

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS

Annual Financial Report
For the Year Ended June 30, 2015
(With Independent Auditors' Report Thereon)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
June 30, 2015

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Official Roster
As of June 30, 2015

MAYOR AND BOARD OF TRUSTEES

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

ADMINISTRATIVE STAFF

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
And
Mr. Tim Keller
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, 2015, 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, 2015, 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, 2015, 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 that collectively comprise the basic financial statements and the budgetary comparisons. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

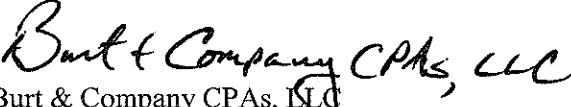
The Schedule of Bank Deposits required by Section 2.2.2 NMAC and the accompanying Financial Data Schedule, as required by U.S. Department of Housing and Urban Development (HUD), are the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare 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. In our opinion, the schedules required by Section

2.2.2. NMAC and the schedule required by HUD are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 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 9, 2015

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Statement of Net Position
June 30, 2015

		<u>Business Type Activities</u>
Assets		
Current assets:		
Cash and cash equivalents	\$	27,465
Accounts receivable, net of allowance for doubtful accounts of \$0		6,364
Inventory		
Maintenance supplies		17,448
Propane		1,868
Prepaid insurance		321
Restricted assets:		
Cash and cash equivalents		6,628
Non-current assets:		
Capital assets not being depreciated:		
Land		14,400
Capital assets net of accumulated depreciation:		
Site improvements		84,144
Buildings and building improvements		425,491
Furniture, fixtures and equipment		18,223
Total assets	\$	<u><u>602,352</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$	5,043
Accrued salaries and benefits		4,997
Accrued compensated absences		517
Tenant security deposits payable		6,328
Total liabilities		<u>16,885</u>
Net Position		
Net investment in capital assets		542,258
Unrestricted		<u>43,209</u>
Total net position	\$	<u><u>585,467</u></u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Statement of Activities
For the Year Ended June 30, 2015

		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>296,521</u>	<u>99,125</u>	<u>142,484</u>	<u>6,648</u>	<u>(48,264)</u>
General revenues:					
Interest and investment income					<u>7</u>
Change in net position					(48,257)
Net position, beginning of year					<u>633,724</u>
Net position, end of year					\$ <u>585,467</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Proprietary Funds/Enterprise Funds
Statement of Net Position
June 30, 2015

	Department of Housing and Urban Development Programs		
Assets	Low Rent Housing	Capital Funds Program	Total
Current assets:			
Cash and cash equivalents	\$ 27,465	-	27,465
Accounts receivable, net	6,364	-	6,364
Inventory			
Maintenance supplies	17,448	-	17,448
Propane	1,868	-	1,868
Prepaid insurance	321	-	321
Restricted cash and cash equivalents - tenant deposits	6,628	-	6,628
Total current assets	60,094	-	60,094
Capital assets:			
Non-depreciating:			
Land	14,400	-	14,400
Depreciating:			
Site improvements	238,463	-	238,463
Buildings and building improvements	1,257,142	-	1,257,142
Furniture, fixtures and equipment	108,716	-	108,716
Accumulated depreciation	(1,076,463)	-	(1,076,463)
Total capital assets (net of depreciation)	542,258	-	542,258
Total assets	\$ 602,352	-	602,352

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Proprietary Funds/Enterprise Funds
Statement of Net Position (continued)
June 30, 2015

	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Liabilities			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 5,043	-	5,043
Accrued salaries and benefits	4,997	-	4,997
Accrued compensated absences	517	-	517
Total current liabilities payable from unrestricted assets	10,557	-	10,557
Current liabilities, payable from restricted assets			
Tenant security deposits payable	6,328	-	6,328
Total liabilities	16,885	-	16,885
Net Position			
Net investment in capital assets	542,258	-	542,258
Unrestricted	43,209	-	43,209
Total net position	\$ 585,467	-	585,467

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Proprietary Funds/Enterprise Funds
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended June 30, 2015

	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
Facilities rentals	\$ 99,125	-	99,125
HUD grant and subsidy	<u>77,752</u>	<u>64,732</u>	<u>142,484</u>
Total operating revenues	176,877	64,732	241,609
Operating expenses			
Administrative	66,285	6,707	72,992
Utilities	46,249	-	46,249
Ordinary maintenance	71,982	40,823	112,805
General	14,016	-	14,016
Depreciation	<u>50,459</u>	<u>-</u>	<u>50,459</u>
Total operating expenses	<u>248,991</u>	<u>47,530</u>	<u>296,521</u>
Operating income (loss)	(72,114)	17,202	(54,912)
Nonoperating revenues (expenses)			
HUD Capital grants	-	6,648	6,648
Interest income	<u>7</u>	<u>-</u>	<u>7</u>
Total nonoperating revenues (expenses)	<u>7</u>	<u>6,648</u>	<u>6,655</u>
Income (loss) before transfers	<u>(72,107)</u>	<u>23,850</u>	<u>(48,257)</u>
Transfers in	17,202	-	17,202
Transfers out	<u>-</u>	<u>(17,202)</u>	<u>(17,202)</u>
Change in net position	(54,905)	6,648	(48,257)
Net position, beginning of year	<u>633,724</u>	<u>-</u>	<u>633,724</u>
Equity transfers	<u>6,648</u>	<u>(6,648)</u>	<u>-</u>
Net position, end of year	<u>\$ 585,467</u>	<u>-</u>	<u>585,467</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Proprietary Funds/Enterprise Funds
Statement of Cash Flows
For The Year Ended June 30, 2015

	Low Rent Housing	Capital Funds Program	Total
Cash flows from operating activities			
Cash received from HUD for operating purposes	\$ 78,088	65,894	143,982
Cash received from tenants and others for charges	97,146	-	97,146
Cash payments to and on behalf of employees	(73,952)	-	(73,952)
Cash payments to vendors for goods and services	<u>(118,915)</u>	<u>(48,692)</u>	<u>(167,607)</u>
Net cash provided (used) by operating activities	(17,633)	17,202	(431)
Cash flows from noncapital financing activities			
Interprogram net transfers	<u>23,850</u>	<u>(23,850)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	23,850	(23,850)	-
Cash flows from capital and related financing activities			
HUD contributions for capital acquisitions	-	6,648	6,648
Acquisition and construction of capital assets	<u>(6,648)</u>	<u>-</u>	<u>(6,648)</u>
Net cash used by capital and related financing activities	(6,648)	6,648	-
Cash flows from investing activities			
Interest and dividends on investments	<u>7</u>	<u>-</u>	<u>7</u>
Net cash provided by investing activities	7	-	7
Net increase (decrease) in cash and cash equivalents	(424)	-	(424)
Cash and cash equivalents at beginning of year	<u>34,517</u>	<u>-</u>	<u>34,517</u>
Cash and cash equivalents at end of year	\$ <u>34,093</u>	<u>-</u>	<u>34,093</u>
Shown on statement of net position as:			
Cash and cash equivalents	\$ 27,465	-	27,465
Cash and cash equivalents, restricted - tenant deposits	<u>6,628</u>	<u>-</u>	<u>6,628</u>
	\$ <u>34,093</u>	<u>-</u>	<u>34,093</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Proprietary Funds/Enterprise Funds
Statement of Cash Flows (continued)
For The Year Ended June 30, 2015

	Low Rent Housing	Capital Funds Program	Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating (loss) income	\$ (72,114)	17,202	(54,912)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	50,459	-	50,459
Bad debt expense	1,015	-	1,015
Change in assets and liabilities:			
Due from grantor	336	1,162	1,498
Accounts receivable, net	(996)	-	(996)
Maintenance supplies inventory	(70)	-	(70)
Propane inventory	1,534	-	1,534
Prepaid insurance and other charges	7,151	-	7,151
Accounts payable	1,593	(1,162)	431
Accrued salaries and benefits	990	-	990
Accrued compensated absences	(148)	-	(148)
Insurance contract payable	(6,400)	-	(6,400)
Tenant security deposits payable	(983)	-	(983)
Total adjustments	<u>54,481</u>	<u>-</u>	<u>54,481</u>
Net cash (used) provided by operating activities	\$ <u>(17,633)</u>	<u>17,202</u>	<u>(431)</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

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, 2015.

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
Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

Low Rent Housing Program:

PHA Code: NM054

Project No. NM054-00000114D

Project No. NM054-00000115D

Capital Funds Program:

Project No. NM02P054501-13

Project No. NM02P054501-14

Project No. NM02P054501-15

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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

G. Cash and Cash Equivalents (continued)

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 (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, 2015, inventory cost amounting to \$1,868 for propane delivered, but unused, and \$17,448 in maintenance supplies not yet put in use, are reflected on the Statement of Net Position. Maintenance inventory is valued using the first-in first-out method.

I. Capital Assets and Depreciation

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

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

There was no interest to capitalize on construction.

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

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

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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 termination. As of June 30, 2015, there was a liability for compensated liabilities in the amount of \$517. See Note 7.

K. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

L. Interfund Activities

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

At June 30, 2015 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2015 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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

N. Management Estimates and Assumptions

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

O. Net Position

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

- Net investment in capital assets:
This account represents the total of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Housing Authority had no restricted net assets at June 30, 2015.
- Unrestricted net position:
Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

2. Stewardship, Compliance and Accountability

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

A. Deposits and Investments, Laws and Regulations

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

2. Stewardship, Compliance and Accountability (continued)

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

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

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

During the year ended June 30, 2015, the Housing Authority of the Village of Pecos (Housing Authority or Authority) had complied with its investment policy and all deposits were insured.

B. Revenue Restrictions

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

Revenue Source	Legal Restriction of Use
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.

C. Budgetary Information

Annual Budgets are adopted on a basis consistent with accounting principles approved by the U.S. Department of Housing and Urban Development (HUD). However, the budgets do not include depreciation expense and therefore, are not consistent with

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

2. Stewardship, Compliance and Accountability (continued)

C. Budgetary Information (continued)

principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all of Authority's funds.

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

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

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

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, 2015, 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, 2015, the Housing Authority limited its concentration of credit risk by depositing its funds in a local bank where its accounts were fully insured.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. In order to limit this exposure, the Housing Authority deposits its funds in a local bank and monitors the bank's collateralization of its deposits. At June 30, 2015, none of the Housing Authority's deposits of \$31,008 were subject to custodial credit risk because they were fully insured.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

3. Deposits and Investments (continued)

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

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

4. Accounts Receivable, Net

Accounts receivable consists of unpaid tenant charges for rent and related charges of \$50, and amounts due from HUD for Low Rent Housing (LRH) of \$6,314. All amounts are considered collectible. At June 30, 2015, there was no allowance for doubtful accounts.

5. Transfers

During the year ended June 30, 2015, the Capital Funds Project (CFP) transferred a total of \$23,850 to LRH. Cash was transferred in the amount of \$17,202 (treated as an operating transfer) and net capital assets were transferred in the amount of \$6,648 (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, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Low rent housing:				
Assets not being depreciated				
Land	\$ 14,400	-	-	14,400
	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
Assets being depreciated				
Land/site improvements	231,815	6,648	-	238,463
Building and building improvements	1,257,142	-	-	1,257,142
Furniture, fixtures and equipment	108,716	-	-	108,716
	<u>1,597,673</u>	<u>6,648</u>	<u>-</u>	<u>1,604,321</u>

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Notes to Financial Statements
June 30, 2015

6. Capital Assets (continued)

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Less accumulated depreciation				
Land/site improvements	(141,915)	(12,404)	-	(154,319)
Building and building improvements	(793,790)	(37,861)	-	(831,651)
Furniture, fixtures and equipment	(90,299)	(194)	-	(90,493)
	<u>(1,026,004)</u>	<u>(50,459)</u>	<u>-</u>	<u>(1,076,463)</u>
Net capital assets	\$ <u>586,069</u>	<u>(43,811)</u>	<u>-</u>	<u>542,258</u>

Depreciation expense of \$50,459 for the year ended June 30, 2015 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, 2014	Increase	Decrease	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ <u>665</u>	<u>2,280</u>	<u>(2,428)</u>	<u>517</u>	<u>517</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
Notes to Financial Statements
June 30, 2015

9. Contingencies and Risk Management

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

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

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

10. Related Party Transactions

Water and sewer services are provided to the Housing Authority by the Village of Pecos. Fees paid by the Housing Authority to the Village of Pecos and included in the fund financial Statement of Revenues, Expenses, and Changes in Fund Net Position and in the department-wide Statement of Activities were \$20,077 in the year ended June 30, 2015. Amounts payable to the Village of Pecos for water and sewer at June 30, 2015 were \$1,544.

11. Subsequent Events

The Housing Authority has evaluated subsequent events through November 9, 2015, is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Low Rent Housing Fund
Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Operating revenues				
HUD grant and subsidy	\$ 71,430	71,430	77,752	6,322
Charges for services	98,580	98,580	99,125	545
Interest	5	5	7	2
Total operating revenues	170,015	170,015	176,884	6,869
Operating expenses				
Administrative	66,346	66,346	66,285	61
Utilities	46,290	46,290	46,249	41
Maintenance	72,060	72,060	71,982	78
General	14,030	14,030	14,016	14
Total operating expenses	198,726	198,726	198,532	194
Operating income (loss)	(28,711)	(28,711)	(21,648)	7,063
Nonoperating revenues (expenses)				
Transfers in	17,202	17,202	17,202	-
Change in net position	\$ (11,509)	(11,509)	(4,446)	7,063
Reconciliation to GAAP basis statement:				
Non-budgeted income/expense				
Depreciation			\$ (50,459)	
Change in net position			\$ (54,905)	

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Capital Funds Programs
Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Operating revenues				
HUD operating grants	\$ 49,457	96,347	64,732	(31,615)
HUD capital grants	<u>-</u>	<u>-</u>	<u>6,648</u>	<u>6,648</u>
Total operating revenues	49,457	96,347	71,380	(24,967)
Operating expenses				
Administrative	5,600	12,400	6,707	5,693
Maintenance	<u>35,509</u>	<u>66,221</u>	<u>40,823</u>	<u>25,398</u>
Total operating expenses	<u>41,109</u>	<u>78,621</u>	<u>47,530</u>	<u>31,091</u>
Operating income (loss)	8,348	17,726	23,850	6,124
Nonoperating revenues (expenses)				
Transfers out	<u>(8,348)</u>	<u>(17,726)</u>	<u>(17,202)</u>	<u>(524)</u>
Change in net position	\$ <u>-</u>	<u>-</u>	<u>6,648</u>	<u>6,648</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Schedule of Bank Deposits
June 30, 2015

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits in Transit</u>	<u>Carrying Balance</u>	<u>Fair Value</u>
Deposits with financial institutions						
Southwest Capital Bank:						
Pecos Housing Authority	Demand Deposits	\$ 5,693	(3,593)	-	2,100	2,100
Pecos Housing Authority	Demand Deposits	50	-	-	50	50
Pecos Housing Authority	Demand Deposits	6,628	-	-	6,628	6,628
Pecos Housing Authority	Money Market	25,265	-	-	25,265	25,265
Total deposits with financial institutions		<u>37,636</u>	<u>(3,593)</u>	<u>-</u>	<u>34,043</u>	<u>34,043</u>
Cash on hand						<u>50</u>
Total petty cash and deposits					\$	<u>34,093</u>
Shown on Statement of Net Position as:						
Cash and cash equivalents					\$	27,465
Cash and cash equivalents, restricted - tenant deposits						<u>6,628</u>
					\$	<u>34,093</u>

See independent auditors' report

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Schedule of Vendor Information For Purchases Exceeding \$60,000 (Excluding GRT)
June 30, 2015

<i>RFB#/ RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out- of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
There were no purchases that exceeded \$60,000 as of June 30, 2015								

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Assets:				
111	Cash - Unrestricted	\$ 27,465	-	27,465
112	Cash - Restricted - Modernization and Development	-	-	-
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant security deposits	6,628	-	6,628
115	Cash - Restricted for payment of current liabilities	-	-	-
100	Total Cash	<u>34,093</u>	<u>-</u>	<u>34,093</u>
121	Accounts receivable - PHA projects	6,314	-	6,314
122	Accounts receivable - HUD other projects	-	-	-
124	Accounts receivable - other government	-	-	-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	50	-	50
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>6,364</u>	<u>-</u>	<u>6,364</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-
142	Prepaid expenses and other assets	321	-	321
143	Inventories	19,316	-	19,316
143.1	Allowance for obsolete inventories	-	-	-
144	Inter program due from	-	-	-
145	Assets held for sale	-	-	-
150	Total current assets	<u>19,637</u>	<u>-</u>	<u>19,637</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

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	238,463	-	238,463
166	Accumulated depreciation	(1,076,463)	-	(1,076,463)
167	Construction in progress	-	-	-
168	Infrastructure	-	-	-
160	Total capital assets, net of accumulated depreciation	<u>542,258</u>	<u>-</u>	<u>542,258</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	602,352	-	602,352
Liabilities:				
311	Bank overdraft	-	-	-
312	Accounts payable \leq 90 days	5,043	-	5,043
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	4,997	-	4,997
322	Accrued compensated absences - current portion	517	-	517
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	6,328	-	6,328
342	Deferred revenues	-	-	-

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
343	Current portion of long-term debt - capital projects/ mortgage	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-
345	Other current liabilities	-	-	-
346	Accrued liabilities - other	-	-	-
347	Inter Program - due to	-	-	-
348	Loan liability - current	-	-	-
310	Total current liabilities	<u>16,885</u>	<u>-</u>	<u>16,885</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	16,885	-	16,885
400	Deferred inflow of resources	-	-	-
508.1	Invested in capital assets, net of related debt	542,258	-	542,258
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	<u>43,209</u>	<u>-</u>	<u>43,209</u>
513	Total equity/net assets	<u>585,467</u>	<u>-</u>	<u>585,467</u>
600	Total liabilities and equity/net assets	<u>\$ 602,352</u>	<u>-</u>	<u>602,352</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Revenue:				
70300	Net tenant rental revenue	\$ 87,532	-	87,532
70400	Tenant revenue - other	<u>11,593</u>	<u>-</u>	<u>11,593</u>
70500	Total tenant revenue	<u>99,125</u>	<u>-</u>	<u>99,125</u>
70600	HUD PHA operating grants	77,752	64,732	142,484
70610	Capital grants	-	6,648	6,648
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	<u>-</u>	<u>-</u>	<u>-</u>
70700	Total fee revenue	<u>77,752</u>	<u>71,380</u>	<u>149,132</u>
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	7	-	7
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	<u>-</u>	<u>-</u>	<u>-</u>
70000	Total revenue	<u>176,884</u>	<u>71,380</u>	<u>248,264</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
	Expenses:			
91100	Administrative salaries	42,568	-	42,568
91200	Auditing fees	4,691	-	4,691
91300	Management fee	-	-	-
91310	Bookkeeping fee	4,151	-	4,151
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions - administrative	6,663	-	6,663
91600	Office expenses	3,059	-	3,059
91700	Legal expense	-	-	-
91800	Travel	461	-	461
91810	Allocated overhead	-	-	-
91900	Other	4,692	6,707	11,399
91000	Total operating - administrative	<u>66,285</u>	<u>6,707</u>	<u>72,992</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	13,424	-	13,424
93200	Electricity	3,388	-	3,388
93300	Gas	22,784	-	22,784
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	6,653	-	6,653
93700	Employee benefit contributions - utilities	-	-	-
93800	Other utilities expense	-	-	-
93000	Total utilities	<u>46,249</u>	<u>-</u>	<u>46,249</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
94100	Ordinary maintenance and operations - labor	29,533	-	29,533
94200	Ordinary maintenance and operations - materials and other	19,407	40,823	60,230
94300	Ordinary maintenance and operations contracts	20,349	-	20,349
94500	Employee benefit contributions - ordinary maintenance	2,693	-	2,693
94000	Total maintenance	<u>71,982</u>	<u>40,823</u>	<u>112,805</u>
95100	Protective services - labor	-	-	-
95200	Protective services - other contract costs	-	-	-
95300	Protective services - other	-	-	-
95500	Employee benefit contributions - protective services	-	-	-
95000	Total protective services	<u>-</u>	<u>-</u>	<u>-</u>
96110	Property insurance	-	-	-
96120	Liability insurance	-	-	-
96130	Workmen's compensation	-	-	-
96140	All other insurance	13,001	-	13,001
96100	Total insurance premiums	<u>13,001</u>	<u>-</u>	<u>13,001</u>
96200	Other general expenses	-	-	-
96210	Compensated absences	-	-	-
96300	Payments in lieu of taxes	-	-	-
96400	Bad debt - tenant rents	-	-	-
96500	Bad debt - mortgages	-	-	-
96600	Bad debt - other	1,015	-	1,015
96800	Severance expense	-	-	-
96000	Total other general expenses	<u>1,015</u>	<u>-</u>	<u>1,015</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>198,532</u>	<u>47,530</u>	<u>246,062</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
97000	Excess of operating revenue over operating expenses	(21,648)	23,850	2,202
	Expenses:			
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses - non-capitalized	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP portability-in	-	-	-
37400	Depreciation expense	50,459	-	50,459
37500	Fraud losses	-	-	-
37600	Capital outlays - governmental funds	-	-	-
37700	Debt principal payment - governmental funds	-	-	-
37800	Dwelling units rent expense	-	-	-
90000	Total expenses	<u>50,459</u>	<u>-</u>	<u>50,459</u>
	Other financing sources (uses):			
10010	Operating transfer in	17,202	-	17,202
10020	Operating transfer out	-	(17,202)	(17,202)
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>17,202</u>	<u>(17,202)</u>	<u>-</u>
10000	Excess (deficiency) of total revenue over (under) total	<u>(54,905)</u>	<u>6,648</u>	<u>(48,257)</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Financial Data Schedule (continued)
June 30, 2015

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
11020	Required annual debt principal payments	-	-	-
11030	Beginning equity	633,724	-	633,724
11040	Prior period adjustments, equity transfers and correction	6,648	(6,648)	-
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	-	-	-
11650	Leasehold improvements purchases	6,648	-	6,648
11660	Infrastructure purchases	-	-	-
13510	CFFP debt service payments	-	-	-
13901	Replacement housing factor funds	-	-	-

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INDEPENDENT AUDITORS' REPORT
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*

Mayor and Board of Trustees
State of New Mexico Housing Authority of the Village of Pecos
And
Mr. Tim Keller
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 and each major fund and the related budgetary comparison of the proprietary funds of the Housing Authority, of the State of New Mexico, Housing Authority (Housing Authority) a department of the Village of Pecos as of and for the year ended June 30, 2015 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 9, 2015.

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.

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
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 (2015-001).

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 item 2015-001.

The Housing Authority's Response to Finding

The Housing Authority's responses to findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The Housing Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 Housing Authority'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 9, 2015

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Summary Schedule of Audit Findings
June 30, 2015

<u>Prior Year Findings</u>		<u>Status</u>
2012-002 [2012-02]	Expenditures in Excess of Budget	Resolved
2013-001 [2013-01]	Compensated Leave Accounting	Resolved
2014-001	Inventory Accounting	Resolved
2014-002	Travel Per Diem Rates	Resolved

Current Year Findings

2015-001 Improper Capitalization

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Schedule of Findings and Responses
June 30, 2015

2015-001 Capital Asset Accounting - Material Weakness

Condition

As part of our audit, we performed a test of controls over expenditures that were capitalized. We found that seven expenditures out of nine expenditures tested, were under the State of New Mexico capitalization threshold of \$5,000 had been incorrectly capitalized. We also found items that one expenditure out of nine expenditures tested, were purchased to re-stock the maintenance supply inventory had been capitalized in error.

Criteria

Per Section 12-6-10 of NMSA 1978, capital purchases in excess of \$5,000 are to be capitalized and inventoried each year. Additionally, only items having a useful life in excess of one year should be capitalized. Inventory items should be expensed in the year used.

Effect

Capital assets were overstated and operated expenses were understated.

Cause

There was confusion as to the statutory requirements for capitalization and supply expense.

Recommendation

We recommend that the Housing Authority capitalize in accordance with Section 12-6-12 of NMSA 1978.

Response

We agree that certain items were capitalized incorrectly and that going forward the Executive Director and the Fee Accountant will review the activity for capitalizing assets in accordance with our capitalization policy.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
Exit Conference
June 30, 2015

Preparation of Financial Statements

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

Exit Conference

An exit conference was held on November 6, 2015 to discuss the audit. The following individuals were in attendance:

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

Tony Jose Roybal, Mayor
Florencio Varela, Chairperson
Ricardo Valenzuela, Housing Authority Executive Director

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Partner
Michael Easley, CPA