

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

Annual Financial Report
For the Year Ended June 30, 2016

INTRODUCTORY SECTION

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
June 30, 2016

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Official Roster
As of June 30, 2016

MAYOR AND BOARD OF TRUSTEES

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

ADMINISTRATIVE STAFF

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

And

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the State of New Mexico, Housing Authority of the Village of Pecos, New Mexico (Housing Authority) (a component unit of the Village of Pecos, New Mexico), as of and for the year ended June 30, 2016, 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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, 2016, 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 funds 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 "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 16, 2016 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 16, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Statement of Net Position
June 30, 2016

Assets	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Current assets:			
Cash and cash equivalents	\$ 27,678	-	27,678
Accounts receivable, net	-	2,286	2,286
Inventory			
Maintenance supplies	17,991	-	17,991
Propane	929	-	929
Prepaid insurance	-	-	-
Restricted cash and cash equivalents - tenant deposits	7,772	-	7,772
Total current assets	54,370	2,286	56,656
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	(1,112,705)	-	(1,112,705)
Total capital assets (net of depreciation)	506,016	-	506,016
Total assets	\$ 560,386	2,286	562,672

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

STATE OF NEW MEXICO
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Statement of Net Position (continued)
June 30, 2016

	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Liabilities			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 3,775	2,286	6,061
Accrued salaries and benefits	3,376	-	3,376
Accrued compensated absences	1,128	-	1,128
Total current liabilities payable from unrestricted assets	8,279	2,286	10,565
Current liabilities, payable from restricted assets			
Tenant security deposits payable	7,589	-	7,589
Total liabilities	15,868	2,286	18,154
Net Position			
Net investment in capital assets	506,016	-	506,016
Unrestricted	38,502	-	38,502
Total net position	\$ 544,518	-	544,518

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Statement of Revenues, Expenditures, and Changes in Net Position
For the Year Ended June 30, 2016

	Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Program	Total
Operating revenues			
Facilities rentals	\$ 101,913	-	101,913
HUD grant and subsidy	<u>72,285</u>	<u>25,126</u>	<u>97,411</u>
Total operating revenues	174,198	25,126	199,324
Operating expenses			
Administrative	62,534	1,300	63,834
Utilities	41,475	-	41,475
Ordinary maintenance	61,949	23,709	85,658
General	13,073	-	13,073
Depreciation	<u>36,242</u>	<u>-</u>	<u>36,242</u>
Total operating expenses	<u>215,273</u>	<u>25,009</u>	<u>240,282</u>
Operating income (loss)	(41,075)	117	(40,958)
Nonoperating revenues (expenses)			
HUD Capital grants	-	-	-
Interest income	<u>9</u>	<u>-</u>	<u>9</u>
Total nonoperating revenues (expenses)	<u>9</u>	<u>-</u>	<u>9</u>
Income (loss) before transfers	<u>(41,066)</u>	<u>117</u>	<u>(40,949)</u>
Transfers in	117	-	117
Transfers out	<u>-</u>	<u>(117)</u>	<u>(117)</u>
Change in net position	(40,949)	-	(40,949)
Net position, beginning of year	<u>585,467</u>	<u>-</u>	<u>585,467</u>
Equity transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 544,518</u>	<u>-</u>	<u>544,518</u>

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

STATE OF NEW MEXICO
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Statement of Cash Flows
For The Year Ended June 30, 2016

	Low Rent Housing	Capital Funds Program	Total
Cash flows from operating activities			
Cash received from HUD for operating purposes	\$ 72,285	25,126	97,411
Cash received from tenants and others for charges	101,913	-	101,913
Cash payments to and on behalf of employees	(64,148)	(1,300)	(65,448)
Cash payments to vendors for goods and services	<u>(108,819)</u>	<u>(23,709)</u>	<u>(132,528)</u>
Net cash provided (used) by operating activities	1,231	117	1,348
Cash flows from noncapital financing activities			
Interprogram net transfers	<u>117</u>	<u>(117)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	117	(117)	-
Cash flows from investing activities			
Interest and dividends on investments	<u>9</u>	<u>-</u>	<u>9</u>
Net cash provided by investing activities	9	-	9
Net increase (decrease) in cash and cash equivalents	1,357	-	1,357
Cash and cash equivalents at beginning of year	<u>34,093</u>	<u>-</u>	<u>34,093</u>
Cash and cash equivalents at end of year	\$ <u>35,450</u>	<u>-</u>	<u>35,450</u>
Shown on statement of net position as:			
Cash and cash equivalents	\$ 27,678	-	27,678
Cash and cash equivalents, restricted - tenant deposits	<u>7,772</u>	<u>-</u>	<u>7,772</u>
	\$ <u>35,450</u>	<u>-</u>	<u>35,450</u>

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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Statement of Cash Flows (continued)
For The Year Ended June 30, 2016

	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	\$ (41,075)	117	(40,958)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	36,242	-	36,242
Change in assets and liabilities:			
Due from grantor	-	-	-
Accounts receivable, net	50	4,028	4,078
Maintenance supplies inventory	(543)	-	(543)
Propane inventory	939	-	939
Prepaid insurance and other charges	321	-	321
Accounts payable	5,046	(4,028)	1,018
Accrued salaries and benefits	(1,621)	-	(1,621)
Accrued compensated absences	611	-	611
Insurance contract payable	-	-	-
Tenant security deposits payable	<u>1,261</u>	<u>-</u>	<u>1,261</u>
Total adjustments	<u>42,306</u>	<u>-</u>	<u>42,306</u>
Net cash (used) provided by operating activities	\$ <u>1,231</u>	<u>117</u>	<u>1,348</u>

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

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

A. Program Goal and the PHA

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

The Housing Authority of the Village of Pecos, New Mexico was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in July 1970. The contract provided for low-rent housing units, the construction of which was financed by bonds guaranteed by the U.S. Government. The terms of the agreement provided that HUD shall provide annual contributions to cover the debt service on bonds used for the construction and subsidies for operations of the program. The Village of Pecos agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

B. Financial Reporting Entity

The Housing Authority of the Village of Pecos is a Department of the Village of Pecos, New Mexico, and is considered a component unit thereof. The Department's basic financial statements include the accounts of all of its departmental operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. There were no component units of the Housing Authority of the Village of Pecos during the year ended June 30, 2016.

C. Basis of Presentation

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

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

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Notes to Financial Statements
June 30, 2016

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

Project No. NM054-00000116D

Capital Funds Program:

Project No. NM02P054501-13

Project No. NM02P054501-14

Project No. NM02P054501-15

Project No. NM02P054501-16

D. Basis of Accounting

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

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

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

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

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

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Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

E. Funds Reporting

Major individual proprietary funds are normally reported as separate columns in the fund financial statements. The Housing Authority of the Village of Pecos only 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.

H. Inventory

Inventory is reported in the Statement of Net Position when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2016, inventory cost amounting to \$929 for propane

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Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

H. Inventory (continued)

delivered, but unused, and \$17,991 in maintenance supplies not yet put in use, are reflected on the Statement of Net Position. Maintenance inventory is valued using the first-in first- out method.

I. Capital Assets and Depreciation

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

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

There was no interest to capitalize on construction.

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

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

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

J. Unpaid Compensated Absences

Accrued compensated absences of the proprietary funds are recorded on the Statement of Net Position. A liability has been recognized for all employees who have unused annual leave and for sick pay for only those employees who will be paid for unused sick leave upon termination. As of June 30, 2016, there was a liability for compensated liabilities in the amount of \$1,128. See Note 7.

K. Operating Revenues and Expenses

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

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Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

K. Operating Revenues and Expenses (continued)

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

L. Interfund Activities

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

At June 30, 2016 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2016 is presented in Note 5.

M. Expenditures of Restricted Sources

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

N. Management Estimates and Assumptions

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

O. Net Position

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

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Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

O. Net Position (continued)

- Net investment in capital assets:
This account represents the total of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Housing Authority had no restricted net assets at June 30, 2016.
- Unrestricted net position:
Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

2. Stewardship, Compliance and Accountability

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

A. Deposits and Investments, Laws and Regulations

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

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

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2. Stewardship, Compliance and Accountability (continued)

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

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

During the year ended June 30, 2016, the Housing Authority of the Village of Pecos (Housing Authority or Authority) had complied with its investment policy and all deposits were insured.

B. Revenue Restrictions

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

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

C. Budgetary Information

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

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

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

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Notes to Financial Statements
June 30, 2016

2. Stewardship, Compliance and Accountability (continued)

C. Budgetary Information (continued)

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, 2016, 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, 2016, 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, 2016, none of the Housing Authority's bank deposits of \$39,269 were subject to custodial credit risk because they were fully FDIC insured.

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

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

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HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Notes to Financial Statements
June 30, 2016

4. Accounts Receivable, Net

At June 30, 2016 there were no accounts receivable consisting of unpaid tenant charges for rent and related charges and amounts due from HUD for Low Rent Housing (LRH) amounted to \$2,286. All amounts are considered collectible, and therefore, at June 30, 2016, there was no allowance for doubtful accounts.

5. Transfers

During the year ended June 30, 2016, the Capital Funds Project (CFP) transferred a total of \$117 in cash to LRH. The transfers were eliminated in the Statement of Activities.

6. Capital Assets

Capital Assets activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Low rent housing:				
Assets not being depreciated				
Land	\$ 14,400	-	-	14,400
	<u>14,400</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
Assets being depreciated				
Land/site improvements	238,463	-	-	238,463
Building and building improvements	1,257,142	-	-	1,257,142
Furniture, fixtures and equipment	108,716	-	-	108,716
	<u>1,604,321</u>	<u>-</u>	<u>-</u>	<u>1,604,321</u>
Less accumulated depreciation				
Land/site improvements	(154,319)	(12,874)	-	(167,193)
Building and building improvements	(831,651)	(22,894)	-	(854,545)
Furniture, fixtures and equipment	(90,493)	(474)	-	(90,967)
	<u>(1,076,463)</u>	<u>(36,242)</u>	<u>-</u>	<u>(1,112,705)</u>
Net capital assets	\$ <u>542,258</u>	<u>(36,242)</u>	<u>-</u>	<u>506,016</u>

Depreciation expense of \$36,242 for the year ended June 30, 2016 has been included in the Statement of Activities as a Low Rent Housing Program expense.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Notes to Financial Statements
June 30, 2016

7. Annual and Sick Leave

Housing Authority staff is entitled to annual leave and sick leave in accordance with the following schedule per pay period:

	<u>Annual Leave</u>	<u>Sick Leave</u>			
Executive Director	2.89 hours	2.89 hours			
Executive Secretary	2.89 hours	2.89 hours			
Maintenance	0.77 hours	0.77 hours			
	<u>Balance June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Compensated absences	\$ <u>517</u>	<u>3,150</u>	<u>(2,539)</u>	<u>1,128</u>	<u>1,128</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.

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.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Notes to Financial Statements
June 30, 2016

10. Individual Fund Disclosures

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

Excess of expenditures over appropriations. Budgetary authority at the fund level. The following funds exceeded approved budgetary authority for the year ended June 30, 2016:

Proprietary Funds:		
Low Rent Housing Fund	\$	<u>(17,216)</u>

11. 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, 2016. Amounts payable to the Village of Pecos for water and sewer at June 30, 2016 were \$1,544.

12. Subsequent Events

The Housing Authority has evaluated subsequent events through November 16, 2016, 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
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Low Rent Housing Fund
Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Operating revenues				
HUD grant and subsidy	\$ 78,600	78,600	72,285	(6,315)
Charges for services	101,840	101,840	101,913	73
Interest	5	5	9	4
Total operating revenues	180,445	180,445	174,207	(6,238)
Operating expenses				
Administrative	62,610	62,610	62,534	76
Utilities	26,610	26,610	41,475	(14,865)
Maintenance	59,515	59,515	61,949	(2,434)
General	13,080	13,080	13,073	7
Total operating expenses	161,815	161,815	179,031	(17,216)
Operating income (loss)	18,630	18,630	(4,824)	(23,454)
Nonoperating revenues (expenses)				
Transfers in	117	117	117	-
Change in net position	\$ 18,747	18,747	(4,707)	(23,454)
Reconciliation to GAAP basis statement:				
Non-budgeted income/expense				
Depreciation			(36,242)	
Change in net position		\$	(40,949)	

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Capital Funds Programs
Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			Variance Favorable
	<u>Original</u>	<u>Final</u>	<u>Actuals</u>	<u>(Unfavorable)</u>
Operating revenues				
HUD operating grants	\$ 73,528	73,528	25,126	(48,402)
HUD capital grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	73,528	73,528	25,126	(48,402)
Operating expenses				
Administrative	15,000	16,206	1,300	14,906
Maintenance	<u>48,848</u>	<u>47,642</u>	<u>23,709</u>	<u>23,933</u>
Total operating expenses	<u>63,848</u>	<u>63,848</u>	<u>25,009</u>	<u>38,839</u>
Operating income (loss)	9,680	9,680	117	(9,563)
Nonoperating revenues (expenses)				
Transfers out	<u>(9,680)</u>	<u>(9,680)</u>	<u>(117)</u>	<u>(9,563)</u>
Change in net position	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciliation to GAAP basis statement:				
Non-budgeted income/expense				
Depreciation			<u>-</u>	
Change in net position		\$	<u>-</u>	

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Schedule of Bank Deposits
June 30, 2016

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits in Transit</u>	<u>Carrying Balance</u>	<u>Fair Value</u>
Deposits with financial institutions						
Southwest Capital Bank:						
Pecos Housing Authority	Non-interest bearing checking	\$ 7,484	(3,869)	5,810	9,425	9,425
Pecos Housing Authority	Non-interest bearing checking	5,860	(5,810)	-	50	50
Pecos Housing Authority	Non-interest bearing checking	7,772	-	-	7,772	7,772
Pecos Housing Authority	Non-interest bearing checking	18,153	-	-	18,153	18,153
	Total deposits with financial institutions	<u>39,269</u>	<u>(9,679)</u>	<u>5,810</u>	<u>35,400</u>	<u>35,400</u>
	Cash on hand					<u>50</u>
	Total petty cash and deposits				\$	<u>35,450</u>
Shown on Statement of Net Position as:						
	Cash and cash equivalents				\$	27,678
	Cash and cash equivalents, restricted - tenant deposits					<u>7,772</u>
					\$	<u>35,450</u>

See independent auditors' report

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Schedule of Vendor Information For Purchases Exceeding \$60,000 (Excluding GRT)
June 30, 2016

<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, 2016								

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule
June 30, 2016

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Assets:				
111	Cash - Unrestricted	\$ 27,678	-	27,678
112	Cash - Restricted - Modernization and Development	-	-	-
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant security deposits	7,772	-	7,772
115	Cash - Restricted for payment of current liabilities	-	-	-
100	Total Cash	<u>35,450</u>	<u>-</u>	<u>35,450</u>
121	Accounts receivable - PHA projects	-	2,286	2,286
122	Accounts receivable - HUD other projects	-	-	-
124	Accounts receivable - other government	-	-	-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	-	-	-
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>-</u>	<u>2,286</u>	<u>2,286</u>
131	Investments - unrestricted	-	-	-
132	Investments - restricted	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-
142	Prepaid expenses and other assets	-	-	-
143	Inventories	18,920	-	18,920
143.1	Allowance for obsolete inventories	-	-	-
144	Inter program due from	-	-	-
145	Assets held for sale	-	-	-
150	Total current assets	<u>18,920</u>	<u>-</u>	<u>18,920</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

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	(1,112,704)	-	(1,112,704)
167	Construction in progress	-	-	-
168	Infrastructure	-	-	-
160	Total capital assets, net of accumulated depreciation	<u>506,017</u>	<u>-</u>	<u>506,017</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	560,387	2,286	562,673
Liabilities:				
311	Bank overdraft	-	-	-
312	Accounts payable \leq 90 days	3,775	2,286	6,061
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	3,376	-	3,376
322	Accrued compensated absences - current portion	1,128	-	1,128
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	7,589	-	7,589
342	Deferred revenues	-	-	-

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

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>15,868</u>	<u>2,286</u>	<u>18,154</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	15,868	2,286	18,154
400	Deferred inflow of resources	-	-	-
508.1	Invested in capital assets, net of related debt	506,016	-	506,016
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	<u>38,502</u>	-	<u>38,502</u>
513	Total equity/net assets	<u>544,518</u>	-	<u>544,518</u>
600	Total liabilities and equity/net assets	\$ <u>560,386</u>	<u>2,286</u>	<u>562,672</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
Revenue:				
70300	Net tenant rental revenue	\$ 92,878	-	92,878
70400	Tenant revenue - other	9,035	-	9,035
70500	Total tenant revenue	<u>101,913</u>	<u>-</u>	<u>101,913</u>
70600	HUD PHA operating grants	72,285	25,126	97,411
70610	Capital grants	-	-	-
70710	Management fee	-	-	-
70720	Asset management fee	-	-	-
70730	Bookkeeping fee	-	-	-
70740	Front line service fee	-	-	-
70750	Other fees	-	-	-
70700	Total fee revenue	<u>72,285</u>	<u>25,126</u>	<u>97,411</u>
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	9	-	9
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-
71310	Cost of sale of assets	-	-	-
71400	Fraud recovery	-	-	-
71500	Other revenue	-	-	-
71600	Gain or loss on sale of capital assets	-	-	-
72000	Investment income - restricted	-	-	-
70000	Total revenue	<u>174,207</u>	<u>25,126</u>	<u>199,333</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
	Expenses:			
91100	Administrative salaries	40,005	-	40,005
91200	Auditing fees	4,511	-	4,511
91300	Management fee	-	-	-
91310	Bookkeeping fee	2,689	-	2,689
91400	Advertising and marketing	-	-	-
91500	Employee benefit contributions - administrative	6,912	-	6,912
91600	Office expenses	2,930	-	2,930
91700	Legal expense	-	-	-
91800	Travel	1,607	-	1,607
91810	Allocated overhead	-	-	-
91900	Other	3,880	1,300	5,180
91000	Total operating - administrative	<u>62,534</u>	<u>1,300</u>	<u>63,834</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	11,326	-	11,326
93200	Electricity	3,472	-	3,472
93300	Gas	19,470	-	19,470
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	7,207	-	7,207
93700	Employee benefit contributions - utilities	-	-	-
93800	Other utilities expense	-	-	-
93000	Total utilities	<u>41,475</u>	<u>-</u>	<u>41,475</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

FDS Line #	Accounts Description	Public		Total
		Low Rent Public Housing	Housing Capital Funds Program	
94100	Ordinary maintenance and operations - labor	22,480	-	22,480
94200	Ordinary maintenance and operations - materials and other	13,645	23,709	37,354
94300	Ordinary maintenance and operations contracts	24,161	-	24,161
94500	Employee benefit contributions - ordinary maintenance	1,663	-	1,663
94000	Total maintenance	<u>61,949</u>	<u>23,709</u>	<u>85,658</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	12,374	-	12,374
96100	Total insurance premiums	<u>12,374</u>	<u>-</u>	<u>12,374</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	699	-	699
96800	Severance expense	-	-	-
96000	Total other general expenses	<u>699</u>	<u>-</u>	<u>699</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>179,031</u>	<u>25,009</u>	<u>204,040</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
97000	Excess of operating revenue over operating expenses	(4,824)	117	(4,707)
	Expenses:			
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses - non-capitalized	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP portability-in	-	-	-
37400	Depreciation expense	36,242	-	36,242
37500	Fraud losses	-	-	-
37600	Capital outlays - governmental funds	-	-	-
37700	Debt principal payment - governmental funds	-	-	-
37800	Dwelling units rent expense	-	-	-
90000	Total expenses	<u>36,242</u>	<u>-</u>	<u>36,242</u>
	Other financing sources (uses):			
10010	Operating transfer in	117	-	117
10020	Operating transfer out	-	(117)	(117)
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>117</u>	<u>(117)</u>	<u>-</u>
10000	Excess (deficiency) of total revenue over (under) total	<u>(40,949)</u>	<u>-</u>	<u>(40,949)</u>

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STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Financial Data Schedule (continued)
June 30, 2016

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Funds Program	Total
11020	Required annual debt principal payments	-	-	-
11030	Beginning equity	585,467	-	585,467
11040	Prior period adjustments, equity transfers and correction	-	-	-
11050	Changes in compensated absence balance	568	-	568
11060	Changes in contingent liability balance	-	-	-
11070	Changes in unrecognized pension transition liability	-	-	-
11080	Changes in special term/severance benefits liability	-	-	-
11090	Changes in allowance for doubtful accounts - dwelling rents	-	-	-
11100	Changes in allowance for doubtful accounts - other	-	-	-
11170	Administrative fee equity	-	-	-
11180	Housing assistance payments equity	-	-	-
11190	Unit months available	372	-	372
11210	Number of unit months leased	367	-	367
11270	Excess cash	-	-	-
11610	Land purchases	-	-	-
11620	Building purchases	-	-	-
11630	Furniture and equipment - dwelling purchases	-	-	-
11640	Furniture and equipment - administrative purchases	-	-	-
11650	Leasehold improvements purchases	-	-	-
11660	Infrastructure purchases	-	-	-
13510	CFFP debt service payments	-	-	-
13901	Replacement housing factor funds	-	-	-

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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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Housing Authority, of the State of New Mexico, Housing Authority (Housing Authority) a component of the Village of Pecos as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and the related budgetary comparison of the proprietary funds presented as supplementary information and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Responses* as item 2016-001, 2016-002 and 2016-003.

The Housing Authority's Response to Finding

The Housing Authority's responses to findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The Housing Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 16, 2016

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Schedule of Findings and Responses
June 30, 2016

Prior Year Findings

Status

2015-001	Improper Capitalization	Resolved
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Current Year Findings

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

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
(A COMPONENT UNIT OF THE VILLAGE OF PECOS, NEW MEXICO)
Schedule of Findings and Responses
June 30, 2016

2016-001 Controls Over Bank Reconciliations – Other Matters

Condition: The Housing Authority has stale-dated checks in the amount of \$3,603.74 of which \$2,209.40 are stale-dated payroll checks and \$1,394.34 are stale-dated payroll tax deposits.

Criteria: NMAC 2.20.5 requires that model accounting practices established by the local government division are followed by authorized personnel. The Housing Authority does not have sufficient procedures to account for controls over bank reconciliations.

Effect: Bank reconciliations were not properly reviewed for stale-dated checks and stale-dated checks were not resolved in accordance with regulations.

Cause: The Housing Authority does not have adequate internal control procedures over the bank reconciliation process to determine if outstanding checks are stale-dated and to resolve the stale-dated checks in accordance with regulations.

Recommendations: The Housing Authority should establish and implement procedures over bank reconciliations to ensure that stale-dated checks are resolved in accordance with regulations.

View of Responsible Officials and Planned Corrective Actions: Management has initiated a review of stale items. In the future, outstanding items will be reviewed and investigated on a monthly basis.

2016-002 Controls Over Fixed Assets – Other Matters

Condition: The Housing Authority has the following deficiencies over fixed assets:

- No annual physical inventory performed at fiscal year-end and no required certification of the same.
- Items listed on the fixed assets listing which do not meet capitalization thresholds.
- Items listed on the fixed asset listing which have been disposed.
- Items listed on the fixed asset listing which are fully depreciated and not still in use
- Items listed on the fixed asset depreciation schedule have no depreciation calculated and are not fully depreciated.

Criteria: NMAC 2.20.5 requires that model accounting practices established by the local government division are followed by authorized personnel. Subsection A of Section 12-6-10 NMS 1978 requires an annual physical inventory of equipment on the inventory list and certification of the same. The Housing Authority does not have sufficient procedures to account for controls over fixed assets.

Effect: An annual inventory of fixed assets and a certification of the same was not conducted at June 30, 2016. Fixed assets was not reviewed to record dispositions, fully depreciated items or items which do not meet the capitalization thresholds.

STATE OF NEW MEXICO
HOUSING AUTHORITY OF THE VILLAGE OF PECOS
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Schedule of Findings and Responses
June 30, 2016

Cause: The Housing Authority does not have adequate internal control procedures over the fixed assets.

Recommendations: The Housing Authority should establish and implement procedures over fixed assets to ensure that they are accounted for in accordance with regulations.

View of Responsible Officials and Planned Corrective Actions: Management will perform an annual fixed asset inventory going forward and will adjust the listing for disposals and items no longer in use.

2016-003 Expenditures in Excess of Budget – Noncompliance

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

<u>Proprietary Funds</u>	
Low Rent Housing Fund	\$17,216

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

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

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

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

View of Responsible Officials and Planned Corrective Actions: Management will monitor on a quarterly basis and revise spending levels as needed in a proactive manner going forward.

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

Exit Conference

June 30, 2016

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 16, 2016 to discuss the audit. The following individuals were in attendance:

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

Tony Jose Roybal, Mayor

Florencio Varela, Chairperson

Ricardo Valenzuela, Housing Authority Executive Director

Art Varela, Village Treasurer

Rose Petry, Executive Secretary

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Partner