

**State of New Mexico**  
**Village of Pecos Housing Authority**  
**(A Component Unit of the Village of Pecos, New Mexico)**

**ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

(This page is intentionally left blank)

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
Table of Contents  
JUNE 30, 2019**

**Page No.**

**INTRODUCTORY SECTION:**

Official Roster.....5

**FINANCIAL SECTION:**

Independent Auditors' Report.....8-10

Management Discussion and Analysis.....12-16

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Financial Statements:

Statement of Net Position (Exhibit A-1) .....18

Statement of Revenues, Expenses, and Changes in Net Position  
(Exhibit A-2) .....19

Statement of Cash Flows (Exhibit A-3).....20

Notes to the Financial Statements.....21-31

**SUPPORTING SCHEDULES:**

Schedule of Deposits and Investments (Schedule III) .....34

Financial Data Schedule (Schedule V) .....35-39

**COMPLIANCE SECTION**

Independent Auditors 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 .....42-43

Schedule of Findings and Questioned Costs and Responses .....44-45

Exit Conference.....46

**ST STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
OFFICIAL ROSTER  
JUNE 30, 2019**

**BOARD OF DIRECTORS**

Telesfor Benavidez .....Mayor  
Ralph Lopez..... Chairperson  
Armando Gabaldon ..... Trustee  
Herman Gallegos ..... Trustee  
Brian Sandoval ..... Resident Member

**ADMINISTRATIVE OFFICIALS**

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

(This page is intentionally left blank)

## **FINANCIAL SECTION**



Auditors~Consultants~CPA

## **INDEPENDENT AUDITORS' REPORT**

Brian Colón, ESQ  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Mayor and Board of Trustees  
Village of Pecos Housing Authority  
(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 Village of Pecos Housing Authority (the "Authority"), a component unit of the Village of Pecos, New Mexico as of and for the year ended June 30, 2019, 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 responsibility 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 Governmental 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, and accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 opinion.

## **Opinion**

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 Authority as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-16 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's Basic financial statements. The Supporting Schedule I required by Section 2.2.2 NMAC, and Schedule II (Financial Data Schedule), as required by the U.S Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supporting Schedule I and Schedule II, are the responsibility of management and were derived from, and relate 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 supporting Schedule I and Schedule II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 18, 2019 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.

*Southwest Accounting Solutions, LLC*

Southwest Accounting Solutions, LLC  
Albuquerque, New Mexico  
November 18, 2019

**REQUIRED SUPPLEMENTARY INFORMATION  
(MANAGEMENT'S DISCUSSION AND ANALYSIS)**

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Introduction**

This Management's Discussion and Analysis (MD&A) of the Village of Pecos Housing Authority (Authority) provides an introduction and overview to the financial statements of the Village of Pecos Housing Authority for the fiscal year ended June 30, 2019. The Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2019, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has two individual programs. They include the Low Rent Public Housing Program and the Capital Fund Program.

The Low Rent Program consists of 31 dwelling units (and 1 common area unit). Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula.

The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.

**Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows-Excluded from MD&A

**The Statement of Net Position** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2019 to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2019.

**Financial Highlights**

- The Village of Pecos Housing Authority's total net position increased from \$557,249 in 2018, to \$616,021 in 2019, representing an increase of \$58,772, or 11% from the previous year.
- Total revenues increased from \$228,612 in 2018 to \$288,236 in 2019, representing an increase of 26% due to increase of tenant revenue from the previous year.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**Housing Authority Activities & Highlights**

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2019 and June 30, 2018.

<u>Category</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 207,875	\$ 111,621	\$ 96,254	86%
Noncurrent Assets	427,721	460,968	(33,247)	-7%
Total Assets	<u>635,596</u>	<u>572,589</u>	<u>63,007</u>	<u>11%</u>
Total assets	<u><b>635,596</b></u>	<u><b>572,589</b></u>	<u><b>63,007</b></u>	<u><b>11%</b></u>
Current Liabilities	11,423	14,189	(2,766)	-19%
Noncurrent Liabilities	8,152	1,151	7,001	608%
Total Liabilities	<u>19,575</u>	<u>15,340</u>	<u>4,235</u>	<u>28%</u>
Investment in Capital Assets	427,721	452,718	(24,997)	-6%
Unrestricted	188,300	104,531	83,769	80%
Total Net Position	<u>616,021</u>	<u>557,249</u>	<u>58,772</u>	<u>11%</u>
Total liabilities and net position	<u><b>\$ 635,596</b></u>	<u><b>\$ 572,589</b></u>	<u><b>\$ 63,007</b></u>	<u><b>11%</b></u>

***Summary Statement of Net Position  
Years Ended June 30, 2019 and 2018***

Current assets increased from \$111,621 in 2018 to \$207,875 in 2019 a change of \$96,254 or 86%. This is primarily due to an increase in cash.

***Noncurrent Assets***

Noncurrent assets decreased by \$33,247 in 2019. The primary reason for the decrease is due to annual depreciation expense.

***Current Liabilities***

The Authority's current liabilities decreased from \$14,189 to \$11,423, a decrease of \$2,766 or 19% for the current year.

***Net Position***

The Authority's total net position increased by \$58,772 from the previous year due to various changes in assets/liabilities, mainly due to an increase in cash.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The Authority's unrestricted component of net position increased from \$104,531 to \$188,300 an increase of \$83,769 or 80% for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

***Summary Statement of Revenues & Expenses and Changes in Net Position  
Years Ended June 30, 2019 and 2018***

<u>Category</u>	<u>2019</u>	<u>2018</u>	<u>Change \$</u>	<u>Change %</u>
<b>Revenues</b>				
Tenant Revenue	\$ 134,339	\$ 112,212	\$ 22,127	20%
HUD Operating Grant	113,348	81,933	31,415	38%
Hud Capital Grants	37,885	33,004	4,881	15%
Interest Income	88	88	-	0%
Other Revenue	2,576	1,375	1,201	87%
Total Revenue	<u>288,236</u>	<u>228,612</u>	<u>59,624</u>	<u>26%</u>
<b>Expenses</b>				
Administration	64,577	71,811	(7,234)	-10%
Ordinary maintenance	84,218	66,990	17,228	26%
Insurance	11,867	10,461	1,406	13%
Utilities	37,981	32,866	5,115	16%
General expenses	5,822	0	5,822	100%
Depreciation	24,999	26,162	(1,163)	-4%
Total Expense	<u>229,464</u>	<u>208,290</u>	<u>21,174</u>	<u>10%</u>
Excess of Revenue over Expenses	58,772	20,322	38,450	
Net Position, Beginning	<u>557,249</u>	<u>536,927</u>	<u>20,322</u>	<u>4%</u>

**Results of Operations**

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased by \$59,624 during the current Fiscal Year. Significant changes in revenues are as follows:

- HUD Operating Grants increased by \$31,415 primarily due to higher grant awards received in the Low Rent Program. There were Capital Grants of \$37,885 for 2019.

The Authority's total expenses increased by \$21,174 from the previous year. Significant changes in expenses are as follows:

- Administrative expenses decreased by \$7,234 or 10% during the current year, primarily due to decreased administrative expense due to lower hours worked by employees and lower accounting expense during the year.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

- Ordinary maintained increased in fiscal year 2019 by \$17,778 due to deferred maintenance in previous years and the authority receiving higher capital revenues to make needed repairs to structures that did not qualify to be capitalized.
- All other expense items were within a reasonable range of change for the year, other than a change for general expense which was due to reallocation.

***Capital Assets***

As of June 30, 2019, the Village of Pecos Housing Authority's total capital assets were \$427,721. This investment includes land, buildings, and equipment.

<u>Category</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 14,400	\$ 14,400	\$ -	0%
Buildings	1,257,143	1,257,143	-	0%
Leashold Improvements	244,955	228,089		
Furniture, fixtures and equipment	110,863	110,863	-	0%
Accumulated depreciation	-1,199,640	-1,174,642	(24,998)	2%
Total Capital Assets	<u>\$ 427,721</u>	<u>\$ 435,853</u>	<u>\$ (8,132)</u>	<u>-2%</u>

The change in capital assets is primary due to the recording of depreciation of the assets over their useful lives. This is all done in the in the Low Income Fund.

***Debt Administration***

The Authority had no debt obligations as of June 30, 2019.

**Subsequent Event**

HUD has finalized the funding levels for the 2019 calendar year. Operating subsidy for the Low Rent Housing Program is prorated at 93.17%.

The Housing Authority is primarily dependent upon HUD for funding of operations; therefore, the Housing Authority is more affected by the federal budget than the local economic conditions. The capital budgets for the 2019 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing properties.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF PECOS)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Exhibit A-1

	<u>Low Rent Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and Equivalents	\$ 179,407	\$ -	\$ 179,407
Restricted cash	8,152	-	8,152
Accounts receivable (Net)	5,472	-	5,472
Inventory (Net)	14,844	-	14,844
<b>Total current assets</b>	<u>207,875</u>	<u>-</u>	<u>207,875</u>
<b>Non Current Assets</b>			
Capital assets	1,627,361	-	1,627,361
Less: Accumulated depreciation	(1,199,640)	-	(1,199,640)
<b>Total non-current assets</b>	<u>427,721</u>	<u>-</u>	<u>427,721</u>
<b>Total assets</b>	<u>\$ 635,596</u>	<u>\$ -</u>	<u>\$ 635,596</u>
<b>Liabilities and net position</b>			
Current Liabilities			
Accounts payable	7,042	\$ -	\$ 7,042
Accrued liabilities	3,501	-	3,501
Compensated absences	880	-	880
<b>Total current liabilities</b>	<u>11,423</u>	<u>-</u>	<u>11,423</u>
Noncurrent liabilities			
Tenant deposits (Restricted)	8,152	-	8,152
<b>Total noncurrent liabilities</b>	<u>8,152</u>	<u>-</u>	<u>8,152</u>
<b>Total liabilities</b>	<u>19,575</u>	<u>-</u>	<u>19,575</u>
<b>Net position</b>			
Net investment in capital assets	427,721	-	427,721
Unrestricted	188,300	-	188,300
<b>Total net position</b>	<u>616,021</u>	<u>-</u>	<u>616,021</u>
<b>Total liabilities and net position</b>	<u>\$ 635,596</u>	<u>\$ -</u>	<u>\$ 635,596</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF PECOS)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**JUNE 30, 2019**

Exhibit A-2

	<u>Low Rent Housing Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Tenant revenue	\$ 130,261	\$ -	\$ 130,261
Other Tenant Revenue	4,078	-	4,078
Operating subsidies and grants	80,555	70,678	151,233
<b>Total revenues</b>	<u>214,894</u>	<u>70,678</u>	<u>285,572</u>
<b>Operating expenses</b>			
Administrative	64,577	-	64,577
Maintenance	46,333	37,885	84,218
Insurance	11,867	-	11,867
Utilities	37,981	-	37,981
General expense	5,822	-	5,822
Depreciation	24,999	-	24,999
<b>Total operating expenses</b>	<u>191,579</u>	<u>37,885</u>	<u>229,464</u>
<b>Operating income (loss)</b>	<u>23,315</u>	<u>32,793</u>	<u>56,108</u>
<b>Non-operating revenues (expense)</b>			
Interest income	88	-	88
Misc. income	2,576	-	2,576
<b>Total non-operating revenues (expense)</b>	<u>2,664</u>	<u>-</u>	<u>2,664</u>
<b>Income (loss) before contributions and transfers</b>	<u>25,979</u>	<u>32,793</u>	<u>58,772</u>
Transfers In (Out)	32,793	(32,793)	-
<b>Change in Net Position</b>	<u>58,772</u>	<u>-</u>	<u>58,772</u>
Net Position - Beginning	557,249	-	557,249
<b>Net Position - Ending</b>	<u>\$ 616,021</u>	<u>\$ -</u>	<u>\$ 616,021</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2019**

Exhibit A-3

	Low Income Housing Fund	Capital Projects Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from tenant rents	\$ 131,739	\$ -	\$ 131,739
Cash payments to employees for services	(65,090)	-	(65,090)
Cash received from subsidies/grants	80,555	70,678	151,233
Cash Payments to suppliers for goods and services	(101,954)	(37,885)	(139,839)
<b>Net cash provided by (used in) operating activities</b>	<u>45,250</u>	<u>32,793</u>	<u>78,043</u>
<b>Cash flows from non-capital financing activities:</b>			
Miscellaneous income	2,576	-	2,576
Transfers	32,793	(32,793)	-
<b>Net cash provided (Used in) by noncapital financing activities</b>	<u>35,369</u>	<u>(32,793)</u>	<u>2,576</u>
<b>Cash flows from capital and related financing activities</b>			
Interest	88	-	88
<b>Net cash provided by (used in) capital and related financing Activities</b>	<u>88</u>	<u>-</u>	<u>88</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	47,914	-	47,914
<b>Cash and cash equivalents, beginning of year</b>	106,852	-	106,852
<b>Cash and cash equivalents, end of year</b>	<u>\$ 154,766</u>	<u>\$ -</u>	<u>\$ 154,766</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income (Loss)	\$ 23,315	\$ 32,793	\$ 56,108
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation	24,999	-	24,999
<b>Changes in assets and liabilities</b>			
Receivables	(2,600)	-	(2,600)
Inventory	(4,699)	-	(4,699)
Accounts payable	4,748	-	4,748
Accrued salaries and benefits	(144)	-	(144)
Comp absences	(369)	-	(369)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 45,250</u>	<u>\$ 32,793</u>	<u>\$ 78,043</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Pecos Housing Authority, New Mexico (the Authority), was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD). The contract provided for clean, safe, sanitary housing which would be financed by the U.S. Government. The terms of the agreement provide that HUD shall provide annual contributions to cover the debt services on bonds for the 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.

The primary goal of the Low Income Housing Fund 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 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 Low Income Housing Fund Program. The PHA is a local housing authority (LHA) governed by an appointed board of directors who employ an administrative staff headed by an executive director.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The Authority reports the following quantitatively major funds:

- Low Rent Housing Project - Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- Public Housing Capital Fund Program - This program is funded by HUD and is for the purpose of upgrading existing rental properties.

**A. Financial Reporting Entity**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Authority has no component units; however, it is a component unit of the Village of Pecos, New Mexico.

***B. Basis of Accounting and Measurement Focus***

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position is segregated into net investment in capital assets; restricted; and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***B. Basis of Accounting and Measurement Focus (continued)***

**Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grants revenue in the accompanying financial statements, except for annual debt service contributions, which are recorded as non-operating revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

***C. Assets, Liabilities, and Net Position***

**Deposits and Investments**

The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an agency of the United States of America. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6- 10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and/or credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

***C. Assets, Liabilities, and Net Position***

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable and Accounts Payable**

Inter-fund activity is reported as loans, services provided reimbursements or transfers. Loans are reported together as inter-fund 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 expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers.

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Inventories**

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded and valued as expenditure at the time of consumption. Inventory for the Authority is valued at cost.

**Restricted Cash and Cash Equivalents**

Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements. These mostly involve various insurance policies.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Position (continued)**

**Capital Assets**

Capital assets, which include property, plant, and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$750 (amount not rounded, per policy of the Housing Authority) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) is included as part of the Authority's capital assets reported in the basic financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-40 yrs.
Furniture, Fixtures and Equipment	5-10 yrs.
Vehicles	7 years

**Accrued Expenses**

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current and noncurrent maturities of compensated absences, discussed more fully below.

**Compensated Absences**

Accrued compensated absences of the Housing Authority are recorded on the Statement of Net Position. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave and sick leave for only those employees who will be paid for unused sick leave upon termination.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Position (continued)**

**Net Position**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components:

- **Net Investment in Capital Assets** – This component consists of capital assets, net of accumulated depreciation.
- **Restricted Net Position** – Net position is reported as restricted when constraints placed on an asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Unrestricted and Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Inter-program Transactions**

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as a reduction of expenses in the fund that is reimbursed.

All other inter-program transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-program transfers are reported as operating transfers.

Offsetting inter-program transactions are eliminated for financial statement presentation.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities, and Net Position (continued)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences, allowance for obsolete inventory and the allowance for uncollectible accounts.

**Budgets**

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. 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.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. It is prepared on a non-GAAP budgetary basis and adheres to HUD guidelines. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 2. DEPOSITS AND INVESTMENTS**

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

As of June 30, 2019, all of the Authority's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2019, none of the Authority's bank balance of \$189,330 was subject to custodial credit risk.

	<b>Southwest Capital Bank</b>
Total Deposits	\$ 189,330
FDIC Coverage	(189,330)
Total Uninsured	\$ -
Collateralized Securities	-
Uninsured and uncollateralized	\$ -
Collateralized requirement (50%)	\$ -
Pledged Securities	-
Over (under) collateralization	\$ -

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 2. DEPOSITS AND INVESTMENTS (continued)**

The Carrying Amount of deposits and investments shown above are included in the Housing Authority's Statement of Net position as follows:

Cash (Exhibit A-1)	\$ 179,407
Restricted cash (Exhibit A-1)	<u>8,152</u>
Total cash and cash equivalents	<u>187,559</u>
Add: outstanding checks	1,821
Less: outstanding deposits	-
Less Petty Cash	<u>(50)</u>
Bank balance of deposits	<u><u>\$ 189,330</u></u>

**NOTE 3. RECEIVABLES**

Receivables all receivable balances of \$5,472 as reported on the Statement of Net Position are for tenant receivables and are considered fully collectable.

**NOTE 4. CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2019. Land and Construction in Progress are not subject to depreciation:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Balance June 30, 2019</b>
Capital assets not being depreciated:			
Land	\$ 14,400	\$ -	\$ 14,400
Total capital assets, not depreciated	<u>14,400</u>	<u>-</u>	<u>14,400</u>
Capital assets being depreciated			
Buildings and improvements	1,485,232	-	1,485,232
Furnitures, Fixtures and improvement	<u>127,729</u>	<u>-</u>	<u>127,729</u>
Total capital assets, depreciated	<u>1,612,961</u>	<u>-</u>	<u>1,612,961</u>
Total capital assets	<u><u>1,627,361</u></u>		<u><u>1,627,361</u></u>
Less: accumulated depreciation			
Buildings and improvements	1,079,630	23,073	1,102,703
Furnitures, Fixtures and improvement	<u>95,012</u>	<u>1,925</u>	<u>96,937</u>
Total accumulated depreciation	<u>1,174,642</u>	<u>24,998</u>	<u>1,199,640</u>
Capital Assets, Net	<u><u>\$ 452,719</u></u>		<u><u>\$ 427,721</u></u>

There were no capital asset deletions in fiscal year 2019.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 5. LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2019:

	<b>Balance, June</b>			<b>Balance, June</b>	
	<b>30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>30, 2019</b>	<b>Current Portion</b>
Compensated Absences	\$ 1,151	\$ 1,667	\$ (1,938)	\$ 880	\$ 880
<b>Total</b>	<u>1,151</u>	<u>1,667</u>	<u>(1,938)</u>	<u>880</u>	<u>880</u>

The Authority also holds no lease requirement as of June 30, 2019.

**NOTE 6. CONTINGENT LIABILITIES**

*Legal Proceedings* — the Authority is subject to various legal proceedings that arise in the ordinary course of the Authority's operations. In the opinion of the Authority's management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the Authority as of June 30, 2019.

*Federal Grants* — The Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

**NOTE 7. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority obtains coverage from commercial insurance companies for the risks of loss mentioned above. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The Authority continues to carry commercial insurance for all other risks.

**NOTE 8. POST-EMPLOYMENT BENEFITS – PERA and STATE RETIREE HEALTH CARE PLAN**

The Authority does not participate in PERA or in the New Mexico Retiree Health Care Fund.

**NOTE 10. CONCENTRATIONS**

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

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 11. TRANSFERS**

The Housing Authority had the following transfers at year end June 30, 2019:

	Transfer In	Transfer Out	Amount
Low Income		Capital Projects	\$ 32,793
Total			\$ 32,793

**NOTE 12. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 18, 2019, which is the date on which the financial statements were available to be issued. No events requiring disclosure in, or adjustment to the financial statements of the Housing Authority, took place subsequent to year end.

**NOTE 13. LEASES**

The Housing Authority has no leases at year end June 30, 2019.

**NOTE 14. RELATED PARTY TRANSACTIONS**

The Village of Pecos is considered a related party of the Authority. For the year ended June 30, 2019 the authority paid the Village \$18,399 for water and waste water fees.

(This page is intentionally left blank)

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF PECOS)**  
**SCHEDULE OF DEPOSITS**  
**JUNE 30, 2019**

Schedule I

<u>Bank Account/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Southwest Capital Bank	Checking	\$ 42,974	\$ -	\$ 1,820	\$ 41,154
Total Citizens Bank		<u>42,974</u>	<u>-</u>	<u>1,820</u>	<u>41,154</u>
Southwest Capital Bank Restricted	Checking	8,152	-	-	8,152
Total Restricted		<u>8,152</u>	<u>-</u>	<u>-</u>	<u>8,152</u>
Southwest Capital Bank Money Market Funds	Checking	138,203	-	-	138,203
Total-Money Market Funds		<u>138,203</u>	<u>-</u>	<u>-</u>	<u>138,203</u>
Total Deposits		<u>189,329</u>	<u>-</u>	<u>1,820</u>	187,509
Petty Cash					50
Total Deposits and Petty Cash					<u>\$ 187,559</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2019**

Schedule II  
Page 1 of 5

Line Item #	Description	Low Income Housing Program	Public Housing Capital Fund	Total
111	Cash - unrestricted	\$ 179,407	\$ -	\$ 179,407
114	Cash - tenant security deposits	8,152	-	8,152
	<b>Total Cash</b>	<u>187,559</u>	<u>\$ -</u>	<u>187,559</u>
	<b>Accounts Receivable - HUD Other</b>			
125	Accounts receivable -Net	5,472	-	5,472
	Total Receivables	<u>5,472</u>	<u>-</u>	<u>5,472</u>
	<b>Inventories - HUD Other</b>			
143	Inventories-Net	14,844	-	14,844
	Total Other Current Assets	<u>14,844</u>	<u>-</u>	<u>14,844</u>
	Total Current Assets	<u>207,875</u>	<u>-</u>	<u>207,875</u>
161	Land	14,400	-	14,400
162	Buildings	1,257,143	-	1,257,143
163	Furniture equipment and machinery - dwellings	60,445	-	60,445
164	Furniture equipment and machinery - administration	50,418	-	50,418
165	Leasehold improvements	244,955	-	244,955
166	Accumulated depreciation	(1,199,640)	-	(1,199,640)
	Total Fixed Assets	<u>427,721</u>	<u>-</u>	<u>427,721</u>
	<b>Total Assets</b>	<u>\$ 635,596</u>	<u>\$ -</u>	<u>\$ 635,596</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2019**

Schedule II  
 Page 2 of 5

Line Item #	Description	Low Rent Housing Program	Public Housing Capital Fund	Total
312	Accounts payable <=90 Days	\$ 7,042	\$ -	\$ 7,042
321	Accrued Liabilities	3,501	-	3,501
322	Compensated absences - current portion	880	-	880
310	<b>Total Current Liabilities</b>	<u>11,423</u>	<u>-</u>	<u>11,423</u>
341	Tenant security deposits	8,152	-	8,152
	<b>Total Noncurrent Liabilities</b>	<u>8,152</u>	<u>-</u>	<u>8,152</u>
	<b>Total Liabilities</b>	<u>19,575</u>	<u>-</u>	<u>19,575</u>
508.1	Net investment in capital assets	427,721	-	427,721
512.1	Unrestricted net position	188,300	-	188,300
513	<b>Total Equity/Net Position</b>	<u>616,021</u>	<u>-</u>	<u>616,021</u>
	<b>Total Liabilities and Equity/Net Position</b>	<u>\$ 635,596</u>	<u>\$ -</u>	<u>\$ 635,596</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2019**

Schedule II  
Page 3 of 5

<b>Line Item #</b>	<b>Description</b>	<b>Low Rent Housing Program</b>	<b>Public Housing Capital Fund</b>	<b>Total</b>
70300	Net tenant rental revenue	\$ 130,261	\$ -	\$ 130,261
70400	Tenant revenue - other	4,078	-	4,078
70500	<b>Total Tenant Revenue</b>	<u>134,339</u>	<u>-</u>	<u>134,339</u>
70600	HUD PHA operating grants	80,555	70,768	113,348
70610	Capital Grants	-	-	-
71100	Investment income - unrestricted	88	-	88
71500	Other Revenue	2,576	-	2,576
70000	<b>Total Other Revenue</b>	<u>83,219</u>	<u>70,768</u>	<u>116,012</u>
91100	Administrative salaries	43,346	-	43,346
91200	Auditing fees	10,723	-	10,723
91500	Advertising	198	-	198
91600	Employee benefits	4,092	-	4,092
91700	Office expense	4,175	-	4,175
91800	Travel	246	-	246
91900	Other operating - administrative	5,889	-	5,889
	<b>Total Operating - Administrative</b>	<u>68,669</u>	<u>-</u>	<u>68,669</u>
93100	Water	11,880	-	11,880
93200	Electric	3,056	-	3,056
93300	Gas	16,392	-	16,392
93600	Sewer	6,653	-	6,653
93000	<b>Total Utilities</b>	<u>\$ 37,981</u>	<u>\$ -</u>	<u>\$ 37,981</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2019**

Schedule II  
Page 4 of 5

Line Item #	Description	Low Rent Housing Program	Public Housing Capital Fund	Total
94100	Ordinary maintenance and operation - labor	\$ 17,821	\$ -	\$ 17,821
94200	Ordinary maintenance and operation - materials	11,522	37,885	49,407
94300	Ordinary maintenance and operation - contracts	16,990	-	16,990
94500	Employee benefits - Unemployment	1,730	-	1,730
94000	<b>Total Maintenance</b>	<u>48,063</u>	<u>37,885</u>	<u>85,948</u>
96110	Property insurance	7,745	-	7,745
96120	Liability insurance	303	-	303
96130	Workman's compensation	2,010	-	2,010
96140	All other insurance	1,809	-	1,809
96100	<b>Total Insurance Premiums</b>	<u>11,867</u>	<u>-</u>	<u>11,867</u>
96200	Other general expense	-	-	-
96400	Bad debt tenant rents	-	-	-
96000	<b>Total Other General</b>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total Operating Expenses</b>	<u>166,580</u>	<u>37,885</u>	<u>204,465</u>
	<b>Excess of Operating Revenues over Operating Expenses</b>	<u>\$ 50,978</u>	<u>\$ 32,793</u>	<u>\$ 45,886</u>
97400	Depreciation expense	24,999	-	24,999
	<b>Total Other Expenses</b>	<u>24,999</u>	<u>-</u>	<u>24,999</u>
10010	Operating transfers In	-	-	-
10020	Operating transfers out	-	-	-
10092	Equity transfer	32,793	(32,793)	-
10100	<b>Total Other Financing Sources (Uses)</b>	<u>32,793</u>	<u>(32,793)</u>	<u>-</u>
	<b>Excess of Revenue over Expenses</b>	<u>\$ 58,772</u>	<u>\$ -</u>	<u>\$ 20,887</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**VILLAGE OF PECOS HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF FORT SUMNER)**  
**FINANCIAL DATA SCHEDULE**  
**JUNE 30, 2019**

<u>Line Item #</u>	<u>Description</u>	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund</u>	<u>Total</u>
11030	Beginning Equity	\$ 557,249	\$ -	\$ 557,249
	<b>Ending Equity</b>	<u>\$ 616,021</u>	<u>\$ -</u>	<u>\$ 578,136</u>
11190	Unit months available	372	-	372
11210	Number of unit months leased	369	-	369
11620	Building purchases	-	-	-
11621	Furniture	-	-	-

See Independent Auditors' Report

(This page is intentionally left blank)

## **COMPLIANCE SECTION**



Auditors~Consultants~CPA

INDEPENDENT AUDITOR'S 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*

Brian Colon, ESQ  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Mayor and Board of Trustees  
Village of Pecos Housing Authority  
(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 and each major fund, of the Village of Pecos Housing Authority (the Authority), as of and for the year ended June 30, 2019, 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 18, 2019.

**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.

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 Authority's financial statements are free from 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 questioned Costs as item FS 2019-001 (2018-001).

### **The Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Southwest Accounting Solutions, LLC*

Albuquerque, New Mexico

November 18, 2019

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SUMMARY OF AUDIT RESULTS**

***Financial Statements:***

- |  |                   |
|--|-------------------|
| 1. Type of auditors' report issued                     | <b>UNMODIFIED</b> |
| 2. Internal control over financial reporting:          |                   |
| a. Material weakness identified?                       | <b>No</b>         |
| b. Significant deficiencies identified?                | <b>Yes</b>        |
| c. Noncompliance material to the financial statements? | <b>No</b>         |

**SECTION II – PRIOR YEAR AUDIT FINDINGS**

**FS 2017-002: Controls over Revenue — Other Non-Compliance – Resolved**

**FS 2018-001: Deposit of Public Funds — Significant Deficiency – Repeated and Modified**

**FS 2018-002: Internal Controls over Disbursements — Significant Deficiency – Resolved**

**FS 2018-003: Payroll Disbursement and Related Polices — Significant Deficiency – Resolved**

**FS 2018-004: Compliance with I-9 Requirements — Other Non-Compliance – Resolved**

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SECTION III - AUDIT FINDINGS**

**FS 2019-001 (2018-001) – Deposit of Public Funds– Non-compliance-Repeated/Modified**

**Condition:** During our internal control test-work over cash receipts, we noted that 5 out of 70 cash receipts tested, totaling \$1,603.02, were not deposited by the next business day; rather they were deposited within 72 hours of receipt. The Authority did not make adequate progress to remove this finding.

**Criteria:** The state statute 6-10-3 NMSA requires all money collected to be deposited by the following business days, and in addition internal policy requires timely deposits as well.

**Effect:** The Authority is not in compliance section 6-10-3 NMSA.

**Cause:** Housing Authority Staff maintains they were not aware of the requirements prior to the previous audit, and thereby the cause would be oversight.

**Auditors' Recommendations:** We recommend the Housing Authority continue to train employees on the State and internal policies surrounding cash handling.

**Management's Response:** Management is now aware of the issue and has begun depositing funds the next business day.

**Responsible Party:** Executive Director.

**Timeline:** By December 2019.

**STATE OF NEW MEXICO  
VILLAGE OF PECOS HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF PECOS)  
EXIT CONFERENCE  
JUNE 30, 2019**

**EXIT CONFERENCE:**

An exit conference was held on November 18, 2019. In attendance were the following:

**Representing the Fort Sumner Housing Authority:**

Telesfor Benavidez, Chairman/Mayor

Ricardo Valenzuela, Executive Director

Rose Petry, Executive Secretary

**Representing Southwest Accounting Solutions, LLC:**

Geoff Mamerow, CFE

**Auditor Prepared Financial Statements:**

Southwest Accounting Solutions, LLC prepared the GAAP based financial statements and the footnotes of the Fort Sumner Housing Authority from the original books and records provided to them by the Authority. The responsibility of the financial statements remains with the Authority.