purchases	11,425	-	11,425
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	-	-	-

Ricci, Porch & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

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

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
(A Department of the Village of Pecos, New Mexico), and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, 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 and each major fund, of the State of New Mexico Housing Authority of the Village of Pecos, New Mexico (A Department of the Village of Pecos, New Mexico) (Housing Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and the related budgetary comparisons of the Housing Authority, presented as supplemental information, and have issued our report thereon dated November 21, 2013.

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.

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
(A Department of the Village of Pecos, New Mexico), and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. See findings 2013-01 and 2013-02.

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 2012-02 and 2013-03.

The Housing Authority's Response to Findings

The Housing Authority's response to the findings identified in our audit are described in the accompany 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 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.

Ricci, Porch & Company LLC

Albuquerque, New Mexico
November 21, 2013

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013**

PRIOR YEAR FINDINGS

STATUS

FS 2012-01	Audit Report Not Timely Submitted to State Auditor	Resolved
FS 2012-02	Expenditures in Excess of Budget	Repeated

CURRENT YEAR FINDINGS

2013-01	Payroll Disbursement and Related Policies
2013-02	Propane Inventory Reconciliation
2013-03	Deposit of Public Funds

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

A. FINDINGS AND RESPONSES

2012-02 EXPENDITURES IN EXCESS OF BUDGET (COMPLIANCE & OTHER MATTERS)

CONDITION

The Housing Authority of the Village of Pecos had expenditures in excess of the approved budget in the Low Rent Housing Program during the year ended June 30, 2013 in the amount of \$11,240.

CRITERIA

State Statute 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority.

EFFECT

The Housing Authority violated its budget constraints and may have incurred costs during the current year that it was not authorized to spend.

CAUSE

The Housing Authority budgeted \$25,000 for the use of gas/propane and the actual incurred cost was \$39,494. Budget adjustments were not made for gas/propane costs.

RECOMMENDATION

The Authority should monitor budgeted costs closer and when it is anticipated that costs will exceed budgeted amounts, adjustments should be made to the budget.

RESPONSE

The Housing Authority uses multiple sources and purchases of propane inventory to track propane costs. The over budget amount was caused by year-end adjustments made to propane amounts which were over \$13,000. In efforts to control costs, the Authority closely monitors purchases made near year-end. The Authority will continue similar procedures for fiscal year 2014 since we are unable to control tenant usage.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

A. FINDINGS AND RESPONSES (CONTINUED)

2013-01 PAYROLL DISBURSEMENT AND RELATED POLICIES – SIGNIFICANT DEFICIENCY

CONDITION

As part of our audit, we tested internal controls over twelve payroll disbursements. In our review, we noted that for one disbursement, the number of hours on the employee's timesheet for the selected pay period was not consistent with the number of hours paid for the period.

In addition, we noted employees are accruing vacation and sick leave at rates different from those defined in the Housing Authority's Personnel Policies. Our review determined that the improper leave accrual rates have been implemented for several years.

CRITERIA

Good internal controls dictate that payroll should be reviewed sufficiently to ensure it does not contain errors and that hours paid are consistent with hours listed on timesheets.

Leave accrual rates are defined in the Housing Authority's Personnel Policies which were adopted and approved by the Board of Commissioners in 1993.

EFFECT

Payroll for the identified disbursement resulted in an overpayment to employees of \$30.

Employee leave accrual balances may be misstated. The accrual rates implemented result in leave balances which are lower than the balances that would result if the authorized rates were being used and cause an understatement of the Housing Authority's liability for accrued compensated absences.

CAUSE

Timesheet review and payroll processing for the identified disbursement was processed in error, and the error was not identified by the internal controls in place.

Leave accrual rates used were implemented in error or may have been revised informally in the past without official adoption by the Board. In addition, the Housing Authority's Personnel Policies are outdated and require clarification. Our review of the leave policy found that one sentence defined a maximum accumulation of sick leave as 90 days, but another sentence stated there was no limit on accumulation.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

A. FINDINGS AND RESPONSES (CONTINUED)

**2013-01 PAYROLL DISBURSEMENT AND RELATED POLICIES – SIGNIFICANT
DEFICIENCY (CONTINUED)**

RECOMMENDATION

We recommend that the Housing Authority implement additional reviews to ensure that errors in payroll processing are caught and corrected before final checks are disbursed.

We further recommend that the Housing Authority's Personnel Policies be reviewed and clarified by management and the Board. Any revisions should be formally adopted and documented. We also recommend that leave policies are clearly communicated to employees and those charged with tracking leave balances.

RESPONSE

Effective immediately all payroll worksheets will be reviewed and initialed by the Executive Director prior to printing payroll.

In addition, a new personnel policy has been presented to the Board of Directors for approval that strengthens procedures related to paid leave.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

A. FINDINGS AND RESPONSES (CONTINUED)

2013-02 PROPANE USAGE TRACKING – SIGNIFICANT DEFICIENCY

CONDITION

As part of our audit, we performed a test of details and analytical procedures over the balance in propane inventory and propane expense. Management is tracking propane usage by residence; however when analytical procedures were applied to the amounts tracked by management, the results were inconsistent with amounts recorded in the financial statements as propane expense.

CRITERIA

Good accounting practices dictate that consumption of assets should be regularly analyzed to determine that assets are not misappropriated.

EFFECT

Management is not able to determine if propane usage is being accurately tracked, thus the Housing Authority may be unable to determine if propane is being fraudulently diverted or used for purposes other than the Housing Authority operations.

CAUSE

Per discussion with management, it is believed that the cause of the inconsistent results could be caused by using incorrect units of measurement to calculate usage (i.e. gallons vs. cubic feet or volume vs. capacity).

RECOMMENDATION

Management should consider performing research on the units of measurement to determine if propane consumption can be more accurately tracked.

RESPONSE

The Housing Authority is committed to finding more efficient and responsible manners to track propane purchased versus propane used. We will continue our cost tracking controls and continue to refine our methods for tracking tenant usage.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

A. FINDINGS AND RESPONSES (CONTINUED)

2013-03 DEPOSIT OF PUBLIC FUNDS

CONDITION

As part of our audit, we documented internal controls over cash receipts. It was noted during inspection of deposits that cash receipts are not deposited by close of the next business day.

CRITERIA

Per Section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, shall be paid into the state treasury or suitable banking facility. It is the duty of every official or person in charge of any state agency receiving any money in cash or by check, draft or otherwise for or on behalf of the state or any agency thereof from any source, to forthwith and before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the state treasurer or suitable banking facility.

EFFECT

The Housing Authority is not in compliance with the state statute over depositing of public monies.

CAUSE

Since management was not aware of the time requirements for public funds, funds were maintained in the Authority's safe and only deposited on a weekly basis.

RECOMMENDATION

Management should make deposits on a daily basis.

RESPONSE

Effective November 18, 2013 a new policy for making deposits has been established and is in use. The new policy requires deposits to be made on Monday, Wednesday and Friday as needed to meet public money requirements.

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)
EXIT CONFERENCE
For the Year Ended June 30, 2013**

A. Exit Conference

An exit conference was held on November 21, 2013, to discuss the annual financial report. Attending were the following:

Representing the Housing Authority of the Village of Pecos:

Tony Jose Roybal, Mayor
Florencio Varela, Council Member & Housing Authority Chairman
Ricardo Valenzuela, Housing Authority Executive Director

Representing the Independent Auditor:

Herman Chavez, Manager
Christina Cosme, Staff

B. AUDITOR PREPARED FINANCIAL STATEMENTS

Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor. It would be preferred and desirable for the Housing Authority to prepare its own financial statements and footnotes; although the Housing Authority is capable, with guidance, of preparing, reviewing and approving the financial statements and footnotes, it is felt that the Housing Authority's personnel do not have the time to prepare them.