

**STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)**

Annual Financial Report
For the Year Ended June 30, 2014
(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
June 30, 2014

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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
As of June 30, 2014

MAYOR AND BOARD OF TRUSTEES

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

ADMINISTRATIVE STAFF

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' 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 H. 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, 2014, 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 enterprise-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, 2014, 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the enterprise fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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 supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The 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 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.

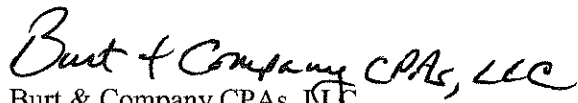
State of New Mexico, Housing Authority of the Village of Pecos
(A Department of the Village of Pecos, New Mexico)
and New Mexico Office of the State Auditor

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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 24, 2014 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 24, 2014

BASIC FINANCIAL STATEMENTS

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, 2014

	Business Type Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 27,206
Accounts receivable, net of allowance for doubtful accounts of \$0	7,881
Inventory	
Maintenance supplies	17,378
Propane	3,402
Prepaid insurance	7,472
Temporary restricted assets:	
Cash and cash equivalents	7,311
Non-current assets:	
Capital assets not being depreciated:	
Land	14,400
Capital assets net of accumulated depreciation:	
Site improvements	89,900
Buildings and building improvements	463,352
Furniture, fixtures and equipment	18,417
Total assets	656,719
Liabilities	
Current liabilities:	
Accounts payable	4,612
Accrued salaries and benefits	4,007
Accrued compensated absences	665
Insurance contract payable	6,400
Tenant security deposits payable.	7,311
Total liabilities	22,995
Net Position	
Net investment in capital assets	586,069
Unrestricted	47,655
Total net position	\$ 633,724

The accompanying notes are an integral part of the 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
For the Year Ended June 30, 2014

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- type Activities
Business-type activities:					
Housing services	\$ <u>252,800</u>	<u>94,767</u>	<u>109,789</u>	<u>2,500</u>	<u>(45,744)</u>
General revenues:					
Interest and investment income					6
Gain/(loss) on disposal of assets					<u>1,000</u>
Change in net position					(44,738)
Net position, beginning of year					<u>678,462</u>
Net position, end of year					\$ <u>633,724</u>

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

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, 2014

Assets	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Current assets:			
Cash and cash equivalents	\$ 27,206	-	27,206
Accounts receivable, net	6,719	1,162	7,881
Inventory			
Maintenance supplies	17,378	-	17,378
Propane	3,402	-	3,402
Prepaid insurance	7,472	-	7,472
Cash and cash equivalents, restricted - tenant deposits	7,311	-	7,311
Total current assets	69,488	1,162	70,650
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	108,716	-	108,716
Accumulated depreciation	(1,026,004)	-	(1,026,004)
Total capital assets (net of depreciation)	586,069	-	586,069
Total assets	\$ 655,557	1,162	656,719
Liabilities			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 3,450	1,162	4,612
Accrued salaries and benefits	4,007	-	4,007
Accrued compensated absences	665	-	665
Insurance contract payable	6,400	-	6,400
Total current liabilities payable from unrestricted assets	14,522	1,162	15,684
Current liabilities, payable from restricted assets			
Tenant security deposits payable	7,311	-	7,311
Total liabilities	21,833	1,162	22,995

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

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 (continued)
June 30, 2014

	Department of Housing and Urban Development Programs		
Net Position	Low Rent Housing	Capital Funds Program	Total
Net investment in capital assets	586,069	-	586,069
Unrestricted	47,655	-	47,655
Total net position	\$ 633,724	-	633,724

The accompanying notes are an integral part of the 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, Expenditures, and Changes in Net Position
Proprietary Funds/Enterprise Funds
For the Year Ended June 30, 2014

	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
Facilities rentals	\$ 94,767	-	94,767
HUD grant and subsidy	80,978	28,811	109,789
Total operating revenues	<u>175,745</u>	<u>28,811</u>	<u>204,556</u>
Operating expenses			
Administrative	64,263	6,306	70,569
Utilities	51,590	-	51,590
Ordinary maintenance	52,477	14,699	67,176
General	11,678	-	11,678
Depreciation	51,787	-	51,787
Total operating expenses	<u>231,795</u>	<u>21,005</u>	<u>252,800</u>
Operating income (loss)	(56,050)	7,806	(48,244)
Nonoperating revenues (expenses)			
HUD Capital grants	-	2,500	2,500
Interest income	6	-	6
Proceeds from disposition of assets	1,000	-	1,000
Total nonoperating revenues (expenses)	<u>1,006</u>	<u>2,500</u>	<u>3,506</u>
Income (loss) before transfers	<u>(55,044)</u>	<u>10,306</u>	<u>(44,738)</u>
Transfers in	7,806	-	7,806
Transfers out	-	(7,806)	(7,806)
Change in net position	(47,238)	2,500	(44,738)
Net position, beginning of year	<u>678,462</u>	<u>-</u>	<u>678,462</u>
Equity transfers	2,500	(2,500)	-
Net position, end of year	<u>\$ 633,724</u>	<u>-</u>	<u>633,724</u>

The accompanying notes are an integral part of the 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
For the Year Ended June 30, 2014

	Low Rent Housing	Capital Funds Program	Total
Cash flows from operating activities			
Cash received from HUD for operating purposes	\$ 74,328	27,650	101,978
Cash received from tenants and others for charges	95,162	-	95,162
Cash payments to and on behalf of employees	(73,921)	-	(73,921)
Cash payments to vendors for goods and services	<u>(103,934)</u>	<u>(19,844)</u>	<u>(123,778)</u>
Net cash provided (used) by operating activities	(8,365)	7,806	(559)
Cash flows from noncapital financing activities			
Interprogram net transfers	<u>10,306</u>	<u>(10,306)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	10,306	(10,306)	-
Cash flows from capital and related financing activities			
HUD contributions for capital acquisitions	-	2,500	2,500
Acquisition and construction of capital assets	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Net cash used by capital and related financing activities	(2,500)	2,500	-
Cash flows from investing activities			
Interest and dividends on investments	<u>6</u>	<u>-</u>	<u>6</u>
Net cash provided by investing activities	6	-	6
Net increase (decrease) in cash and cash equivalents	(553)	-	(553)
Cash and cash equivalents at beginning of year	<u>35,070</u>	<u>-</u>	<u>35,070</u>
Cash and cash equivalents at end of year	\$ <u>34,517</u>	<u>-</u>	<u>34,517</u>
Shown on statement of net position as:			
Cash and cash equivalents	\$ 27,206		27,206
Cash and cash equivalents, restricted - tenant deposits	<u>7,311</u>	<u>-</u>	<u>7,311</u>
	\$ <u>34,517</u>	<u>-</u>	<u>34,517</u>

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

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 Cash Flows (continued)
Year Ended June 30, 2014

	Low Rent Housing	Capital Funds Program	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss) income	\$ (56,050)	7,806	(48,244)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	51,787	-	51,787
Change in assets and liabilities:			
Due from grantor	(6,650)	(1,162)	(7,812)
Accounts receivable, net	620	-	620
Maintenance supplies inventory	4,782	-	4,782
Propane inventory	(90)	-	(90)
Prepaid insurance and other charges	57	-	57
Accounts payable	(3,258)	1,162	(2,096)
Accrued salaries and benefits	649	-	649
Accrued compensated absences	(548)	-	(548)
Insurance contract payable	561	-	561
Tenant security deposits payable	(225)	-	(225)
Total adjustments	47,685	-	47,685
Net cash (used) provided by operating activities	\$ (8,365)	7,806	(559)

The accompanying notes are an integral part of the 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, 2014

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, 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, 2014.

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:

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

Low Rent Housing Program:

PHA Code: NM054

Project No. NM054-00000113D

Project No. NM054-00000114D

Capital Funds Program:

Project No. NM02P054501-13

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.

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 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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 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 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

H. Inventory

Inventory is reported in the Statement of Net Position (department-wide statement) and (proprietary 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, 2014, inventory cost amounting to \$3,406 for propane delivered, but unused, and \$17,378 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, purchase 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, 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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

J. Unpaid Compensated Absences (continued)

termination. As of June 30, 2014, there was a liability for compensated liabilities in the amount of \$665.

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

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, 2014 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2014 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

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:

- 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:
Consist 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, 2014.
- 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 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (continued)

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

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.

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

During the year ended June 30, 2014, 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:

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

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 included 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (continued)

C. Budgetary Information (continued)

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.

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, 2014, 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, 2014, 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 local bank and monitors the bank's collateralization of its deposits. At June 30, 2014, none of the Housing Authority's deposits of \$34,517 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 investment or collateral securities that are in the possession of an outside party. The Housing Authority did not have any custodial credit risk – investments.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

3. Deposits and Investments (continued)

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

4. Accounts Receivable, Net

Accounts receivable consists of unpaid tenant charges for rent and related charges of \$69, and amounts due from HUD for Low Rent Housing (LRH) of \$6,650 and CFP of \$1,162. All amounts are considered collectible. At June 30, 2014, there was no allowance for doubtful accounts.

5. Transfers

During the year ended June 30, 2014, the Capital Funds Project (CFP) transferred a total of \$7,806 to LRH. Cash was transferred in the amount of \$7,806 (treated as an operating transfer) and net capital assets were transferred in the amount of \$2,500 (treated as a residual equity transfer). The transfers were eliminated in the Statement of Activities.

6. Capital Assets

Capital Assets activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Low rent housing:				
Assets not being depreciated				
Land	\$ 14,400	-	-	14,400
Construction work in progress	-	-	-	-
	<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	1,257,142	-	-	1,257,142
Machinery and equipment	108,216	3,500	(3,000)	108,716
	<u>1,597,173</u>	<u>3,500</u>	<u>(3,000)</u>	<u>1,597,673</u>

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

6. Capital Assets (continued)

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Less accumulated depreciation				
Land/site improvements	(129,706)	(12,209)	-	(141,915)
Building and building improvements	(755,929)	(37,861)	-	(793,790)
Machinery and equipment	(91,582)	(1,717)	3,000	(90,299)
	<u>(977,217)</u>	<u>(51,787)</u>	<u>3,000</u>	<u>(1,026,004)</u>
Net capital assets	\$ <u>634,356</u>	<u>(48,287)</u>	<u>-</u>	<u>586,069</u>

Depreciation expense of \$51,787 for the year ended June 30, 2014 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:

	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

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ <u>1,213</u>	<u>1,623</u>	<u>(2,171)</u>	<u>665</u>	<u>665</u>

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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Notes to Financial Statements (continued)
June 30, 2014

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 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.

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, 2014. Amounts payable to the Village of Pecos for water and sewer at June 30, 2014 were \$1,544.

11. Subsequent Events

The Housing Authority has evaluated subsequent events through November 24, 2014, is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)
Low Rent Housing Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Operating revenues				
HUD grant and subsidy	\$ 65,000	80,909	80,978	69
Charges for services	95,200	95,200	94,767	(433)
Interest	200	200	6	(194)
Total operating revenues	<u>160,400</u>	<u>176,309</u>	<u>175,751</u>	<u>(558)</u>
Operating expenses				
Administrative	64,774	64,774	64,263	511
Utilities	49,900	49,900	51,590	(1,690)
Maintenance	31,000	31,000	52,477	(21,477)
General	11,100	11,100	11,678	(578)
Total operating expenses	<u>156,774</u>	<u>156,774</u>	<u>180,008</u>	<u>(23,234)</u>
Operating income (loss)	3,626	19,535	(4,257)	(23,792)
Nonoperating revenues (expenses)				
Transfers in	<u>7,806</u>	<u>7,806</u>	<u>7,806</u>	<u>-</u>
Change in net position	<u>\$ 11,432</u>	<u>27,341</u>	<u>3,549</u>	<u>(23,792)</u>
Reconciliation to GAAP basis statement:				
Non-budgeted income/expense				
Gain on disposal of assets			\$ 1,000	
Depreciation			<u>(51,787)</u>	
Change in net position			<u>\$ (47,238)</u>	

The accompanying notes are an integral part of the 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 and Expenses – Budget and Actual (Non-GAAP Basis)
Capital Funds Programs
For the Year Ended June 30, 2014

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Operating revenues				
HUD operating grants	\$ 38,240	38,240	28,811	(9,429)
HUD capital grants	-	-	2,500	2,500
Total operating revenues	38,240	38,240	31,311	(6,929)
Operating expenses				
Administrative	3,800	6,306	6,306	-
Maintenance	26,792	24,286	14,699	9,587
Total operating expenses	30,592	30,592	21,005	9,587
Operating income (loss)	7,648	7,648	10,306	2,658
Nonoperating revenues (expenses)				
Transfers out	(7,648)	(7,648)	(7,806)	158
Change in net position	\$ -	-	2,500	2,500

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Schedule of Bank Depositories
June 30, 2014

	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	\$ 8,924	(2,012)	-	6,912	6,912
Pecos Housing Authority	Demand Deposits	34	-	-	34	34
Pecos Housing Authority	Demand Deposits	7,311	-	-	7,311	7,311
Pecos Housing Authority	Money Market	20,210	-	-	20,210	20,210
Total deposits with financial institutions		36,479	(2,012)	-	34,467	34,467
Cash on hand						50
Total petty cash and deposits					\$	<u>34,517</u>
Shown on Statement of Net Position as:						
Cash and cash equivalents					\$	27,206
Cash and cash equivalents, restricted - tenant deposits						<u>7,311</u>
					\$	<u>34,517</u>

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

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, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Assets:				
111	Cash - Unrestricted	\$ 27,206	-	27,206
112	Cash - Restricted - Modernization and Development	-	-	-
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant security deposits	7,311	-	7,311
115	Cash - Restricted for payment of current liabilities	-	-	-
100	Total Cash	<u>34,517</u>	<u>-</u>	<u>34,517</u>
121	Accounts receivable - PHA projects	6,650	1,162	7,812
122	Accounts receivable - HUD other projects	-	-	-
124	Accounts receivable - other government	-	-	-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	69	-	69
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>6,719</u>	<u>1,162</u>	<u>7,881</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-
142	Prepaid expenses and other assets	7,472	-	7,472
143	Inventories	20,780	-	20,780
143.1	Allowance for obsolete inventories	-	-	-
144	Inter program due from	-	-	-
145	Assets held for sale	-	-	-
150	Total current assets	<u>28,252</u>	<u>-</u>	<u>28,252</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

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	52,561	-	52,561
164	Furniture, equipment and machinery - administration	56,155	-	56,155
165	Leasehold improvements	231,815	-	231,815
166	Accumulated depreciation	(1,026,004)	-	(1,026,004)
167	Construction in progress	-	-	-
168	Infrastructure	-	-	-
160	Total capital assets, net of accumulated depreciation	<u>586,069</u>	<u>-</u>	<u>586,069</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	655,557	1,162	656,719
Liabilities:				
311	Bank overdraft	-	-	-
312	Accounts payable ≤ 90 days	3,450	1,162	4,612
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	4,007	-	4,007
322	Accrued compensated absences - current portion	665	-	665
324	Accrued contingency liability	-	-	-
325	Accrued interest payable	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-
332	Accounts payable - PHA projects	-	-	-
333	Accounts payable - other government	-	-	-
341	Tenant security deposits	7,311	-	7,311
342	Deferred revenues	-	-	-

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

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	6,400	-	6,400
310	Total current liabilities	<u>21,833</u>	<u>1,162</u>	<u>22,995</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	21,833	1,162	22,995
400	Deferred inflow of resources	-	-	-
508.1	Invested in capital assets, net of related debt	586,069	-	586,069
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	47,655	-	47,655
513	Total equity/net assets	<u>633,724</u>	<u>-</u>	<u>633,724</u>
600	Total liabilities and equity/net assets	\$ <u>655,557</u>	<u>1,162</u>	<u>656,719</u>

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

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, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Revenue:				
70300	Net tenant rental revenue	\$ 90,019	-	90,019
70400	Tenant revenue - other	4,748	-	4,748
70500	Total tenant revenue	<u>94,767</u>	<u>-</u>	<u>94,767</u>
70600	HUD PHA operating grants	80,978	28,811	109,789
70610	Capital grants	-	2,500	2,500
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70700	Total fee revenue	<u>80,978</u>	<u>31,311</u>	<u>112,289</u>
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	6	-	6
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	1,000	-	1,000
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>176,751</u>	<u>31,311</u>	<u>208,062</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
	Expenses:			
91100	Administrative salaries	38,177	-	38,177
91200	Auditing fees	3,690	3,800	7,490
91300	Management fee	-	-	-
91310	Bookkeeping fee	9,081	-	9,081
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions - administrative	4,730	-	4,730
91600	Office expenses	6,481	-	6,481
91700	Legal expense	-	-	-
91800	Travel	-	-	-
91810	Allocated overhead	-	-	-
91900	Other	2,103	2,506	4,609
91000	Total operating - administrative	<u>64,262</u>	<u>6,306</u>	<u>70,568</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	2,785	-	2,785
93300	Gas	30,272	-	30,272
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	6,653	-	6,653
93700	Employee benefit contributions - utilities	-	-	-
93800	Other utilities expense	-	-	-
93000	Total utilities	<u>51,590</u>	<u>-</u>	<u>51,590</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
94100	Ordinary maintenance and operations - labor	27,655	-	27,655
94200	Ordinary maintenance and operations - materials and other	14,649	14,699	29,348
94300	Ordinary maintenance and operations contracts	6,713	-	6,713
94500	Employee benefit contributions - ordinary maintenance	3,460	-	3,460
94000	Total maintenance	<u>52,477</u>	<u>14,699</u>	<u>67,176</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	6,262	-	6,262
96120	Liability insurance	1,273	-	1,273
96130	Workmen's compensation	2,330	-	2,330
96140	All other insurance	1,532	-	1,532
96100	Total insurance premiums	<u>11,397</u>	<u>-</u>	<u>11,397</u>
96200	Other general expenses	282	-	282
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>282</u>	<u>-</u>	<u>282</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>180,008</u>	<u>21,005</u>	<u>201,013</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
97000	Excess of operating revenue over operating expenses	(3,257)	10,306	7,049
	Expenses:			
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses - non-capitalized	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP portability-in	-	-	-
37400	Depreciation expense	51,787	-	51,787
37500	Fraud losses	-	-	-
37600	Capital outlays - governmental funds	-	-	-
37700	Debt principal payment - governmental funds	-	-	-
37800	Dwelling units rent expense	-	-	-
90000	Total expenses	<u>51,787</u>	<u>-</u>	<u>51,787</u>
	Other financing sources (uses):			
10010	Operating transfer in	7,806	-	7,806
10020	Operating transfer out	-	(7,806)	(7,806)
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>7,806</u>	<u>(7,806)</u>	<u>-</u>
10000	Excess (deficiency) of total revenue over (under) total	<u>(47,238)</u>	<u>2,500</u>	<u>(44,738)</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Financial Data Schedule (continued)
June 30, 2014

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
11020	Required annual debt principal payments	-	-	-
11030	Beginning equity	678,462	-	678,462
11040	Prior period adjustments, equity transfers and correction	2,500	(2,500)	-
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	-	-	-
11630	Furniture and equipment - dwelling purchases	-	-	-
11640	Furniture and equipment - administrative purchases	3,500	-	3,500
11650	Leasehold improvements purchases	-	-	-
11660	Infrastructure purchases	-	-	-
13510	CFFP debt service payments	-	-	-
13901	Replacement housing factor funds	-	-	-

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

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 AUDITORS' 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 H. Balderas
New Mexico State Auditor
Santa Fe, 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, each major fund and the budgetary comparison of the proprietary funds, of the State of New Mexico, Housing Authority of the Village of Pecos (Housing Authority) as of and for the year ended June 30, 2014 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 24, 2014.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

State of New Mexico, Housing Authority of the Village of Pecos
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and New Mexico Office of the State Auditor

corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2014-001).

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.

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 2012-002, 2013-001, and 2014-002).

The Agency's Response to Finding

The Agency's responses to findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Burt & Company CPAs, LLC

November 24, 2014

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A Department of the Village of Pecos, New Mexico)
Summary Schedule of Audit Findings
June 30, 2014

Prior Year Findings

Status

2012-002 [2012-02]	Expenditures in Excess of Budget	Modified and repeated
2013-001 [2013-01]	Compensated Leave Accounting	Modified and repeated
2013-002 [2013-02]	Propane Inventory Reconciliation	Resolved
2013-003 [2013-03]	Deposit of Public Funds	Resolved

Current Year Findings

2014-001	Inventory Accounting
2014-002	Travel Per Diem Rates

STATE OF NEW MEXICO
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Schedule of Findings and Responses
June 30, 2014

2012-002 [2012-02] Expenditures in Excess of Budget – Compliance Other Matter

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, 2014 in the amount of \$23,234.

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 year that it was not authorized to spend.

Cause

The Housing Authority budgeted \$49,900 for utility costs and the actual cost was \$51,590; the Housing Authority budgeted \$31,000 for maintenance and the actual was \$52,477, general was budgeted for \$11,100 and actual was \$11,678. It appears that the budgeted amount for maintenance may have been understated as the prior year actual amount incurred was nearly \$70,000. It does not appear that budget adjustments were made.

Recommendation

We recommend that the Housing Authority monitor its budgeted costs more closely and that changes be made in the accounting methodologies to facilitate this monitoring. We also recommend that adjustments be made to the budget when it becomes apparent that costs will exceed the budgeted amounts.

Response

The Housing Authority is in the process of installing water meters for all residences. It is anticipated that the use of water meters will reduce the costs for water and sewer, which are currently being billed at an estimated flat rate.

We are in the process of revising our accounting practices and will work more closely with our fee accountant so that current information is available in a timely manner and so that comparisons between budgeted amounts and actual amounts can be easily made. We will also develop a process for adjusting the budget when necessary.

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Schedule of Findings and Responses
June 30, 2014

2013-001 [2013-01] Compensated Leave Accounting – Compliance Other Matter

Condition

As part of our audit, we compared the vacation and sick leave accrual rates being used with those defined in the Housing Authority's Personnel Policies and found differences for two of three employees tested. The Housing Authority's Personnel Policies were updated following the 2013 audit, and these policies were approved by the Board of Commissioners on November 10, 2014. However, no adjustment was made to correct the accrual balances which used lower incorrect rates. The rates also did not agree to the previous version of the Personnel Policies which were approved in 1993.

Criteria

Leave accrual rates are defined in the Housing Authority's Personnel Policies which were adopted and approved by the Board of Commissioners. The policies in effect for 2014 were not given final approval until November 10, 2014. The previous policies were approved in 1993.

Effect

Employee leave balances for employees may be misstated. The accrual rates actually used result in lower balances than would result if the correct rates had been used since the beginning of the year. The liability for unpaid compensated absences may be understated.

Cause

Incorrect leave accrual rates were used.

Recommendation

We recommend that the correct accrual rates be used. We also recommend that the Housing Authority's Personnel Policies be regularly updated as needed.

Response

Our current Personnel Policy was amended on November 10, 2014 by the Pecos Housing Authority Board of Trustees and Chairperson Florencio Varela. The addendum approved was regarding the Annual Leave and Sick Leave accrued per pay period from 1.08 hours of Annual and 1.08 for Sick Leave (employees with five (5) years) to 2.89 hours for Annual Leave and 2.89 hours for Sick Leave per pay period for employees with ten (10) years.

While approved and adopted on November 10, 2014 it is understood that this addendum would go into effect on Pay Period 11, November 24, 2014.

This response will be brought forward for the Pecos Housing Authority Board of Trustees to review and approve to include a revision per our current Personnel Policy.

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 (continued)
June 30, 2014

2014-001 Inventory Accounting – Material Weakness

Condition

As part of our audit, we performed a test of details and analytical procedures over the balance in propane inventory and maintenance supplies inventory. Management is tracking usage; however, management is not making periodic adjustments to reflect actual amounts on hand at year-end or used during the year.

Criteria

Good accounting practices dictate that consumption of assets should be regularly analyzed and posted to the accounting records to determine that assets are not misappropriated

Effect

An adjustment of \$19,866 was posted to properly reflect the year-end inventory balances.

Cause

Per discussion with management, there was a change near year end of the external fee accountant who normally books this type of entry for management and the change created the situation.

Recommendation

Management should review the reconciliation of accounts to ensure proper balances are reported.

Response

Effective immediately the Management Administration of the Pecos Housing Authority will initiate at a minimum a quarterly conference with our new Fee Accountant to review and approve or make any changes to our current standing and compliance with in the following areas:

- Trial Balance & Income worksheet –
- Propane usage and current status of usage and cost –
- Inventory per materials on hand, balance of materials usage per quarter and year to date usage and cost to include a year-end summarization.
- In addition, we will review all balances of our QuickBooks entries for consistencies and compliance of all Financial Operations responsibilities.

In addition the Director will prepare a summary of this review for presentation to the monthly meetings with the Board of Trustees of the Pecos Housing Authority.

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(A Department of the Village of Pecos, New Mexico)
Schedule of Findings and Responses (continued)
June 30, 2014

2014-002 Travel Per Diem Rates – Compliance Other Matter

Condition

As part of our audit, we performed a test of internal controls for expenditures. We found that incorrect rates were used for employee reimbursements of travel expenses. Three out of three expense vouchers were examined that totaled \$760.63, and recalculated using correct rates and amounted to \$658.95 for a variance of \$101.68.

Criteria

Per Section 2.42.2.8 NMAC, employees of local public bodies are to be reimbursed for overnight travel at a rate of \$85 per day, and by prorated amounts specifically described in the regulations for partial days of travel. Alternatively, per section 2.42.2.9 NMAC, employees may be reimbursed for actual lodging and meal expenses in lieu of the per diem rate for overnight travel.

Section 10-8-4(D) NMSA 1978 provides that "...every public officer or employee shall receive up to the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle..."where a "public officer" is defined as "...every elected or appointed official of ...local public body..." and an "employee" is defined as "...any person who is in the employ of any...local public body..."

Additionally, Section 10-8-5(D) NMSA 1978 provides that "...the governing body of any local public body may eliminate or may reduce the rates of per diem and mileage...at any time...The local public body shall exercise this power of reduction in a reasonable manner and shall attempt to achieve a standard rate for all public officers and employees of the same classification..."

Further, Section 2.42.2.11(C) NMAC provides that "public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978."

The Village of Pecos Board of Trustees has not reduced the mileage rate to be used for official travel, thus the internal revenue service standard mileage rate is the rate to be used. For July 1, 2013 through December 31, 2013, this rate was \$0.555, and for January 1, 2014 through June 30, 2014, this rate was \$0.565. The mileage reimbursement rate implemented is also in conflict with the rate in the Housing Authority's Personnel Policies.

Effect

Employees were reimbursed using higher rates than was allowed under New Mexico law. The Housing Authority was out of compliance with New Mexico law.

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Schedule of Findings and Responses (continued)
June 30, 2014

Cause

There was confusion as to the statutory rate in effect since the Housing Authority only receives Federal funding.

Recommendation

We recommend that the Housing Authority use the rates for travel per diem and mileage as set forth in Section 10-8-4(D) NMSA 1978. We also recommend that the section of the Housing Authority's Personnel Policies related to travel expenses be updated to agree with the state statutes and regulations.

Response

Effective immediately the Pecos Housing Authority will imitate and comply with the current Public Finance Travel and Per Diem Regulations Governing the Per Diem Mileage Act. TITLE 2 CHAPTER 42 PART 2 and with Section 10-8-4(D) NMSA 1978.

This will allow the Pecos Housing Authority to be in compliance with the Primary Government Body of the Village of Pecos.

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, 2014

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 20, 2014 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
Arthur Varela, Village of Pecos Treasurer
Ricardo Valenzuela, Housing Authority Executive Director

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Partner