

**HOUSING AUTHORITY OF THE VILLAGE OF PECOS**

**VILLAGE OF PECOS, NEW MEXICO**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**For the Year Ended June 30, 2008**

**With Independent Auditor's Reports Thereon**

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**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
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**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
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**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
OFFICIAL ROSTER  
June 30, 2008**

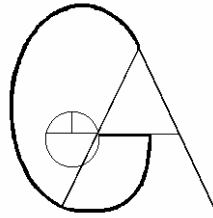
**Mayor and Board of Trustees**

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

**Administrative Staff**

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

## **FINANCIAL SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
Mayor Tony Jose Roybal  
And Board of Trustees  
Housing Authority of the Village of Pecos  
Village of Pecos, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

I have audited the accompanying financial statements of the business type activities and each major fund of the Housing Authority of the Village of Pecos, New Mexico (Housing Authority) (a Department of the Village of Pecos, New Mexico) as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. I also have audited the budgetary comparison statements for each major fund of the Housing Authority's proprietary type funds as presented as Supplementary Data. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the financial statements of the Housing Authority are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pecos, New Mexico that is attributable to the transactions of the Housing Authority. They do not purport to, and do not, present fairly the financial position of the Village of Pecos, New Mexico, as of June 30, 2008, and the respective changes in its financial position, and cash flows, where applicable, thereof and the budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT, continued

In my 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 Pecos Housing Authority, Village of Pecos, New Mexico, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for each major fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly the budget comparisons of the Housing Authority for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 12, 2008, on my consideration of the Housing Authority's internal control over financial reporting and on my 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 my 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* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying financial information listed as Other Supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority. Such schedule and information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Albuquerque, New Mexico  
December 12, 2008



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2008**

This section of the Pecos Housing Authority annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights**

- Net assets of the Authority decreased from \$827,221 to \$788,859 as of June 30, 2008.
- Total revenues of the Authority's enterprise units decreased by \$22,843 primarily due to decreased activity in its Capital Fund grants that were active during this fiscal year.
- The Authority's net capital assets decreased by \$34,544. Current year additions of \$9,651 were offset by depreciation of \$44,195.

**Overview of the Financial Statements**

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Authority.

- The first two statements are Government-wide financial statements that provide information about the Authority's overall financial position and results of its operations. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.
- The remaining statements are the Balance Sheet, Statement of Revenues, Expenses, and changes in Fund Net Assets and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section. That explains some of the information in the Authority-wide, and fund financial statements, and provides more detailed data.

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. All of the Authority's activities are business-type and are reported in proprietary funds.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. The Authority has one fund type.

**Financial Analysis of the Authority as a Whole**

Net Assets. The combined net assets of the Authority decreased by \$38,362 or a little less than 5% from the June 30, 2007 amount. The following table shows a summary of changes from prior year amounts.

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	% Change
Cash and Investments	49,715	61,586	(11,871)	(19%)
Accounts Receivable	367	297	70	23%
Prepaid Expenses	13,000	4,613	8,387	181%
Total Current Assets	63,082	66,496	(3,414)	(5%)
Capital Assets (net)	737,569	772,113	(34,544)	(4%)
Accounts Payable	8,714	5,274	3,440	65%
Tenant Security Deposits	5,107	3,426	1,681	49%
Other Liabilities	1,785	2,688	(903)	(34%)
Total Current Liabilities	15,606	11,388	4,218	37%
Net Assets	788,859	827,221	(38,362)	(5%)

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

Cash and investments decreased \$11,871 primarily due to the net increase in operating expenses that was not off set by an increase in operating grants.

**Combined Statement of Revenues, Expenses and Changes in Net Assets**

A condensed Statement of Revenues, Expenses, and changes in Fund Net Assets for the fiscal year ended June 30, 2008 is shown in the table below.

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	% Change
Charges for Service	99,645	93,832	5,813	6%
Operating Grants	121,973	123,133	(1,160)	(1%)
Interest	709	619	90	14%
Operating Revenues	<u>222,327</u>	<u>217,584</u>	4,743	2%
Operating Expenses	<u>265,014</u>	<u>228,409</u>	36,605	16%
Operating Income (loss)	<u>(42,687)</u>	<u>(10,825)</u>	31,862	294%
Capital Grants	<u>4,325</u>	<u>31,911</u>	(27,586)	(86%)
Changes in net Assets	<u>(38,362)</u>	<u>21,086</u>	(59,448)	(182%)

Charges for services increased by 6% during the year. Capital grants decrease reflects a less active Capital Fund grant program during this cycle. The operating subsidies/grants decreased by \$1,160.

Overall expenses increased by 16% compared to the prior year.

**Budgetary Highlights**

The Housing Authority budget was not adjusted during the fiscal year.

**Fund Balance Analysis**

A decrease to fund balance occurred during the year ended June 30, 2008, \$38,362. Increases in operating expenses not offset by increases in revenues account for the decrease to fund balance.

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008**

**Capital Asset and Debt Administration**

There was an overall net decrease in net capital assets during the year ended June 30, 2008 because the current year depreciation expense exceeded additions to capital assets.

The following schedule summarizes the changes in capital assets during the year.

	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Of Year</u>
Assets not being depreciated:				
Land	\$ <u>14,400</u>	_____	_____	<u>14,400</u>
Assets being depreciated:				
Land/Site Improvements	162,532	5,326		167,858
Building and building improvements	1,178,857			1,178,857
Machinery and equipment	<u>91,350</u>	<u>4,325</u>	_____	<u>95,675</u>
Total Cost	<u>1,447,139</u>	<u>9,651</u>	_____	<u>1,456,790</u>
Accumulated Depreciation	<u>(675,026)</u>	<u>(44,195)</u>	_____	<u>(719,221)</u>
Net capital assets	\$ <u>772,113</u>	<u>(34,544)</u>	_____	<u>737,569</u>

**Economic Factors and Next Year's Budgets**

Funding is determined at the federal level. HUD appropriated the 2008 budgets at 88.96%. HUD expects to appropriate the 2009 budgets at an 88% level of funding. In addition, the Housing Authority continues to receive Capital Fund Program Grants that are used to make improvements to the physical assets of the Housing Authority and improvements to management.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information would be addressed to the Executive Director, P.O. Box 904. Pecos, New Mexico 87552-0904.

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Business Type Activities</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 49,715
Accounts receivable, net of allowance for doubtful accounts of \$ 200	367
Inventory	13,000
Temporary restricted Assets:	
Cash and cash equivalents	5,107
Capital assets not being depreciated:	
Land	14,400
Capital assets net of accumulated depreciation:	
Buildings and improvements	602,545
Leasehold improvements	99,999
Machinery and equipment	20,625
Total assets	<u>805,758</u>
<b>LIABILITIES</b>	
Accounts payable	8,714
Accrued salaries and benefits	1,074
Prepaid tenant rent	452
Security deposits	5,107
Noncurrent liabilities:	
Due within one year	259
Due in more than one year	1,293
Total liabilities	<u>16,899</u>
<b>NET ASSETS</b>	
Net assets invested in capital assets	737,569
Unrestricted	51,290
Total net assets	<u>\$ 788,859</u>

**SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements**

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Business-type activities:					
Housing Services	\$ <u>265,014</u>	<u>99,645</u>	<u>121,973</u>	<u>4,325</u>	<u>(39,071)</u>
	<u>265,014</u>	<u>99,645</u>	<u>121,973</u>	<u>4,325</u>	<u>(39,071)</u>
General revenues:					
Interest on investments					<u>709</u>
Change in net assets					<u>(38,362)</u>
Net assets at beginning of year					<u>827,221</u>
Net assets at end of year					<u>\$ 788,859</u>

SEE INDEPENDENT AUDITOR'S OPINIONS  
The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
BALANCE SHEET  
June 30, 2008

United State Department of  
Housing and Urban Development  
Programs

	Low Rent Housing	Capital Funds Programs	Totals
<b><u>ASSETS</u></b>			
Current, unrestricted assets:			
Cash and cash equivalents	\$ 49,715		49,715
Accounts receivable, net	367		367
Inventory	13,000		13,000
Total unrestricted current assets	<u>63,082</u>		<u>63,082</u>
Current, restricted assets:			
Cash and cash equivalents:			
Tenant security deposits	5,107		5,107
Total current restricted assets	<u>5,107</u>		<u>5,107</u>
Total current assets	<u>68,189</u>		<u>68,189</u>
Capital assets:			
Land	14,400		14,400
Site Improvements	167,858		167,858
Buildings and building improvements	1,178,857		1,178,857
Furniture, fixtures and equipment	95,675		95,675
Total capital assets	<u>1,456,790</u>		<u>1,456,790</u>
Less accumulated depreciation	<u>(719,221)</u>		<u>(719,221)</u>
Net capital assets	<u>737,569</u>		<u>737,569</u>
Total assets and other debits	<u>\$ 805,758</u>		<u>805,758</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
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PECOS, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
BALANCE SHEET, continued  
June 30, 2008

	United State Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Programs	Totals
<b><u>LIABILITIES AND EQUITY</u></b>			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 8,714		8,714
Accrued salaries and benefits	1,074		1,074
Prepaid tenant rent	452		452
Accrued compensated absences	259		259
Total current liabilities payable from unrestricted assets	<u>10,499</u>		<u>10,499</u>
Current liabilities, payable from restricted assets:			
Tenant security deposits payable	<u>5,107</u>		<u>5,107</u>
Total current liabilities payable from restricted assets	<u>5,107</u>		<u>5,107</u>
Total current liabilities	<u>15,606</u>		<u>15,606</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	<u>1,293</u>		<u>1,293</u>
Total liabilities	<u>16,899</u>		<u>16,899</u>
Net Assets:			
Invested in capital assets	737,569		737,569
Unrestricted	<u>51,290</u>		<u>51,290</u>
Total net assets	<u>788,859</u>		<u>788,859</u>
Total liabilities and equity	<u>\$ 805,758</u>		<u>805,758</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements



**STATE OF NEW MEXICO**  
**HOUSING AUTHORITY OF THE VILLAGE OF PECOS**  
**(A DEPARTMENT OF THE VILLAGE OF PECOS)**  
**PECOS, NEW MEXICO**  
**PROPRIETARY FUNDS / ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2008**

	<b>United States Department of Housing and Urban Development Programs</b>		
	<b>Low Rent Housing</b>	<b>Capital Funds Programs</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 99,645		99,645
Operating grants	82,760	39,213	121,973
	<u>182,405</u>	<u>39,213</u>	<u>221,618</u>
Operating expenses:			
Administrative	57,395	17,887	75,282
Utilities	61,384		61,384
Ordinary maintenance	68,573		68,573
General	11,980		11,980
Extraordinary maintenance		3,600	3,600
Depreciation	44,195		44,195
Total operating expenses	<u>243,527</u>	<u>21,487</u>	<u>265,014</u>
Net operating income (loss)	<u>(61,122)</u>	<u>17,726</u>	<u>(43,396)</u>
Nonoperating income (expenses):			
Capital grants		4,325	4,325
Interest income	709		709
Total nonoperating revenue (expenses)	<u>709</u>	<u>4,325</u>	<u>5,034</u>
Income (loss) before transfers	(60,413)	22,051	(38,362)
Transfers in	22,051		22,051
Transfers out		(22,051)	(22,051)
Change in net assets	(38,362)		(38,362)
Fund net assets, at beginning of year,	<u>827,221</u>		<u>827,221</u>
Fund net assets, at end of year	<u>\$ 788,859</u>		<u>788,859</u>

**SEE INDEPENDENT AUDITOR'S REPORTS**  
**The Accompanying Notes Are An Integral Part Of These Financial Statements**

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2008**

	<b>United States Department of Housing and Urban Development Programs</b>		
	<b>Low Rent Housing</b>	<b>Capital Funds Programs</b>	<b>Totals</b>
Cash flows from operating activities:			
Cash received from customers/tenants	\$ 100,587		100,587
Cash received from grantors for operating purposes	82,760	39,213	121,973
Cash paid to and on behalf of employees	(41,212)		(41,212)
Cash paid to vendors for goods and services	(162,008)	(21,487)	(183,495)
Net cash flows from operating activities	<u>(19,873)</u>	<u>17,726</u>	<u>(2,147)</u>
Cash flows from noncapital financing activities:			
Cash transfers between funds	17,726	(17,726)	
Net cash flows from noncapital financing activities	<u>17,726</u>	<u>(17,726)</u>	
Cash flows from capital and related financing activities:			
Purchase of property, plant and equipment (capital assets)	(5,326)	(4,325)	(9,651)
Cash received from grantors for capital assets acquisitions		4,325	4,325
Net cash flows from capital and related financing activities	<u>(5,326)</u>		<u>(5,326)</u>
Cash flows from investing activities:			
Investment income received	709		709
Net cash flows from investing activities	<u>709</u>		<u>709</u>
Net increase (decrease) in cash and cash equivalents	(6,764)		(6,764)
Cash and cash equivalents, at beginning of year	61,586		61,586
Cash and cash equivalents, end of year	<u>\$ 54,822</u>		<u>54,822</u>
Shown on Exhibit 3 as:			
Unrestricted cash and cash equivalents	\$ 49,715		49,715
Restricted cash and cash equivalents	<u>5,107</u>		<u>5,107</u>
	<u>\$ 54,822</u>		<u>54,822</u>
Noncash Capital and related financing activities:			
Transfer of capital assets	\$ 4,325	(4,325)	

**SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements**

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
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PECOS, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS, continued  
For the Year Ended June 30, 2008

	United States Department of Housing and Urban Development Programs		Totals
	Low Rent Housing	Capital Funds Programs	
<b><u>Reconciliation Of Operating Income (loss) To Net Cash Flows From Operating Activities</u></b>			
Net operating income (loss)	\$ (61,122)	17,726	(43,396)
Adjustment to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	44,195		44,195
(Increase) decrease in assets:			
Account receivable	(70)		(70)
Prepaid expenses	4,613		4,613
Inventory	(13,000)		
Increase (decrease) in liabilities:			
Accounts payable	3,921		3,921
Accrued salaries and benefits	(1,614)		(1,614)
Accrued compensated absences	1,551		1,551
Tenant security deposits	1,682		1,682
Tenant prepaid rent	452		452
Other current liabilities	(481)		(481)
Cash flows from operating activities	<u>\$ (19,873)</u>	<u>17,726</u>	<u>10,853</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**STATE OF NEW MEXICO**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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  - C. Accounts Receivable, Net
  - D. Transfers
  - E. Capital Assets

**STATE OF NEW MEXICO  
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**INDEX, continued**

NOTE, continued

4. OTHER NOTES
  - A. Annual and Sick Leave
  - B. Economic Dependency
  - C. Risk Management
  - D. Contingent Liabilities
  - E. Expenditures in Excess of Budget

**STATE OF NEW MEXICO**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**A. PROGRAM GOAL AND THE PHA**

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

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

**B. FINANCIAL REPORTING ENTITY**

The Housing Authority of the Village of Pecos is a Department of the Village of Pecos, Pecos, New Mexico. 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 GASB 14. There were no component units of Housing Authority of the Village of Pecos during the year ended June 30, 2008.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**C. BASIS OF PRESENTATION**

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

The housing authority's funds are grouped into a single fund type (proprietary funds) and includes the following individual funds / projects:

Low Rent Housing Program:

PHA Code: NM054

Project No. NM054-001-08J/D

Capital Funds Program:

Project No. NM02P054501-07

**D. BASIS OF ACCOUNTING**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

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

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June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**D. BASIS OF ACCOUNTING, continued**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

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

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 of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a 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 to the Housing Authority by HUD that are used for operations and capital activities.

**E. FUND FINANCIAL STATEMENTS**

Major individual proprietary funds are normally reported as separate columns in the fund financial statements. The Housing Authority of the Village of Pecos only had major funds, therefore each fund is presented in a separate column on the Statement of Revenues, Expenses and Changes in Fund Net Assets. The major enterprise funds are:

Low Rent Housing Project (LRH)  
Capital Funds Program (CFP)



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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**F. REVENUE RECOGNITION**

The Low Rent Housing operating subsidy is recognized in the year approved by and received from, the U.S. Department of Housing and Urban Development. Reimbursements due from federally funded projects are accrued as revenue at the time the allowable expenditures are made, or when received in advance, deferred until expenditures are made.

Revenue from grants that are received for a restricted purpose are recognized when all of the requirements for expenditures have been met.

**G. CASH AND CASH EQUIVALENTS**

Amounts reflected as “cash and cash equivalents” on the Statement of Net Assets include amounts on hand and in demand deposits as well as short-term savings and investment accounts with maturity dates within three months of the date acquired by the Housing Authority.

**H. INVENTORY**

Inventory is reported in the Statement of Net Assets (department-wide statement) and balance sheet (fund financial statement) when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2008 inventory costs amounting to \$ 13,000 for propane delivered, but unused are reflected on the Statement of Net Assets.

**I. CAPITAL ASSETS AND DEPRECIATION**

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

The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

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NOTES TO FINANCIAL STATEMENTS, continued  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**I. CAPITAL ASSETS AND DEPRECIATION, continued**

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

There was no interest to capitalize on construction.

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

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

Land / Site Improvements	15- 20 yrs
Building and Building Improvements	15 - 40 yrs
Furniture, fixtures, and equipment	5 - 10 yrs

**J. UNPAID COMPENSATED ABSENCES**

Accrued compensated absences of the Proprietary funds are recorded on their Statement of Net Assets. 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 for sick pay for only those employees who will be paid for unused sick leave upon termination.

**K. FASB PRONOUNCEMENTS - PROPRIETARY FUND ACCOUNTING**

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provided the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply FASB pronouncements issued after November 30, 1989.

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June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**L. 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, non-capital financing, or investing activities.

**M. INTERFUND ACTIVITIES**

Inter fund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported 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 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. Inter fund receivables/payables, if any, are eliminated from the Statement of Net Assets and inter fund transfers are eliminated from the Statement of Activities.

At June 30, 2008 there were no inter fund receivables/payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2008 is presented in Note 3.

**N. 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.

**O. MANAGEMENT ESTIMATES AND ASSUMPTIONS**

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

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NOTES TO FINANCIAL STATEMENTS, continued  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**P. EQUITY CLASSIFICATIONS**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:  
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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:  
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. There weren't any restricted net assets at June 30, 2008.
- c. Unrestricted net assets:  
All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Q. OTHER POLICIES**

**Governmental Accounting Standards Board (GASB) Statement No. 34**

The Housing Authority of the Village of Pecos (Housing Authority) adopted the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the Housing Authority records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

The Housing Authority has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the full accrual basis of accounting in the statement of activities.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**Q. OTHER POLICIES, continued**

**GASB Statement 37**

The Housing Authority adopted the provisions of GASB Statement No. 37, *Basic Financial Statements-Management's Discussion and Analysis-for Local and Government: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the Housing Authority considered the effect of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

**GASB Statement 38**

The Housing Authority adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, established, and rescinds certain financial statement disclosure requirements. Accordingly, footnote disclosures have been revised to conform to the provisions of GASB No. 38.

**GASB Statement 39**

In May 2002 the GASB approved Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which amended GASB Statement No. 14 *The Financial Reporting Entity*. GASB Statement 39 provided additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**Q. OTHER POLICIES, continued**

**GASB Statement 40**

The Governmental Accounting Standards Board issued Statement No. 40 – Deposit and Investment Risk Disclosures – in March 2003. The Housing Authority is now required to disclose various elements of risk of which the deposits and investments of the Housing Authority are exposed. The disclosures are included in Note 2 – Deposits and Investments.

GASB continues to issue Statements that may or may not have a bearing on the accounting and financial reporting of individual governments. The following recap of recently issued GASB Statements shows their applicability or non-applicability to Housing Authority of the Village of Pecos.

GASB Statement No. 41 *Budgetary Comparison Schedules – Perspective Differences* effective upon adoption of GASB 34 (Not applicable)

GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* effective for fiscal periods beginning after December 15, 2004. (Applicable)

GASB Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* effective in three phases (similar to GASB 34 phase-in) (Not applicable)

GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section* effective for statistical sections prepared for periods beginning after June 15, 2005 (Not applicable unless Housing Authority prepares a comprehensive annual financial report (CAFR))

GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* effective in three phases (similar to GASB 34 phase-in). Effective date for Housing Authority will be for financial statements beginning after December 15, 2008 (FYE 06-30-10) (not applicable)

GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* effective for financial statements for periods beginning after June 15, 2005. (Applicable to Housing Authority beginning July 1, 2005)

GASB Statement No. 47 *Accounting for Termination Benefits* effective for financial statements for periods beginning after June 15, 2005. (Applicable to Housing Authority beginning July 1, 2005)

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Q. OTHER POLICIES, continued**

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* effective for financial statements for periods beginning after December 15, 2006 (Applicable to Housing Authority beginning July 1, 2007). (FY '08)

GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* effective for financial statements for periods beginning after December 15, 2007 should any of five specified obligating events occur (Applicable to Housing Authority if, or when, an obligating event occurs in the future).

GASB Statement No. 50 *Pension Disclosures* effective for periods beginning after June 15, 2007 (FY '08). (Not applicable to Pecos Housing Authority as employees are not covered by a pension plan (Part-Time employees only).

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* effective for periods beginning after June 15, 2009 (FY 10) (Applicable to Housing Authority beginning July 1, 2009 should the Housing Authority have, purchase or acquire any intangible assets).

GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments* effective for financial statements for periods beginning after June 15, 2008 (FY 09) (Not applicable to Housing Authority).

**R. BUDGET PREPARATION**

The Housing Authority prepares its budget on the full accrual basis of accounting utilizing the budgetary policies approved by HUD. Under HUD budgetary procedures, depreciation is not budgeted and additions to capital assets during the budget year are treated as a current year capital outlay.

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June 30, 2008**

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

The Housing Authority of the Village of Pecos is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the Housing Authority may be invested in:

1. Fully collateralized certificates of deposit that are also FDIC insured.
2. Securities of the United States, its agencies or instrumentalities
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions
4. Securities, including student loans that are guaranteed by the United States or the State of New Mexico
5. Revenue bonds that are under written 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, 2008 the Housing Authority of the Village of Pecos had complied with its investment policy and all deposits were insured.



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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**B. REVENUE RESTRICTIONS**

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

<u>Revenue Source:</u>	<u>Legal Restrictions 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 available to public housing agencies to carry out capital and management improvement activities.

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

**A. CASH AND INVESTMENTS**

The Housing Authority's policies regarding deposits of cash are discussed in notes 1G and 2A. 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, 2008 the Housing Authority had not made any investments and retained its accounts with a local bank in checking and savings accounts.

Credit risk – State law limits the types of investments allowed by the Housing Authority (See Note 2A). As stated above, the Housing Authority complied with the restrictions imposed by the State of New Mexico in an effort to limit its credit risk.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**A. CASH AND INVESTMENTS, continued**

Concentration of credit risk – During the year ended June 30, 2008 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, 2008, none of the Housing Authority's deposits of \$ 60,972 were subject to custodial credit risk because they were fully insured.

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

**B. RESTRICTED ASSETS**

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

**C. ACCOUNTS RECEIVABLE, NET**

Accounts receivable consists of unpaid tenant charges for rent and related charges and is net of an allowance for doubtful accounts of \$ 200.

**D. TRANSFERS**

During the year ended June 30, 2008 the Capital Funds Project (CFP) transferred \$17,726 to the Low Rent Housing Project (LRH) for operating costs. In addition, capital assets with a cost of \$4,325 were also transferred to LRH from CFP.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**E. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Low Rent Housing:				
Assets not being depreciated				
Land	\$ <u>14,400</u>	<u>          </u>	<u>          </u>	<u>14,400</u>
Assets being depreciated				
Land/Site Improvements	162,532	5,326		167,858
Building and building improvements	1,178,857			1,178,857
Machinery and equipment	<u>91,350</u>	<u>4,325</u>		<u>95,675</u>
Sub-total	<u>1,432,739</u>	<u>9,651</u>		<u>1,442,390</u>
Less accumulated depreciation:				
Land/Site Improvements	59,553	8,306		67,859
Building and building improvements	544,430	31,882		576,312
Machinery and equipment	<u>71,043</u>	<u>4,007</u>		<u>75,050</u>
Sub-total	<u>675,026</u>	<u>44,195</u>		<u>719,221</u>
Net capital assets	\$ <u>772,113</u>	<u>(34,544)</u>	<u>          </u>	<u>737,569</u>
Capital Funds Program:				
Machinery and equipment	\$ <u>          </u>	<u>4,325</u>	<u>4,325</u>	<u>          </u>
Net capital assets	\$ <u>          </u>	<u>4,325</u>	<u>4,325</u>	<u>          </u>

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**4. OTHER NOTES**

**A. ANNUAL AND SICK LEAVE**

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

	<u>Annual Leave</u>	<u>Sick Leave</u>
All Employees	.92 hours	.92 hours

The following schedule details the changes in accrued compensated absences during the year ended June 30, 2008. The current portion of this liability is \$259.

Balance at June 30, 2007	\$ 0
Increase	\$ 1,867
Decrease	\$ <u>(315)</u>
Balance at June 30, 2008	\$ <u>1,552</u>

**B. ECONOMIC DEPENDENCY**

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 the United States Department of Housing and Urban Development.

**C. RISK MANAGEMENT**

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.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2008**

**4. OTHER NOTES, continued**

**D. CONTINGENT LIABILITIES**

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, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**E. EXPENDITURES IN EXCESS OF BUDGET**

During the year ended June 30, 2008 expenditures in the Low Rent Housing Program exceeded the authorized budget by \$24,488.

## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS NEW MEXICO  
PROPRIETARY FUNDS/ENTERPRISE FUNDS  
LOW RENT HOUSING  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2008

	Budgeted Amount		Actual (Budgetary Basis)	Variances	
	Original Budget	Final Budget		Original Budget To Final	Positive (Negative) Actual to Final Budget
Revenues:					
Intergovernmental - Federal	\$ 82,760	82,760	82,760		
Charges for services	94,560	94,560	99,645		5,085
Interest			709		709
	<u>177,320</u>	<u>177,320</u>	<u>183,114</u>		<u>5,794</u>
Expenses:					
Current:					
Housing expenses:					
Administration	66,080	66,080	57,395		8,685
Utilities	34,980	34,980	61,384		(26,404)
Maintenance	65,000	65,000	68,573		(3,573)
General	8,784	8,784	11,980		(3,196)
	<u>174,844</u>	<u>174,844</u>	<u>199,332</u>		<u>(24,488)</u>
Revenues over (under) expenses	2,476	2,476	(16,218)		(18,694)
Other financing sources (uses):					
Transfers in	<u>17,726</u>	<u>17,726</u>	<u>17,726</u>		
	<u>\$ 20,202</u>	<u>20,202</u>	1,508		<u>(18,694)</u>
Reconciliation to GAAP Basis Statement:					
Non-budgeted income/expense:					
Capital assets transferred in			4,325		
Depreciation			(44,195)		
Change in net assets			\$ <u>(38,362)</u>		

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENT 1

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
PROPRIETARY FUNDS/ENTERPRISE FUNDS  
CAPITAL FUNDS PROGRAMS  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2008

	Budgeted Amount		Actual (Budgetary Basis)	Variances	
	Original Budget	Final Budget		Original Budget To Final	Positive (Negative) Actual to Final Budget
Revenues:					
Operating grants	\$ 39,462	36,978	39,213	(2,484)	2,235
Capital grants	13,744	16,228	4,325	2,484	(11,903)
	<u>53,206</u>	<u>53,206</u>	<u>43,538</u>		<u>(9,668)</u>
Expenses:					
Housing expenses:					
Current:					
Administration	21,462	18,978	17,887	2,484	1,091
Extraordinary maintenance			3,600		(3,600)
Noncurrent:					
Capital outlay	13,744	16,228		(2,484)	16,228
	<u>35,206</u>	<u>35,206</u>	<u>21,487</u>		<u>13,719</u>
Revenues over (under) expenses	18,000	18,000	22,051		4,051
Other financing sources (uses):					
Transfers out	<u>(18,000)</u>	<u>(18,000)</u>	<u>(17,726)</u>		<u>274</u>
			4,325		<u>4,325</u>
Reconciliation to GAAP Basis Statement:					
Non-budgeted income/expense:					
Capital assets transferred out			<u>(4,325)</u>		
Change in net assets			\$ <u>          </u>		

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENT 2



## **OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS)  
PECOS, NEW MEXICO  
SCHEDULE OF BANK DEPOSITORIES  
JUNE 30, 2008

<u>Bank Name</u>	<u>Account Name</u>	<u>Acct. Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Bank of Las Vegas:							
	Pecos Housing Authority	1	\$ 23,951		(6,200)		17,751
	Pecos Housing Authority	1	1				1
	Pecos Housing Authority	1	5,107				5,107
	Pecos Housing Authority	2	31,913				31,913
	Total with financial institutions		\$ <u>60,972</u>		<u>(6,200)</u>		54,772
	Cash on hand						<u>50</u>
	Grand total cash and cash equivalents					\$	<u><u>54,822</u></u>
Shown on Statement of Net Assets as:							
	Cash and cash equivalents					\$	49,715
	Temporary restricted assets						<u>5,107</u>
	Cash and cash equivalents					\$	<u><u>54,822</u></u>

Account Types:

- 1 Demand Deposits
- 2 Money Market Account

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements

SCHEDULE 1

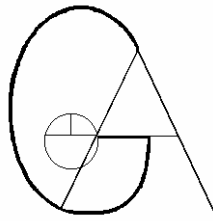
STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
FINANCIAL DATA SCHEDULE  
June 30, 2008

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
ASSETS:				
111	Cash - Unrestricted	17,802	0	17,802
114	Cash - Tenant Security Deposits	5,107	0	5,107
100	Total Cash	<u>22,909</u>	<u>0</u>	<u>22,909</u>
126	Accounts Receivable - Tenants - Dwelling Rents	567	0	567
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(200)	0	(200)
120	Total Receivables, net of allowances for doubtful accounts	<u>367</u>	<u>0</u>	<u>367</u>
131	Investments - Unrestricted	31,913	0	31,913
142	Prepaid Expenses and Other Assets	13,000	0	13,000
150	Total Current Assets	<u>44,913</u>	<u>0</u>	<u>44,913</u>
161	Land	14,400	0	14,400
162	Buildings	1,178,857	0	1,178,857
163	Furniture, Equipment & Machinery - Dwelling	52,562	0	52,562
164	Furniture, Equipment & Machinery - Administration	43,113	0	43,113
165	Leasehold Improvements	167,858	0	167,858
166	Accumulated Depreciation	(719,221)	0	(719,221)
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>737,569</u>	<u>0</u>	<u>737,569</u>
180	Total Non-Current Assets	<u>737,569</u>	<u>0</u>	<u>737,569</u>
190	Total Assets	<u>805,758</u>	<u>0</u>	<u>805,758</u>
LIABILITIES:				
312	Accounts payable < 90 days	8,714	0	8,714
321	Accrued wage/payroll taxes payable	1,074	0	1,074
322	Accrued Compensated Absences - Current	259	0	259
341	Tenant Security Deposits	5,107	0	5,107
342	Deferred Revenue	452	0	452
310	Total Current Liabilities	<u>15,606</u>	<u>0</u>	<u>15,606</u>
354	Accrued Compensated Absences - Noncurrent	1,293	0	1,293
350	Total Noncurrent Liabilities	<u>1,293</u>	<u>0</u>	<u>1,293</u>
300	Total Liabilities	<u>16,899</u>	<u>0</u>	<u>16,899</u>
508	Total Contributed Capital	<u>0</u>	<u>0</u>	<u>0</u>
508.1	Invested in Capital Assets, Net of Related Debt	737,569	0	737,569
511	Total Reserved Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
511.1	Restricted Net Assets			
512.1	Unrestricted Net Assets	51,290	0	51,290
513	Total Equity/Net Assets	<u>788,859</u>	<u>0</u>	<u>788,859</u>
600	Total Liabilities and Equity/Net Assets	<u>805,758</u>	<u>0</u>	<u>805,758</u>

STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
FINANCIAL DATA SCHEDULE  
June 30, 2008

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
REVENUE:				
703	Net Tenant Rental Revenue	91,835	0	91,835
704	Tenant Revenue -Other	7,810	0	7,810
705	Total Tenant Revenue	99,645	0	99,645
706	HUD PHA Operating Grants	82,760	39,213	121,973
706.1	Capital Grants	0	4,325	4,325
711	Investment Income - Unrestricted	709	0	709
700	Total Revenue	183,114	43,538	226,652
EXPENSES:				
911	Administrative Salaries	36,655	0	36,655
912	Auditing Fees	0	0	0
914	Compensated Absence Expense	1,552	0	1,552
915	Employee Benefit Contributions - Administrative	2,942	0	2,942
916	Other Operating - Administrative	16,246	17,887	34,133
931	Water	9,108	0	9,108
932	Electricity	6,489	0	6,489
933	Gas	39,135	0	39,135
938	Other Utilities Expense	6,653	0	6,653
942	Ordinary Maintenance and Operations - Materials and Other	28,773	0	28,773
943	Ordinary Maintenance and Operations - Contract Costs	39,800	0	39,800
961	Insurance Premiums	10,859	0	10,859
964	Bad Debt - Tenant Rents	1,121	0	1,121
969	Total Operating Expenses	199,333	17,887	217,220
970	Excess Operating Revenue over Operating Expenses	(16,219)	25,651	9,432
971	Extraordinary Maintenance	0	3,600	3,600
974	Depreciation Expenses	44,194	0	44,194
900	Total Expenses	243,527	21,487	265,014
OTHER FINANCING SOURCES (USES):				
1001	Operating Transfers In	22,051	0	22,051
1002	Operating Transfers Out	0	(22,051)	(22,051)
1010	Total Other Financing Sources (Uses)	22,051	(22,051)	0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(38,362)	0	(38,362)
1102	Debt Principal Payments - Enterprise Funds	0	0	0
1103	Beginning Equity	827,221	0	827,221
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	0	0	0
1120	Unit Months Available	372	0	
1121	Number of Unit Months Leased	366	0	

## **COMPLIANCE SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Albuquerque, New Mexico 87108  
(505) 266-4820  
Fax (505) 268-6618

**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**

Mr. Hector H. Balderas, State Auditor  
Tony Jose Roybal, Mayor  
And Board of Trustees  
Housing Authority of the Village of Pecos  
Village of Pecos, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

I have audited the financial statements of the business type activities, each major fund, and the budgetary comparisons for each major fund presented as supplemental information of the Housing Authority of the Village of Pecos, New Mexico (Housing Authority) (a Department of the Village of Pecos, New Mexico) as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents and have issued my report thereon dated December 12, 2008. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority's internal control.

**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, continued**

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Village of Pecos, New Mexico's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items:

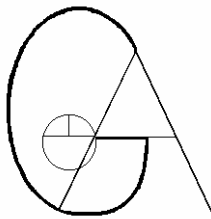
01-04	Late Audit report
08-01	Over Expenditure of Budget

The Housing Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Housing Authority's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Office of the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration – Local Government Division, Mayor, Board of Trustees, management, others within the organization, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



December 12, 2008



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Albuquerque, New Mexico 87108  
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**INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION**

Hector H. Balderas, State Auditor  
Tony Jose Roybal, Mayor  
And Board of Trustees  
Housing Authority of the Village of Pecos  
Village of Pecos, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

My report on the audit of the basic financial statements of the Housing Authority of the Village of Pecos, Village of Pecos, New Mexico, (Housing Authority) (a Department of the Village of Pecos, New Mexico), for the year ended June 30, 2008 appears on pages 4 and 5. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Financial Data Schedule (FDS) submitted electronically to United States Department of Housing and Urban Development Real Estate Assessment Center (HUD/REAC) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The FDS has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, presents fairly, in all material respects, the financial position of the Housing Authority of the Village of Pecos as of June 30, 2008, and the results of its operations for the year then ended in conformity with the accounting practices prescribed or permitted by HUD/REAC.

December 12, 2008



**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ending June 30, 2008**

**PRIOR YEAR FINDINGS**

**STATUS**

01-04	Late Audit report	Repeated
2007-01	Late Filing with REAC	Resolved

**CURRENT YEAR FINDINGS**

01-04	Late Audit report
08-01	Over Expenditure of Budget

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
For the Year Ended June 30, 2008**

**01-04            Late Audit Report**

**Statement of Condition:**

The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2008. The report is past due. The report was submitted to the Office of the State Auditor for review on December 15, 2008.

**Criteria:**

The State Auditor Rule 2.2.2.9 A. (1) (d) establishes the due date of December 1 for audit reports for Municipalities, Special Districts, and Local Work Force Investment Boards. Since the Housing Authority of the Village of Pecos is a department of the Village of Pecos the due date for the audit report of the Housing Authority is also December 1.

**Effect:**

State Auditor Rule 2.2.2.9 A. (1) (d) deadline has not been met. As a result, the Village of Pecos' audit report could not have been submitted in a timely manner had the auditors' of the Village been ready to submit their report.

**Cause:**

The Housing Authority was unable to obtain an auditor in a timely manner due to lack of response from auditing firms when the RFP was issued. The auditor chosen did not receive the signed contract from the Office of the State Auditor until after it was approved on October 22, 2008. After the audit field work was completed on November 1, 2008 additional time was required by the auditor to draft the report and schedule an exit conference and for the fee accountant to approve the audit adjustments and prepare the MD&A.

**Recommendation:**

Contracting for audit services should be made one of the top priorities of management.

**Response:**

On September 29, 2008 the Pecos Housing Authority received our Financial Audit Report for FY-07 (July 01,2006 – June30, 2007) from the State Auditors Office.

On September 30, 2008 a contract was submitted to the State Auditors Office for our FY-08 Financial Audit (July 1, 2007 – June 30, 2008).

October 10, 2008 – Received State Auditors approval letter for CPA Gary Gaylord –

October 24, 2008 – Received approved Audit Contract from the State Auditors Office –

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES, *continued*  
For the Year Ended June 30, 2008**

**01-04            Late Audit Report, continued**

**Response, continued:**

October 31, 2008 – Thanks to the Staff of the State Auditors Office our Auditor was able to begin our FY-08 Audit –

Based on the above time dates and time frame and I have no reservations this Audit will be completed and processed in a timely manner –

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
For the Year Ended June 30, 2008**

**08-01      OVER EXPENDITURE OF BUDGET**

**Statement of Condition:**

Housing Authority of the Village of Pecos had expenditures in excess of the approved budget in the Low Rent Housing Program during the year ended June 30, 2008 in the amount of \$24,488.

**Criteria:**

State Statute, 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority.

**Cause:**

The Housing Authority encountered significant increases to its utility, maintenance and insurance costs that were not anticipated when preparing its budget. Timely budget adjustments were not prepared to cover these increases in costs.

**Effect:**

The Housing Authority violated its budget constraints and may have incurred costs during the current year that could have been postponed to a future period.

**Recommendation:**

Monitor budget and request needed budget adjustments in advance of unfavorable variances.

**Response:**

The over expenditures for FY-2008 were caused primarily due to increased utility costs. Because utility costs are a reimbursed item from HUD the budget amount we use is the amount calculated and approved with the submission of our HUD Form 52723 Operating Subsidy Calculation. Because we cannot change the amount approved by HUD during the year we do not do budget revisions caused by increased utility costs.

The increase however will be taken into account when completing the HUD Form 52723 for the following year and will increase the amount provided by HUD to pay the utility increases. I also take into account any prepayment made on the propane.

For example, when we purchase a large quantity at the end of the fiscal year I know the majority of the cost related to that purchase will be for the propane usage in the next fiscal year therefore, I setup a prepaid account and take the expense in the following year. This is the only way we would be able to allocate the utility expense to the next year.

**STATE OF NEW MEXICO  
HOUSING AUTHORITY OF THE VILLAGE OF PECOS  
(A DEPARTMENT OF THE VILLAGE OF PECOS, NEW MEXICO)  
EXIT CONFERENCE  
For the Year Ended June 30, 2008**

**Preparation of Financial Statements:**

The Housing Authority of the Village of Pecos is responsible for the form and content of the accompanying financial statements which have been prepared by Gary E. Gaylord, Ltd.

**Exit Conference**

On December 12, 2008, an exit conference was held at the offices of the Village of Pecos. In attendance were the following:

**Representing the Housing Authority of the Village of Pecos:**

Tony Jose Roybal	Mayor
Florencio A. Varela	Chairperson
Ricardo Valenzuela	Executive Director
Rose M. A. Petry	Executive Secretary

**Representing Gary E. Gaylord, Ltd:**

Gary E. Gaylord, CPA	Auditor-in-Charge
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