

STATE OF NEW MEXICO

**HOUSING AUTHORITY OF THE
VILLAGE OF PECOS**

**(A COMPONENT UNIT OF THE
VILLAGE OF PECOS)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

HOUSING AUTHORITY OF THE VILLAE OF PECOS

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HOUSING AUTHORITY OF THE VILLAGE OF PECOS

OFFICIAL ROSTER
JUNE 30, 2018

MAYOR AND BOARD OF TRUSTEES

| <u>Name</u> | <u>Title</u> |
|---------------------------|--------------------|
| <i>Telesfor Benavidez</i> | <i>Mayor</i> |
| <i>Ralph Lopez</i> | <i>Chairperson</i> |
| <i>Armando Gabaldon</i> | <i>Trustee</i> |
| <i>Herman Gallegos</i> | <i>Trustee</i> |
| <i>Brian Sandoval</i> | <i>Trustee</i> |

ADMINISTRATIVE STAFF

| | |
|---------------------------|----------------------------|
| <i>Ricardo Valenzuela</i> | <i>Executive Director</i> |
| <i>Rose M.A. Petry</i> | <i>Executive Secretary</i> |

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson, State Auditor and
Mayor and Board of Trustees
Housing Authority of the Village of Pecos
(A Component Unit 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 Housing Authority of the Village of Pecos (Authority), a component unit of the Village of Pecos, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Mr. Wayne Johnson, State Auditor and
Mayor and Board of Trustees
Housing Authority of the Village of Pecos
(A Component Unit of the Village of Pecos)
Pecos, New Mexico
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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 of Housing Authority of the Village of Pecos, as of June 30, 2018, and the respective changes in financial position and cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and changes in its financial position and cash flows of only that portion of the Village that is attributable to the Authority. They do not purport to, and do not present fairly the financial position of the Village as of June 30, 2018, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Wayne Johnson, State Auditor and
Mayor and Board of Trustees
Housing Authority of the Village of Pecos
(A Component Unit of the Village of Pecos)
Pecos, New Mexico
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Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The management of the Housing Authority of the Village of Pecos, New Mexico presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2018. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be tenant rentals, whereas subsidies and grants from the Department of Housing and Urban Development (HUD) provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$557,249 at the close of the fiscal year ended 2018.
 - o Of this amount, \$452,718 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - o The remainder of \$104,331 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals approximately 50% of the total operating expenditures of \$208,290 for the fiscal year 2018, which means the Authority might be able to operate about six months using the unrestricted assets alone, which is an improvement from the three months in the prior fiscal year.
- The Housing Authority's total net position increased by \$20,322, an increase of approximately 3.8% from the prior fiscal year. This increase is attributable to the net effect of a decrease in operating expenditures and an increase in federal grants and facilities revenue, described in more detail below.
- The increase in net position of these funds was accompanied by a decrease in federal grants for operations of \$28,908.
- The Authority spent \$6,492 on capital asset additions during the fiscal year.
- The Authority increased its cash balances by \$41,608.
- These changes led to an increase in total assets of \$17,155 and a decrease in total liabilities of \$3,167. As related measure of financial health, there are still over \$18.79 of current assets covering each dollar of total current liabilities, which compares with \$7.69 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2018?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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

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

USING THIS ANNUAL REPORT

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

Low Rent Public Housing
Public Housing Capital Fund Program

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

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Reporting the Housing Authority's Most Significant Funds

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

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

FINANCIAL ANALYSIS

The Housing Authority's net position was \$557,249 as of June 30, 2018. Of this amount, \$452,718 was net investment in capital assets, and the remaining \$104,531 was unrestricted. No other specific assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet (Excluding Interfund Transfers) As of June 30, 2018

| | 2018 | 2017 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current assets | \$111,621 | \$74,426 |
| Assets restricted for tenant deposits | 8,250 | 8,620 |
| Capital assets, net of depreciation | 452,718 | 472,388 |
| <i>Total assets</i> | <i>572,589</i> | <i>555,434</i> |
| Deferred outflows of resources | 0 | 0 |
| <i>Total assets and deferred outflows of resources</i> | <i>\$572,589</i> | <i>\$555,434</i> |
| LIABILITIES | | |
| Current liabilities | \$5,939 | \$9,684 |
| Tenant Security Deposits payable | 8,250 | 8,620 |
| Other long-term liabilities | 1,151 | 203 |
| <i>Total liabilities</i> | <i>15,340</i> | <i>18,507</i> |
| Deferred inflows of resources | 0 | 0 |
| NET POSITION | | |
| Net investment in capital assets, net of depreciation | 452,718 | 472,388 |
| Unrestricted net position | 104,531 | 64,539 |
| <i>Total net position</i> | <i>557,249</i> | <i>536,927</i> |
| <i>Total liabilities, deferred inflows of resources, and net position</i> | <i>\$572,589</i> | <i>\$555,434</i> |

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position (Excluding Interfund Transfers) Fiscal Year Ended June 30, 2018

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| OPERATING REVENUES | | |
| Tenant Revenue | \$112,212 | \$107,637 |
| HUD Operating Subsidy | 81,933 | 110,841 |
| <i>Total Operating Revenues</i> | <u>194,145</u> | <u>218,478</u> |
| OPERATING EXPENSES | | |
| Administrative | 71,811 | 72,462 |
| Ordinary Maintenance | 66,990 | 60,848 |
| Utilities | 32,866 | 37,320 |
| General Operating | 10,461 | 14,018 |
| Depreciation | 26,162 | 41,511 |
| <i>Total Operating Expenses</i> | <u>208,290</u> | <u>226,159</u> |
| <i>(Losses) from Operations</i> | 0 | (7,621) |
| NON-OPERATING REVENUES | | |
| Other Income | 1,375 | 0 |
| HUD Capital Grants | 33,004 | 0 |
| Interest and Investment Income | 88 | 30 |
| <i>Total Non-Operating Revenues</i> | <u>34,467</u> | <u>30</u> |
| <i>(Losses) after Non-Operating Revenues</i> | 20,322 | (7,591) |
| Net Increase (Decrease) in Net Position | 20,322 | (7,591) |
| Net Position, Beginning of Year | 536,927 | 544,518 |
| Net Position, End of Year | <u><u>\$557,249</u></u> | <u><u>\$536,927</u></u> |

The net position of these funds increased by \$20,322, or by 3.8%, from those of fiscal year 2017, as explained below. In the narrative that follows, the detail factors causing this change are discussed.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$10,104 or by approximately 4.6%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Total tenant revenue increased by \$4,575 or by approximately 4.3% from that of the prior fiscal year because the amount of rent each tenant pays is based on a sliding scale of their personal income.
- Federal operating revenues from HUD for operations decreased by \$28,908 or by approximately 26.1% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year- to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant.
- Interest income increased by \$58 or by approximately 193% from that of the prior fiscal year primarily due to an increase in the amount on deposit in the savings account and increase in interest rates.
- Capital Grants increased by \$33,004 over the prior year.
- Other income from the rental of the Community Center decreased by \$1,375.

Compared with the prior fiscal year, total operating and non-operating expenses decreased by \$17,869 or by approximately 7.9% but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense decreased by \$15,349 or by approximately 37% from that of the prior fiscal year. The decrease in depreciation expense is due to the prior year one-time adjustment of depreciation on two assets to actual balances.
- Maintenance and repairs increased by \$6,142 or by approximately 10.1% from that of the prior fiscal year.
- Administrative expenses decreased by \$651 or by approximately .8% from that of the prior fiscal year.
- General expenses decreased by \$3,557 or by approximately 25.4% from that of the prior fiscal year. The largest decreases were in liability and property insurance costs.
- Utilities expense decreased by \$4,454 or by approximately 11.9% from that of the prior fiscal year. The largest decreases were in water and propane use due to new restrictions on base tenant allowances.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Housing Authority had a total cost of \$1,627,360 invested in a broad range of assets, as listed below. This amount, not including depreciation, represents increases of \$6,492 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation As of June 30, 2018

| | 2018 | 2017 |
|-------------------------------------|------------------|------------------|
| Land | \$14,400 | \$14,400 |
| Buildings and Building Improvements | 1,257,142 | 1,257,142 |
| Land/Site Improvements | 228,089 | 221,597 |
| Furniture, Fixtures and Equipment | 110,863 | 110,863 |
| Vehicles | 16,866 | 16,866 |
| Accumulated Depreciation | (1,174,642) | (1,148,480) |
| Total | \$452,718 | \$472,388 |

As of the end of the 2018 fiscal year, the Authority is still in the process of completing the 2017 HUD grant.

Debt

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

Budget

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by federal budget than by local economic conditions. The capital budgets for the 2018 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

STATEMENT OF NET POSITION

JUNE 30, 2018

| | Low Rent Fund | Capital Fund Program | Total |
|---------------------------------------|------------------|-------------------------|-------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$98,604 | \$0 | \$98,604 |
| Receivables: | | | |
| Tenants | 2,872 | 0 | 2,872 |
| Inventory | 10,145 | 0 | 10,145 |
| <i>Total current assets</i> | 111,621 | 0 | 111,621 |
| Noncurrent Assets: | | | |
| Restricted Cash - security deposits | 8,250 | 0 | 8,250 |
| Capital Assets: | | | |
| Land | 14,400 | 0 | 14,400 |
| Buildings | 1,257,142 | 0 | 1,257,142 |
| Improvements | 228,089 | 0 | 228,089 |
| Equipment and furniture | 110,863 | 0 | 110,863 |
| Vehicles | 16,866 | 0 | 16,866 |
| Less accumulated depreciation | (1,174,642) | 0 | (1,174,642) |
| <i>Capital assets, net</i> | 452,718 | 0 | 452,718 |
| <i>Total assets</i> | 572,589 | 0 | 572,589 |
| Deferred outflows of resources | 0 | 0 | 0 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 2,294 | 0 | 2,294 |
| Accrued salaries and taxes | 3,645 | 0 | 3,645 |
| Prepaid rent | 0 | 0 | 0 |
| Tenant deposits | 8,250 | 0 | 8,250 |
| <i>Total current liabilities</i> | 14,189 | 0 | 14,189 |
| Compensated absences | 1,151 | 0 | 1,151 |
| <i>Total liabilities</i> | 15,340 | 0 | 15,340 |
| Deferred inflows of resources | 0 | 0 | 0 |
| NET POSITION | | | |
| Net investment in capital assets | 452,718 | 0 | 452,718 |
| Unrestricted | 104,531 | 0 | 104,531 |
| <i>Total net position</i> | \$557,249 | \$0 | \$557,249 |

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

JUNE 30, 2018

| | Low Rent Fund | Capital Fund Program | Total |
|--|-------------------------|-------------------------|-------------------------|
| Operating Revenues | | | |
| Tenant rental revenue | \$109,438 | \$0 | \$109,438 |
| Other tenant revenue | 2,774 | 0 | 2,774 |
| HUD operating subsidy | 81,933 | 0 | 81,933 |
| <i>Total operating revenues</i> | <u>194,145</u> | <u>0</u> | <u>194,145</u> |
| Operating Expenses | | | |
| Personnel services | 60,762 | 0 | 60,762 |
| Employee benefits | 6,968 | 0 | 6,968 |
| Professional services | 9,261 | 6,944 | 16,205 |
| Repairs and maintenance | 38,553 | 7,543 | 46,096 |
| Utilities | 32,866 | 0 | 32,866 |
| General operating | 17,531 | 1,700 | 19,231 |
| Depreciation | 26,162 | 0 | 26,162 |
| <i>Total operating expenses</i> | <u>192,103</u> | <u>16,187</u> | <u>208,290</u> |
| <i>Net operating income (loss)</i> | 2,042 | (16,187) | (14,145) |
| Non-Operating Revenues (Expenses) | | | |
| Other income | 1,375 | 0 | 1,375 |
| HUD capital grants | 0 | 33,004 | 33,004 |
| Interest income | 88 | 0 | 88 |
| <i>Total non-operating revenues (expenses)</i> | <u>1,463</u> | <u>33,004</u> | <u>34,467</u> |
| <i>Income before capital contributions and transfers</i> | 3,505 | 16,817 | 20,322 |
| Capital Contributions and Transfers: | | | |
| Operating transfers in (out) | 10,325 | (10,325) | 0 |
| Capital transfers in | 6,492 | 0 | 6,942 |
| Capital transfers (out) | 0 | (6,492) | (6,942) |
| <i>Total non-operating revenue (expenses)</i> | <u>16,817</u> | <u>(16,817)</u> | <u>0</u> |
| <i>Changes in net position</i> | 20,322 | 0 | 20,322 |
| Net position, beginning of year | 536,927 | 0 | 536,927 |
| <i>Net position, end of year</i> | <u>\$557,249</u> | <u>\$0</u> | <u>\$557,249</u> |

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

STATEMENT OF CASH FLOWS

JUNE 30, 2018

| | Low Rent Fund | Capital Fund Program | Total |
|--|------------------|-------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from tenants | \$109,751 | \$0 | \$109,751 |
| Grants - subsidies | 81,933 | 0 | 81,933 |
| Cash payments to suppliers for goods and services | (95,421) | (16,187) | (111,608) |
| Cash payments to employees for services | (66,073) | 0 | (66,073) |
| <i>Net cash (used) for operating activities</i> | 30,190 | (16,187) | 14,003 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Cash received from other sources | 1,375 | 0 | 1,375 |
| Net change in customer deposits | (370) | 0 | (370) |
| Net transfers in (out) | 10,325 | (10,325) | 0 |
| <i>Net cash provided (used) by noncapital and related financing activities</i> | 11,330 | (10,325) | 1,005 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Cash received from Capital Fund Program | 0 | 33,004 | 33,004 |
| Acquisition and construction of capital assets | 0 | (6,492) | (6,492) |
| <i>Net cash provided by capital and related financing activities</i> | 0 | 26,512 | 26,512 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 88 | 0 | 88 |
| <i>Net cash provided by investing activities</i> | 88 | 0 | 88 |
| <i>Net increase in cash</i> | 41,608 | 0 | 41,608 |
| Cash and cash equivalents, beginning of year | 65,246 | | 65,246 |
| <i>Cash and cash equivalents, end of year</i> | \$106,854 | \$0 | \$106,854 |
| Cash and Cash Equivalents | | | |
| Cash | \$98,604 | \$0 | \$98,604 |
| Restricted | 8,250 | 0 | 8,250 |
| | \$106,854 | \$0 | \$106,854 |

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

STATEMENT OF CASH FLOWS

JUNE 30, 2018

| | Low Rent Fund | Capital Fund Program | Total |
|---|------------------|-------------------------|-----------------|
| Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$2,042 | (\$16,187) | (\$14,145) |
| Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 26,162 | 0 | 26,162 |
| Change in assets and liabilities: | | | |
| (Increase) in tenants' receivable | (2,460) | 0 | (2,460) |
| Decrease in inventories | 7,243 | 0 | 7,243 |
| (Decrease) in accounts payable | (4,454) | 0 | (4,454) |
| Increase in accrued salaries and compensated absences | 1,657 | 0 | 1,657 |
| <i>Total adjustments</i> | 28,148 | 0 | 28,148 |
| <i>Net cash provided by operating activities</i> | \$30,190 | (\$16,187) | \$14,003 |

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2018.

Basis of Presentation

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

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

Low Rent Housing Program:

PHA Code: NM054

Project No. NM054-00000117D

Project No. NM054-00000118D

Capital Funds Program:

Project No. NM02P054501-16

Project No. NM02P054501-17

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018, inventory cost amounting to \$3,514 for propane delivered, but unused, and \$6,631 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.

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 | 5 to 20 years |
| Building and building improvements | 15 to 40 years |
| Furniture, fixtures, and equipment | 5 to 10 years |
| Vehicles | 7 years |

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, 2018, there was a liability for compensated liabilities in the amount of \$1,151.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-operating revenues and expenses.

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, 2018 there were no interfund receivables or payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2018 is presented in Note 5.

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.

Management Estimates and Assumptions

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2018.

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

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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:

- Fully collateralized certificates of deposit that are also FDIC insured.
- Securities of the United States, its agencies or instrumentalities.
- Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions.
- Securities, including student loans that are guaranteed by the United States or the State of New Mexico.
- 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, 2018, the Housing Authority of the Village of Pecos (Housing Authority or Authority) had complied with its investment policy and all deposits were insured.

Revenue Restrictions

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

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

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.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (continued)

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.

NOTE 3. DEPOSITS AND INVESTMENTS

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

Interest rate risk - The Housing Authority attempts to maximize its rate of return while insuring that the investment vehicle is either fully insured or fully collateralized by investments of the Federal Government. During the year ended June 30, 2018, 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, 2018, 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, 2018, none of the Housing Authority's bank deposits of \$108,378 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.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4. ACCOUNTS RECEIVABLE, NET

At June 30, 2018 there was \$2,872 in accounts receivable consisting of unpaid tenant charges for rent and related charges and there were no amounts due from HUD for Low Rent Housing (LRH). All amounts are considered collectible, and therefore, at June 30, 2018, there was no allowance for doubtful accounts.

NOTE 5. TRANSFERS

During the year ended June 30, 2018, the Capital Funds Project (CFP) transferred a total of \$10,325 in cash to LRH. The transfers were eliminated in the Statement of Revenues, Expenditures, and Changes in Net Position.

NOTE 6. CAPITAL ASSETS

| | Balance June 30, 2017 | Reclassifications | Increases | Decreases | Balance June 30, 2018 |
|---|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| Low Rent Housing: | | | | | |
| Assets Not Being Depreciated | | | | | |
| Land | \$14,400 | \$0 | \$0 | \$0 | \$14,400 |
| <i>Total capital assets, not being</i> | <u>14,400</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>14,400</u> |
| Assets being Depreciated | | | | | |
| Land/Site Improvements | 238,463 | (16,866) | 6,492 | 0 | 228,089 |
| Building and Building Improvements | 1,257,142 | 0 | 0 | 0 | 1,257,142 |
| Furniture, Fixtures and Equipment | 110,863 | 0 | 0 | 0 | 110,863 |
| Vehicles | 0 | 16,866 | 0 | 0 | 16,866 |
| <i>Total depreciable capital assets</i> | <u>1,606,468</u> | <u>0</u> | <u>6,492</u> | <u>0</u> | <u>1,612,960</u> |
| Less Accumulated Depreciation: | | | | | |
| Land/Site Improvements | (180,067) | 0 | (10,271) | 0 | (190,338) |
| Building and Building Improvements | (876,599) | 0 | (12,693) | 0 | (889,292) |
| Furniture, Fixtures and Equipment | (91,814) | 14,747 | (1,927) | 0 | (78,994) |
| Vehicle | 0 | (14,747) | (1,271) | 0 | (16,018) |
| <i>Total accumulated depreciation</i> | <u>(1,148,480)</u> | <u>0</u> | <u>(26,162)</u> | <u>0</u> | <u>(1,174,642)</u> |
| <i>Depreciable capital assets, net</i> | <u>457,988</u> | <u>0</u> | <u>(19,670)</u> | <u>0</u> | <u>438,318</u> |
| <i>Business-type capital assets, net</i> | <u>\$472,388</u> | <u>\$0</u> | <u>(\$19,670)</u> | <u>\$0</u> | <u>\$452,718</u> |

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2018 were as follows:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Ammounts Due With One Year |
|------------------------------|--------------------------|-----------|-----------|--------------------------|-------------------------------|
| Accrued compensated absences | \$686 | \$3,097 | \$2,632 | \$1,151 | \$0 |

NOTE 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.

NOTE 9. CONTINGENCIES AND RISK MANAGEMENT

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

NOTE 10. SUBSEQUENT EVENTS

The Housing Authority has evaluated subsequent events through November 30, 2018, is the date the financial statements were available to be issued.

NOTE 11. TAX ABATEMENTS

The Housing Authority is not a participant in any tax abatement agreements that are required to be disclosed under GASB 77.

OTHER SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

SCHEDULE OF DEPOSIT AND INVESTMENTS ACCOUNTS

JUNE 30, 2018

| | Type of Account | Bank Balance | Outstanding Checks | Deposits in Transit | Carrying Balance | Fair Value |
|---|---------------------------|-----------------|-----------------------|------------------------|---------------------|------------------|
| Deposits with financial institutions | | | | | | |
| Southwest Capital Bank: | | | | | | |
| Pecos Housing Authority | Interest bearing checking | \$6,391 | (\$1,574) | \$0 | \$4,817 | \$4,817 |
| Pecos Housing Authority | Interest bearing checking | 5 | 0 | 0 | 5 | 5 |
| Pecos Housing Authority | Interest bearing checking | 8,201 | 0 | 0 | 8,201 | 8,201 |
| Capital Bank: | | | | | | |
| Pecos Housing Authority | Interest bearing savings | 93,781 | 0 | 0 | 93,781 | 93,781 |
| Total deposits with financial institutions | | <u>108,378</u> | <u>(1,574)</u> | <u>0</u> | <u>106,804</u> | <u>106,804</u> |
| Cash on hand | | | | | | <u>50</u> |
| Total petty cash and deposits | | | | | | <u>\$106,854</u> |
| Shown on statement of Net Position as: | | | | | | |
| Cash and cash equivalents | | | | | | 98,604 |
| Cash and cash equivalents, restricted - tenant deposits | | | | | | <u>8,250</u> |
| | | | | | | <u>\$106,854</u> |

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

FINANCIAL DATA SCHEDULE

June 30, 2018

| | | Unaudited #'s | | |
|------------|---|-------------------------|-------------------|-------------------------|
| FDS | | Low Rent Public | Capital Funds | |
| Line # | Account Description | Housing | Program | Total |
| 111 | Cash - Unrestricted | \$98,604 | \$0 | \$98,604 |
| 114 | Cash - Tenant Security Deposits | 8,250 | 0 | 8,250 |
| 100 | Total Cash | <u>106,854</u> | <u>0</u> | <u>106,854</u> |
| 126 | Accounts Receivable - Tenants | 2,872 | 0 | 2,872 |
| 126.1 | Allowance for Doubtful Accounts - Tenants | 0 | 0 | 0 |
| 120 | Total Receivables, net of Allowance for Doubtful Accounts | <u>2,872</u> | <u>0</u> | <u>2,872</u> |
| 142 | Prepaid Expenses and Other Assets | | | |
| 143 | Inventories | 10,145 | 0 | 10,145 |
| 150 | Total Current Assets | <u>119,871</u> | <u>0</u> | <u>119,871</u> |
| 161 | Land | 14,400 | 0 | 14,400 |
| 162 | Buildings | 1,257,142 | 0 | 1,257,142 |
| 163 | Furniture, Equipment & Machinery - Dwellings | 60,445 | 0 | 60,445 |
| 164 | Furniture, Equipment & Machinery - Administration | 67,284 | 0 | 67,284 |
| 165 | Leasehold Improvements | 228,089 | 0 | 228,089 |
| 166 | Accumulated Depreciation | (1,174,642) | 0 | (1,174,642) |
| 167 | Construction in Progress | 0 | 0 | 0 |
| 160 | Total Capital Assets, net of Accumulated Depreciation | <u>452,718</u> | <u>0</u> | <u>452,718</u> |
| 180 | Total Non-Curent Assets | <u>452,718</u> | <u>0</u> | <u>452,718</u> |
| 190 | TOTAL ASSETS | 572,589 | 0 | 572,589 |
| 200 | Deferred Outflows of Resources | 0 | 0 | 0 |
| 290 | TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$572,589</u> | <u>\$0</u> | <u>\$572,589</u> |
| 312 | Accounts Payable <= 90 Days | \$2,294 | \$0 | \$2,294 |
| 321 | Accrued Wages/Payroll Taxes Payable | 3,645 | 0 | 3,645 |
| 322 | Accrued Compensated Absences - Current Portion | 0 | 0 | 0 |
| 333 | Accounts Payable - Other Government | 0 | 0 | 0 |
| 341 | Tenant Security Deposits | 8,250 | 0 | 8,250 |
| 342 | Unearned/Deferred Revenue | 0 | 0 | 0 |
| 310 | Total Current Liabilities | <u>14,189</u> | <u>0</u> | <u>14,189</u> |
| 354 | Accrued Compensated Absences - Non Current | 1,151 | 0 | 1,151 |
| 350 | Total Non-Current Liabilities | <u>1,151</u> | <u>0</u> | <u>1,151</u> |
| 300 | Total Liabilities | <u>15,340</u> | <u>0</u> | <u>15,340</u> |
| 508.4 | Net Investment in Capital Assets | 452,718 | 0 | 452,718 |
| 511.4 | Restricted Net Position | 0 | 0 | 0 |
| 512.4 | Unrestricted Net Position | 104,531 | 0 | 104,531 |
| 513 | Total Equity - NET ASSETS/POSITION | <u>557,249</u> | <u>0</u> | <u>557,249</u> |

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

FINANCIAL DATA SCHEDULE

June 30, 2018

| | | Unaudited #'s | | |
|--------|--|------------------|---------------|------------------|
| FDS | | Low Rent Public | Capital Funds | |
| Line # | Account Description | Housing | Program | Total |
| | TOTAL LIABILITIES AND EQUITY | \$572,589 | \$0 | \$572,589 |
| 400 | Deferred Inflows of Resources | 0 | 0 | 0 |
| 600 | TOTAL LIABILITIES, EQUITY AND DEFERRED INFLOWS OF RESOURCES | \$572,589 | \$0 | \$572,589 |
| 70300 | Net Tenant Rental Revenue | \$109,438 | \$0 | \$109,438 |
| 70400 | Tenant Revenue - Other | 2,774 | 0 | 2,774 |
| 70500 | Total Tenant Revenue | 112,212 | 0 | 112,212 |
| 70600 | HUD PHA Operating Grants | 81,933 | 0 | 81,933 |
| 70610 | Capital Grants | 0 | 33,004 | 33,004 |
| 71100 | Investment Income - Unrestricted | 88 | 0 | 88 |
| 71400 | Fraud Recovery | 0 | 0 | 0 |
| 71500 | Other Revenue | 1,375 | 0 | 1,375 |
| 70000 | TOTAL REVENUE | 195,608 | 33,004 | 228,612 |
| 91100 | Administrative Salaries | 41,906 | 0 | 41,906 |
| 91200 | Auditing Fees | 5,644 | 5,644 | 11,288 |
| 91310 | Bookkeeping Fee | 3,617 | 1,300 | 4,917 |
| 91500 | Employee Benefit Contributions - Administrative | 4,930 | 0 | 4,930 |
| 91600 | Office Expenses | 6,443 | 900 | 7,343 |
| 91700 | Legal Expenses | 0 | 0 | 0 |
| 91800 | Travel | 627 | 800 | 1,427 |
| 91900 | Other | 0 | 0 | 0 |
| 91000 | Total Operating - Administrative | 63,167 | 8,644 | 71,811 |
| 92400 | Tenant Services - Other | 0 | 0 | 0 |
| 92500 | Total Tenant Services | 0 | 0 | 0 |
| 93100 | Water | 10,890 | 0 | 10,890 |
| 93200 | Electricity | 2,773 | 0 | 2,773 |
| 93300 | Gas | 13,105 | 0 | 13,105 |
| 93600 | Sewer | 6,098 | 0 | 6,098 |
| 93800 | Other Utilities | 0 | 0 | 0 |
| 93000 | Total Utilities | 32,866 | 0 | 32,866 |
| 94100 | Ordinary Maintenance and Operations - Labor | 18,856 | 0 | 18,856 |
| 94200 | Ordinary Maintenance and Operations - Materials & Other | 17,933 | 7,543 | 25,476 |
| 94300 | Ordinary Maintenance and Operations - Contracts | 20,620 | 0 | 20,620 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | 2,038 | 0 | 2,038 |
| 94000 | Total Maintenance | 59,447 | 7,543 | 66,990 |

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

FINANCIAL DATA SCHEDULE

June 30, 2018

| | | Unaudited #'s | | |
|--------------|---|------------------------|-----------------------|------------------------|
| FDS | | Low Rent Public | Capital Funds | |
| Line # | Account Description | Housing | Program | Total |
| 96110 | Property Insurance | \$4,916 | \$0 | \$4,916 |
| 96120 | Liability Insurance | 1,709 | 0 | 1,709 |
| 96130 | Workmen's Compensation | 1,933 | 0 | 1,933 |
| 96140 | All Other Insurance | 1,903 | 0 | 1,903 |
| 96100 | Total Insurance Premiums | <u>10,461</u> | <u>0</u> | <u>10,461</u> |
| 96200 | Other General Expenses | 0 | 0 | 0 |
| 96400 | Bad debt - Tenant Rents | 0 | 0 | 0 |
| 96000 | Total - Other General Expenses | <u>0</u> | <u>0</u> | <u>0</u> |
| 96900 | Total Operating Expenses | <u>165,941</u> | <u>16,187</u> | <u>182,128</u> |
| 97000 | Excess of Operating Revenue over Operating Expenses | <u>29,667</u> | <u>16,817</u> | <u>46,484</u> |
| 97400 | Depreciation Expense | <u>26,162</u> | <u>0</u> | <u>26,162</u> |
| 90000 | TOTAL EXPENSES | <u>192,103</u> | <u>16,187</u> | <u>208,290</u> |
| 10010 | Operating Transfers In | 10,325 | 0 | 10,325 |
| 10020 | Operating Transfers Out | 0 | (10,325) | (10,325) |
| 10100 | Total Other Financing Sources (Uses) | <u>10,325</u> | <u>(10,325)</u> | <u>0</u> |
| 10000 | EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES | <u><u>\$13,830</u></u> | <u><u>\$6,492</u></u> | <u><u>\$20,322</u></u> |
| 11030 | Beginning Equity | \$536,927 | \$0 | \$536,927 |
| 11040 | Restatements | 6,492 | (6,492) | 0 |
| 11050 | Changes in Compensated Absences Balance | 0 | 0 | 0 |
| 11190 | Unit Months Available | 372 | 0 | 0 |
| 11210 | Number of Unit Months Leased | 367 | 0 | 0 |
| 11270 | Excess Cash | 90,515 | 0 | 90,515 |
| 11650 | Leasehold Improvements Purchases | 0 | 6,492 | 6,492 |

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

Independent Auditor's Report

Mr. Wayne Johnson State Auditor and
Mayor and Board of Trustees
Housing Authority of the Village of Pecos
(A Component Unit of the Village of Pecos)
Pecos, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the Village of Pecos, a component unit of the Village of Pecos as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

Mr. Wayne Johnson State Auditor and
Mayor and Board of Trustees
Housing Authority of the Village of Pecos
(A Component Unit of the Village of Pecos)
Pecos, New Mexico
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2018-001, 2018-002, 2018-003.

Compliance and Other Matters

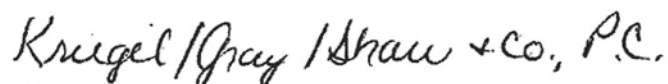
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2018-004 and 2017-002.

The Housing Authority of the Village of Pecos's Response to Findings

The Housing Authority of the Village of Pecos's response to the findings is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the Village of Pecos's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

November 30, 2018

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS:

2018-001 Deposit of Public Funds – Significant Deficiency

Statement of Condition – As part of our audit, we documented internal controls over cash receipts. It was noted during inspection of deposits that cash receipts (cash, checks and money orders) are not deposited within the time limits established by the Housing Authority. During this fiscal year, the Housing Authority made, on average, 3 deposits per month while the average individual number of receipting days was 5 per month. Of the 40 receipts chosen, 15 receipts tested were made with checks or money orders. We were able to trace those receipts directly to the deposit and then to the general ledger. Of these 15 receipts, eight violated the given policy but were deposited within 5 business days (\$2,001.00). Of the remaining receipts tested (cash receipts), we were unable to trace the receipt to a specific deposit (\$5,761.89). A comparison of total receipts per month to total deposits per month indicated that all receipts received in a given month were deposited in that same month. However, a month by month comparison of date of last receipt to date of last deposit yielded six months of non-compliance with two specific instances of cash deposited beyond five business days (\$348.00).

Criteria – Effective November 18, 2013, the Housing Authority established a deposit policy whereby deposits are required to be made on Monday, Wednesday and Friday as needed to meet public money requirements.

Cause – Oversight.

Effect – The Housing Authority is not in compliance with state statute and Housing Authority policy over depositing of public monies.

Recommendation – Housing Authority administration should make deposits per their established deposit policy of Monday, Wednesday and Friday as needed to meet public money requirements.

Management's Response – Effective immediately, the Executive Director will ensure that deposits are made per the established policy of Monday, Wednesday, and Friday, when funds have been received.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS (CONTINUED):

2018-002 Internal Controls over Disbursements – Significant Deficiency

Statement of Condition – During our review of the internal controls related to the cash disbursements system and our testing of the cash disbursement transactions, we discovered the following deviations:

- Of the forty disbursements tested, there were seven occasions where gross receipts tax was paid on materials.
- As part of his job description, the Executive Director prepares all disbursements for the Authority. The ED is an authorized check signer for all checking accounts held for the Authority. Per Housing Authority policy, the ED may be the only signer on disbursements less than \$1,500.00. On one disbursement for \$1,697.00, the ED was the only signer.
- Of the forty disbursements tested, one disbursement did not have any backup documentation. This disbursement was to the US Post Office.
- Of the forty disbursements tested, one check was written for cash in the amount of \$1,200.00

Criteria – Internal controls are established to safeguard the assets of the Housing Authority from unauthorized use. An internal control procedure established by the Board requires two authorized signatures on each check where the amount exceeds \$1,500. When checks are presented to the authorized check signers, the supporting documentation such as invoices for the goods or services are attached to the payment voucher. The use of two authorized check signers on all disbursements allows two individuals the opportunity to review the supporting documentation to determine valid and accurate Authority payables.

Effect – When the Executive Director prepares all the documentation for payment and is allowed to be the only signer on the check, the control established is defeated. Allowing only one individual to prepare, review, and sign all disbursements, increases the opportunity to have fictitious vendors receiving payment or simple errors to be made. Without the proper segregation of duties established, there is ample opportunity for error or fraud.

Cause – The Board of Directors has approved a policy allowing only one signature on all checks less than \$1,500.00.

Recommendation – We recommend the Board of Directors amend the check signature policy. We recommend the Board of Directors review and determine if all checks should be reviewed and signed by two individuals. Additionally, we recommend that part of that review should include a review of the NM gross receipts tax requirements for government entities on payment of gross receipts tax on materials.

Management Response – The Executive Director will review state policy on payment of gross receipts tax and provide vendors with information on exempt status and no longer pay GRT on materials effective immediately. Additionally, the Executive Director has received approval to add the Village of Pecos Treasurer to the list of approved check signers. Lastly, the Executive Director has retained a qualified information technology contractor for future IT issues and will ensure that all disbursements will have appropriate back-up.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS (CONTINUED):

2018-003 Payroll Disbursement and Related Policies – Significant Deficiency

Condition – As part of our audit, we tested internal controls over eight payroll disbursements. In our review, we noted that for one pay cycle, the employees were paid with two checks. The second check was initiated when it was found that the initial check was incorrect. Additionally, of the eight payroll disbursements, three were made to the Executive Director. Of these three checks, only one had two signatures. The other two disbursements to the Executive Director were signed only by the Executive Director.

Criteria – Internal controls are established to safeguard the assets of the Authority from unauthorized use. An internal control procedure established by the Board requires two authorized signatures on each check where the amount exceeds \$1,500. When checks are presented to the authorized check signers, the supporting documents, such as timesheets, are attached to the payment voucher. The use of two authorized check signers on all disbursements, including payroll, allows two individuals the opportunity to review the supporting documentation to determine valid and accurate payroll disbursements.

Effect – When the Executive Director prepares all documentation for payroll payment and is allowed to be the only signer on the check, the control established is defeated. Allowing only one individual to prepare, review and sign all payroll disbursements increases the opportunity for fraud or simple errors to occur. Without the proper segregation of duties established, there is ample opportunity for mistakes.

Cause – The Board of Directors has approved a policy allowing only one signature on all checks less than \$1,500.

Recommendation – We recommend the Board of Directors amend the check signature policy. We recommend the Board of Directors review and determine if all checks should be reviewed and signed by two individuals, especially when the payment is made to the Executive Director.

Management Response – Starting immediately the Executive Director and the Fee Accountant will work together to ensure that the Fee Accountant has sufficient time to prepare the payroll information by the date of the payroll, eliminating the need for corrected checks.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS (CONTINUED):

2018-004 Compliance with I-9 requirements – Other Non-Compliance

Condition – As part of our audit, we tested internal controls over eight payroll disbursements. We determined that one of the three employees tested did not have a completed I-9 in the personnel file.

Criteria – The I-9 form, Employment Eligibility Verification Form, is used to verify the identity and legal authorization to work of all paid employees in the United States. Every employee hired after November 6, 1986 must complete an I-9 Form at the time of hire. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the U.S.

Effect – The Housing Authority is not in compliance with the Immigration Reform and Control Act of 1986.

Cause – Oversight. A blank form is in the file for the employee; however, it is incomplete.

Recommendation – The Housing Authority should require the employee to complete Section 1 of the form immediately. The Housing Authority should then complete Section 2 and sign.

Management Response – The Executive Director has completed the I-9 form that was incomplete and will comply with time requirements for all future new employees.

2017-002 Controls Over Revenue – Other Non-compliance

Statement of Condition – The Housing Authority has the following deficiencies over revenues:

- One tenant tested did not report all sources of income. (The same tenant had the same issue in the prior fiscal.)

Progress from prior year – Income thresholds and program rents were updated and therefore this portion of prior year finding was not repeated.

Criteria – HUD regulations require that all sources of income, monetary and nonmonetary be included in the process of determining eligibility for public housing.

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

Cause – Oversight. The same tenant had the same issue in the prior fiscal year. The Housing Authority did not monitor income levels for the tenant working for the Housing Authority.

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

Management's Response – The Executive Director has updated the records for the tenant file, including a letter to the tenant and instructions in the tenant file for reference. The Executive Director is responsible for the implementation and will ensure that any tenant that works for the Housing Authority will be in compliance with FY-18 (and future) Income Limits.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT STATUS

2007-001 Firm 1099 - Non-Compliance

Resolved

2017-002 Controls over Revenue - Other Non-Compliance

Resolved with Modification

2017-003 (2016-003) Expenditures in Excess of Budget – Non-Compliance

Resolved

FINDINGS AND QUESTIONED COSTS - Major Federal Award Programs

None.

HOUSING AUTHORITY OF THE VILLAGE OF PECOS

(A Component Unit of the Village of Pecos)

EXIT CONFERENCE

JUNE 30, 2018

EXIT CONFERENCE:

The exit conference was held November 30, 2018 and was attended by the following:

Representing Housing Authority of the Village of Pecos:

Telesfor Benavidez, Mayor
Ricardo Valenzuela, Housing Authority Executive Director
Rose Petry, Executive Secretary

Representing Kriegel/Gray/Shaw & Co., P.C.:

Ken Shaw, CPA/Shareholder
Kristi Granados, CPA, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of the financial statements is the responsibility of management. Although, the Housing Authority of the Village of Pecos's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.