

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**



6006-A

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

**Board of Commissioners and Management
June 30, 2014**

Board of Directors

Vice Chairman	Veral d'Entremont
Commissioner	Randy Hazelbaker
Commissioner	Leslie Patterson
Commissioner	Jimmy Boyse
Resident Commissioner	Monica Carrillo

Administrative Officials

Executive Director	Louisa Madrid
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DEC - 2 2014
STATE AUDITOR

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STATE AUDITOR

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY**

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FOR THE YEAR ENDED JUNE 30, 2014**

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FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector Balderas, New Mexico State Auditor
The Office of Management and Budget
Chairman and Board Members
Artesia Housing Authority, Artesia, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Artesia Housing Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's the budgetary comparisons for the major business-type funds, presented as supplementary information, as defined by the Government Accounting Standards Board (GASB), in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Phone (505) 856-2741 - Fax (505) 856-7510

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The supporting schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules required by 2.2.2 NMAC 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 financial data schedule and supporting schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of District'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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
November 25, 2014

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A

ASSETS

Cash and cash equivalents	\$	626,810
Accounts receivable - tenants (net of allowance of \$946)		4,757
Accounts receivable - governments		37,965
Prepaid assets		46,313
Restricted cash and cash equivalents		31,620
Land, structures, and equipment (net of accumulated depreciation)		2,488,760
<i>Total assets</i>		3,236,225

LIABILITIES

Current liabilities :

Accounts payable	\$	90,542
Accrued salaries and benefits		28,707
Compensated absences		5,515

Current liabilities (payable from restricted assets)

Tenant deposits		33,576
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Total liabilities

158,340

NET POSITION

Net investment in capital assets		2,488,760
Restricted		(1,956)
Unrestricted		591,081
<i>Total net position</i>		3,077,885

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

<i>Operating revenues:</i>	
Charges for services	\$ 460,637
Operating grants	141,987
Miscellaneous	6,346
<i>Total operating revenues</i>	<u>608,970</u>
 <i>Operating expenses:</i>	
Administration	215,407
Utilities	153,556
Other general expenses	54,477
Depreciation	243,773
<i>Total operating expenses</i>	<u>915,118</u>
 <i>Operating loss</i>	 <u>(306,148)</u>
 <i>Non-operating revenues(expenses):</i>	
Interest income (expense)	783
Gain on asset disposal	
Capital grants	132,172
<i>Total non-operating revenues</i>	<u>132,955</u>
 <i>Change in net position</i>	 <u>(173,193)</u>
 <i>Total net position - beginning of year</i>	 <u>3,251,078</u>
 <i>Total net position - end of year</i>	 <u>\$ 3,077,885</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit C

	<u>Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance June 30, 2013	\$ 2,604,703	\$ -	\$ 646,373	\$ 3,251,076
Net change in net position for the year ended June 30, 2014	<u>(115,943)</u>	<u>(1,956)</u>	<u>(55,292)</u>	<u>(173,191)</u>
Balance June 30, 2014	<u>\$ 2,488,760</u>	<u>\$ (1,956)</u>	<u>\$ 591,081</u>	<u>\$ 3,077,885</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit D

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 567,152
Cash paid to suppliers and employees	(611,790)
<i>Net cash used for capital financing activities</i>	<u>(44,638)</u>
<i>Cash flows used by capital financing activities:</i>	
Acquisition and construction of capital assets	(127,830)
Intergovernmental HUD capital subsidy	132,172
Gain on asset disposal	-
Principal payments on notes	-
Interest payments on notes	-
<i>Net cash used for capital financing activities</i>	<u>4,342</u>
<i>Cash flows from investing activities:</i>	
Interest received	<u>783</u>
<i>Net decrease in cash and cash equivalents</i>	(39,513)
<i>Cash and cash equivalents - beginning of year</i>	<u>697,943</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 658,430</u>
<i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (306,148)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	243,773
Increase in accounts receivable	(41,428)
Increase in prepaid expenses	(2,060)
Increase in inventory	-
Decrease in accounts payable	67,695
Increase in accrued expenses	(2,035)
Decrease in accrued interest	-
Decrease in deferred revenue	-
Increase in tenant security deposits	(390)
Increase in compensated absences	(4,045)
<i>Net cash used for operating activities</i>	<u>\$ (44,638)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Artesia Housing Authority (the Authority) was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD) in 1968. The agreement provided for 138 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 City of Artesia agreed to operate and maintain the Authority in accordance with the requirements of HUD. The Authority is department of the City of Artesia, New Mexico.

The primary goal of the Low Rent Public Housing 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 Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development and operation of a Low Rent Public Housing 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.

The financial statements present only the financial position, results of operations and cash flows of the Authority and are not intended to present fairly the City's financial position, results of operations and cash flows of its proprietary fund types in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units.

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 Authority has implemented Governmental Accounting Standards Board (GASB) statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2014. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures unless those pronouncements conflict with or contradict GASB pronouncements.

The more significant of the Authority's accounting policies are described below.

The following programs are maintained as major enterprise funds by the Authority:

- **Low Rent Public Housing Program** – Funded through direct grants from HUD, the overall objective of the Low Rent Public Housing Program is to provide cost-effective, decent, safe and affordable dwellings for lower income families through reduced rate rental units built and owned by the Authority.
- **Capital Fund Projects** – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing, and modernization of public housing developments and for management improvements. Per HUD requirements, these funds are presented within the Low Rent Public Housing Program on the Financial Statements.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. *Financial Reporting Entity*

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the financial reporting entity was made by applying the criteria set forth in GASB #14. 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. Based upon the application of these criteria, the Authority has no component units and the Authority does not meet the requirements to be reported as a component unit of the City of Artesia.

B. *Basis of Presentation*

All of the Authority's programs are accounted for as business-type activities using proprietary (enterprise) funds for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Encumbrance accounting is not used for budgetary or normal financial reporting purposes.

A fund is a separate accounting entity with a self-balancing set of accounts. The Authority classifies all funds into one category: proprietary. That category, in turn, is divided into separate "funds".

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

GASB No. 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net Position – The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's operating revenues consist primarily of charges for services and operating grants. Operating expenses include administration, utilities and ordinary repairs and maintenance expenses as well as general expenses, housing assistance payments, and depreciation expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 (revenues) and decreases (expenses) in net total assets.

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

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

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Equity (Continued)

New Mexico Statutes require that financial institutions with public monies on deposit to pledge collateral to the owner of such public monies in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority (Note 2).

Accounts Receivable

All trade receivables and tenant receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

Inventory

Inventories are valued at cost.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services that are applicable to future accounting periods.

Land, Structures and Equipment

Proprietary fund property and equipment acquisitions are recorded at cost or, if contributed property, at their fair market value at the time the contribution is made. Repairs and maintenance are recorded as expenses, while renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more, per section 12-6-10 NMSA 1978, and a useful life of more than one year. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the Authority's capital assets reported in the basic financial statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation. 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:

Buildings & Building Improvements	10-40 years
Machinery & Equipment	5-10 years

Accounts Payable

Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Accrued Expenses

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

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. Vested or accumulated vacation leave is reported as an expenditure and a liability of the program that will pay it.

Cash Flows

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.

Interfund 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 interfund 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 interfund transfers are reported as operating transfers.

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. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Authority's financial statements include management's estimate of the useful lives of capital assets.

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction and improvement of the assets: debt related to the unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as: lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net assets not included in the above categories.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. *Assets, Liabilities, and Equity (Continued)*

Restricted Assets

Certain resources set aside for modernization and development, as well as security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Revenue Recognition

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned. The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as operating grants in the accompanying financial statements.

E. *Budgets*

The Authority adheres to the following regarding the budget:

1. The executive director and the fee accountant prepare the budget in accordance with HUD guidelines.
2. Capital expenditures for the Capital Funds Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net position. The Authority does not budget for depreciation expense.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Authority's Board of Directors for approval.
5. The Board of Directors approves the budget.

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. 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. The Authority submitted its budget to the State of New Mexico Department of Finance and Administration.

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 2. Cash and Cash Equivalents

State statutes authorize the investment of the Authority's 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, 2014.

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 by collateral deposited as security or by bond given by the financial institution.

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.

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for a least one half of the amount on deposit with the institution. The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Authority's deposits.

	First American Bank
Total amount of deposits	\$ 667,498
FDIC Coverage	(250,000)
Total uninsured public funds	417,498
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>590,000</u>
Uninsured and uncollateralized	<u>\$ 172,502</u>
Collateral requirement (50% of uninsured public funds)	\$ 208,749
Total pledged collateral	<u>590,000</u>
Total (over) under requirement	<u>\$ (381,251)</u>

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 2. Cash and Cash Equivalents (Continued)

At June 30, 2014, the carrying amount of the Authority's deposits was \$658,430.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit 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, 2014, none of the Authority's bank balance of \$667,498 was exposed to custodial credit risk because the amount uninsured was collateralized by collateral held by the pledging bank's trust department in the Authority's name.

Reconciliation of Cash and Temporary Investments

Proprietary Funds – Statement of Net Position	
Cash and cash equivalents per Exhibit A	\$ 658,430
Less: Petty Cash	(20)
Add: Outstanding and Other Reconciling Items	<u>9,088</u>
Total Amount of Deposits per Bank	<u>\$ 667,498</u>

Note 3. Accounts Receivable

The Authority's accounts receivable at June 30, 2014, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net</u>
Accounts receivable – Tenants	\$ 5,703	\$ 946	\$ 4,757
Accounts receivable – HUD	<u>37,965</u>	<u>0</u>	<u>37,965</u>
Total	<u>\$ 43,668</u>	<u>\$ 946</u>	<u>\$ 42,722</u>

Note 4. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other funds" or "due to other funds" on the balance sheet.

As of June 30, 2014, the Authority did not have any balances due between funds.

As of June 30, 2014, the Authority did have any transfers between funds of \$132,172.

Note 5. Land, Structures, and Equipment

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 6/30/2014</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 102,969	\$ 0	\$ 0	0	\$ 102,969
Capital Assets, Not Being Depreciated:	<u>102,969</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>102,969</u>
Capital Assets, Being Depreciated:					
Furniture, fixtures, & equipment	203,045	0	0	0	203,045
Buildings & building improvement	<u>6,972,260</u>	<u>127,830</u>	<u>0</u>	<u>0</u>	<u>7,100,090</u>
Total Public Housing Program	<u>7,175,305</u>	<u>127,830</u>	<u>0</u>	<u>0</u>	<u>7,303,135</u>

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 5. Land, Structures, and Equipment (Continued)

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 6/30/2014</u>
Total Capital Assets, Being Depreciated:	7,175,305	127,830	(0)	0	7,303,135
Accumulated Depreciation:					
Furniture, fixtures, & equipment	(170,912)	(7,937)	0	0	(178,849)
Buildings & building improvement	<u>(4,502,659)</u>	<u>(235,836)</u>	<u>0</u>	<u>0</u>	<u>(4,738,495)</u>
Total Public Housing Program	<u>(4,673,571)</u>	<u>(243,773)</u>	<u>0</u>	<u>0</u>	<u>(4,917,344)</u>
Total Accumulated Depreciation:	<u>(4,673,571)</u>	<u>(243,773)</u>	<u>0</u>	<u>0</u>	<u>(4,917,344)</u>
Total Capital Assets, Net of Depreciation:	<u>\$ 2,604,703</u>	<u>\$ (115,943)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,488,760</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2014, totaled \$243,773.

Note 6. Long-Term Debt

The following summarizes changes in long-term liabilities during the year ended June 30, 2014.

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 9,560	\$ 9,882	\$ (13,927)	\$ 5,515	\$ 3,695
Total	<u>\$ 9,560</u>	<u>\$ 9,882</u>	<u>\$ (13,927)</u>	<u>\$ 5,515</u>	<u>\$ 3,695</u>

Compensated Absences

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which vacation is payable to the employee upon termination or retirement. The amount due within one year is \$3,695.

Note 7. Risk Management

Artesia Housing 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 has joined together with other housing authorities throughout the Country and obtained insurance through the Housing Authority Insurance Group, a housing Authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred.

Note 8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustments 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 Authority expects such amounts, if any, to be immaterial.

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 9. Concentrations

Approximately 36% percent of the Authority's revenues are derived from grants from various federal agencies. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

Note 10. Other Required Individual Fund Disclosures

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

Excess of expenditures over appropriations: There were no funds which exceeded approved budgetary authority for the year ended June 30, 2014.

Note 11. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2014. There were no events noted as of this date.

Note 12. Subsequent Accounting Standard Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for financial statement for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*, which is effective for financial statement for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is effective for financial statement for periods beginning after June 15, 2014.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
COMBINING BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2014

Statement A-1

ASSETS	<u>Low-Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
Cash and cash equivalents	\$ 626,810	\$ -	\$ 626,810
Short term investments	-	-	-
Accounts receivable - tenants (net of allowance of \$946)	4,757	-	4,757
Accounts receivable - governments	37,965	-	37,965
Prepaid assets	46,313	-	46,313
Restricted cash and cash equivalents	31,620	-	31,620
Land, structures and equipment (net of depreciation of \$	2,488,760	-	2,488,760
<i>Total assets</i>	<u>3,236,225</u>	<u>-</u>	<u>3,236,225</u>
 LIABILITIES			
<i>Current liabilities (payable from current assets):</i>			
Accounts payable	\$ 90,542	-	90,542
Accrued salaries & benefits	28,707	-	28,707
Compensated absences	5,515	-	5,515
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	33,576	-	33,576
<i>Non-current liabilities:</i>			
Note payable, due within one year	-	-	-
Notes payable, due in more than one year	-	-	-
<i>Total liabilities</i>	<u>158,340</u>	<u>-</u>	<u>158,340</u>
 NET POSITION			
Net investment in capital assets	2,488,760	-	2,488,760
Restricted	(1,956)	-	(1,956)
Unrestricted	591,081	-	591,081
<i>Total net position</i>	<u>3,077,885</u>	<u>-</u>	<u>3,077,885</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

ARTESIA HOUSING AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Low-Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Operating revenues:</i>			
Charges for services	\$ 460,637	\$ -	\$ 460,637
Operating subsidy	141,987	-	141,987
Miscellaneous	6,346	-	6,346
<i>Total operating revenues</i>	<u>608,970</u>	<u>-</u>	<u>608,970</u>
<i>Operating expenses:</i>			
Administration	215,407	-	215,407
Tenant services	247,905	-	247,905
Utilities	153,556	-	153,556
Ordinary maintenance and operations	-	-	-
Insurance expenses	-	-	-
Capital fund expenditures	-	-	-
Other general expenses	54,477	-	54,477
Depreciation	243,773	-	243,773
<i>Total operating expenses</i>	<u>915,118</u>	<u>-</u>	<u>915,118</u>
<i>Operating income/(loss)</i>	<u>(306,148)</u>	<u>-</u>	<u>(306,148)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	783	-	783
Capital grants	-	132,172	132,172
Gain/(loss) on asset disposal	-	-	-
Housing assistance payments	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>783</u>	<u>132,172</u>	<u>132,955</u>
<i>Change in net position</i>	(305,365)	132,172	(173,193)
<i>Total net position - beginning of year</i>	3,251,078	-	3,251,078
Equity transfer in (out)	132,172	(132,172)	-
<i>Total net position - end of year</i>	<u>\$ 3,077,885</u>	<u>\$ -</u>	<u>\$ 3,077,885</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Statement A-3

	<u>Low-Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Cash received from customers	\$ 567,152	\$ -	\$ 567,152
Cash paid to suppliers and employees	(611,790)	-	(611,790)
<i>Net cash provided by (used for) operating activities</i>	<u>(44,638)</u>	<u>-</u>	<u>(44,638)</u>
<i>Cash flows used by noncapital financing activities:</i>			
Capital grants	132,172	(132,172)	-
Housing assistance payments	-	-	-
<i>Net cash provided by noncapital financing activities</i>	<u>132,172</u>	<u>(132,172)</u>	<u>-</u>
<i>Cash flows used by capital financing activities:</i>			
Acquisition and construction of capital assets	(127,830)	-	(127,830)
Intergovernmental HUD capital subsidy	-	132,172	132,172
Interest payments on notes	-	-	-
<i>Net cash provided by capital financing activities</i>	<u>(127,830)</u>	<u>132,172</u>	<u>4,342</u>
<i>Cash flows from investing activities:</i>			
Interest received	783	-	783
<i>Net increase/(decrease) in cash and cash equivalents</i>	(39,513)	-	(39,513)
<i>Cash and cash equivalents - beginning of year</i>	<u>697,943</u>	<u>-</u>	<u>697,943</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 658,430</u>	<u>\$ -</u>	<u>\$ 658,430</u>
<i>Reconciliation of operating (loss) to net cash provided by (used for) operating activities:</i>			
Operating income (loss)	\$ (306,148)	\$ -	\$ (306,148)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	243,773	-	243,773
Increase in accounts receivable	(41,428)	-	(41,428)
Increase in prepaid expenses	(2,060)	-	(2,060)
Decrease in accounts payable	67,695	-	67,695
Increase in accrued expenses	(2,035)	-	(2,035)
Increase/(decrease) in tenant security deposits	(390)	-	(390)
Increase in compensated absences	(4,045)	-	(4,045)
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (44,638)</u>	<u>\$ -</u>	<u>\$ (44,638)</u>

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY

Statement A-4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
LOW RENT PUBLIC HOUSING PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	\$ -	\$ 460,637	\$ 460,637	\$ -
Other operating revenue	-	6,346	6,346	-
<i>Total revenues</i>	-	466,983	466,983	-
<i>Expenditures:</i>				
<i>Current</i>				
Administration	-	215,407	215,407	-
Tenant services	-	247,905	247,905	-
Ordinary maintenance and operations	-	-	-	-
Utilities	-	153,556	153,556	-
Insurance expenses	-	-	-	-
Other general expenses	-	54,477	54,477	-
Depreciation expense	-	243,773	243,773	-
Capital fund operating costs	-	-	-	-
<i>Total expenditures</i>	-	915,118	915,118	-
<i>Operating Income (loss)</i>	-	(448,135)	(448,135)	-
<i>Non-operating revenues (expenses):</i>				
Designated cash	-	173,193	-	(173,193)
Gain on asset disposal	-	-	-	-
HUD operating subsidy	-	141,987	141,987	-
HUD capital project grants	-	132,172	-	(132,172)
Investment income	-	783	783	-
<i>Total non-operating revenues (expenses)</i>	-	448,135	142,770	(305,365)
<i>Change in net position</i>	\$ -	\$ -	(305,365)	\$ (305,365)
<i>Net position - beginning of year</i>			963,795	
<i>Net position - end of year</i>			\$ 658,430	
<i>Reconciliation to GAAP Basis</i>				
Net change in net position			\$ (305,365)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (305,365)	

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

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY

Statement A-5

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
PUBLIC HOUSING CAPITAL PROGRAM PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other operating revenue	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current</i>				
Administration	-	-	-	-
Tenant services	-	-	-	-
Ordinary maintenance and operations	-	-	-	-
Utilities	-	-	-	-
Insurance expense	-	-	-	-
Depreciation expense	-	-	-	-
Other general expenses	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Operating Income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses):</i>				
Designated cash	-	-	-	-
Capital grants	-	132,172	132,172	-
HUD operating subsidy	-	-	-	-
Housing assistance payments	-	-	-	-
Transfers	-	(132,172)	(132,172)	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
<i>Change in net assets</i>	\$ -	\$ -	-	\$ -
<i>Net assets - beginning of year</i>			-	
<i>Net assets - end of year</i>			\$ -	
<i>Reconciliation to GAAP Basis</i>				
Net change in net assets			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF CASH AND CASH EQUIVALENTS BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2014

Schedule I

<u>Financial Institution</u>	<u>First American Bank</u>	<u>Total</u>
<i>BALANCE PER BANK</i>		
Checking - General Operating Fund	\$ 432,832	\$ 432,832
Checking - Payroll Account	19,117	19,117
Checking - Investment Account	183,006	183,006
Checking - Security Deposits	<u>32,543</u>	<u>32,543</u>
 Total on Deposit	 667,498	 667,498
 Reconciling Items	 <u>(9,088)</u>	 <u>(9,088)</u>
 Reconciled Balance, June 30, 2014	 <u>\$ 658,410</u>	 658,410
 Petty Cash		 <u>20</u>
 Total Cash per Government-wide Financial Statements		 <u>\$ 658,430</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF DEPOSITORY COLLATERAL
PUBLIC FUNDS
JUNE 30, 2014**

Schedule II

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2014	Name and Location of Safekeeper
First American Bank, N.A.	Dulce ISD 21 CUSIP #264430JZ3 4.00%, Due 09/01/2016	\$ 70,000	FHLB: Federal Home Loan Bank
	Belen Mun SD CUSIP #077581MQ6 3.75%, Due 08/01/2020	175,000	FHLB: Federal Home Loan Bank
	Taos SD #1 - Ed Tech CUSIP #876014FF3 4.00%, Due 09/01/2020	195,000	FHLB: Federal Home Loan Bank
	Estancias Mun SD #7 CUSIP #297326EH9 4.00%, Due 06/15/2023	150,000	FHLB: Federal Home Loan Bank
	Total	\$ 590,000	

The accompanying notes are an integral part of these financial statements

COMPLIANCE



Griego Professional Services, LLC

Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Hector Balderas, New Mexico State Auditor
The Office of Management and Budget
To the Mayor and the City Commissioners
Artesia Housing Authority, Artesia, 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, each major fund, the aggregate remaining fund information, of the Artesia Housing Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the combining and individual funds and related budgetary comparison of the Authority, presented as supplemental information, and have issued our report hereon date November 25, 2014.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item FS 2014-001 and FS 2014-002.


The Authority's Responses to Findings

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

Purpose of this Report

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

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, NM
November 25, 2014

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule III

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	No
c. Noncompliance material to financial statements noted?	No

STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

Schedule III

Section I – Financial Statement Findings

FS 2014-001: Form I-9 – Compliance – Other Matter

Criteria: The Immigration Reform and Control Act of 1986 and the revised Immigration Act of 1990 require that employees verify the identity and employment authorization of each person hired after November 6, 1986 by completing a Form I-9.

Condition: In a sample of five personnel files, there were two instances in which the Form I-9 was incomplete or not included in the personnel file.

Effect: The Authority is not in compliance with federal regulations governing the proper completion of a Form I-9. Civil fines and penalties can be assessed by the federal government for an improperly completed Form I-9.

Cause: The Authority is not reviewing its personnel files for proper completion of the Form I-9.

Auditors' Recommendation: The Authority should review all personnel files and update Forms I-9 as needed.

Management's Response: The Federal I-9 Forms have been updated. Pertinent information was within the personnel files.

FS 2014-002: Tenant Accounts Receivable

Criteria: Good internal controls include making sure that accounts receivables on the general ledger and supporting subsidiary ledgers properly reflect correct account balances.

Condition: The account balance for Tenant Accounts Receivable required an adjustment of \$4,592 through the audit process as part of the 2014 annual audit.

Effect: Without the adjustment, the financial statements could have been misstated.

Cause: The Authority is not reviewing and adjusting the accounts receivable balances on the general ledger on a regular basis.

Auditors' Recommendation: The Authority should review all Tenant Accounts Receivable balances on a monthly basis and adjust the general ledger and subsidiary ledgers accordingly.

Management's Response: Management will conduct an independent review on a monthly basis on tenant A/R to assure balances per ledger cards and QuickBooks agree. Staff will continue to be trained in procedures,

**STATE OF NEW MEXICO
ARTESIA HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule III

Section II – Federal Award Findings and Questioned Costs

None

Section III – Prior Year Audit Findings

None

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Authority's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 25, 2014. The following individuals were in attendance:

Artesia Housing Authority & City of Artesia Officials

Louisa Madrid, Executive Director
Veral d'Entremont, City Manager

Griego Professional Services, LLC

J.J. Griego, CPA, Partner

OTHER SUPPLEMENTAL INFORMATION

Housing Authority of the City of Artesia
Artesia, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133	Fiscal Year End: 06/30/2014	
	Project Total	Total
111 Cash - Unrestricted	\$ 443,804	\$ 443,804
112 Cash - Restricted - Modernization and Development	-	-
113 Cash - Other Restricted	-	-
114 Cash - Tenant Security Deposits	31,619	31,619
115 Cash - Restricted for Payment of Current Liabilities	-	-
100 Total Cash	\$ 475,423	\$ 475,423
121 Accounts Receivable - PHA Projects	-	-
122 Accounts Receivable - HUD Other Projects	37,966	37,966
124 Accounts Receivable - Other Government	-	-
125 Accounts Receivable - Miscellaneous	-	-
126 Accounts Receivable - Tenants	10,295	10,295
126.1 Allowance for Doubtful Accounts - Tenants	(946)	(946)
126.2 Allowance for Doubtful Accounts - Other	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-
128 Fraud Recovery	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-
129 Accrued Interest Receivable	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 47,315	\$ 47,315
131 Investments - Unrestricted	\$ 183,006	\$ 183,006
132 Investments - Restricted	-	-
135 Investments - Restricted for Payment of Current Liability	-	-
142 Prepaid Expenses and Other Assets	46,312	46,312
143 Inventories	-	-
143.1 Allowance for Obsolete Inventories	-	-
144 Inter Program Due From	-	-
145 Assets Held for Sale	-	-
150 Total Current Assets	\$ 752,056	\$ 752,056
161 Land	\$ 102,969	\$ 102,969
162 Buildings	3,729,753	3,729,753
163 Furniture, Equipment & Machinery - Dwellings	141,721	141,721
164 Furniture, Equipment & Machinery - Administration	61,324	61,324
165 Leasehold Improvements	2,882,333	2,882,333
166 Accumulated Depreciation	(4,917,343)	(4,917,343)
167 Construction in Progress	488,003	488,003
168 Infrastructure	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 2,488,760	\$ 2,488,760

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

Housing Authority of the City of Artesia
Artesia, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133	Fiscal Year End: 06/30/2014	
	Project Total	Total
171 Notes, Loans and Mortgages Receivable - Non-Current	\$ -	\$ -
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-
173 Grants Receivable - Non Current	-	-
174 Other Assets	-	-
176 Investments in Joint Ventures	-	-
180 Total Non-Current Assets	\$ 2,488,760	\$ 2,488,760
190 Total Assets	\$ 3,240,816	\$ 3,240,816
200 Deferred Outflow of Resources	\$ -	\$ -
290 Total Assets and Deferred Outflow of Resources	\$ 3,240,816	\$ 3,240,816
311 Bank Overdraft	\$ -	\$ -
312 Accounts Payable <= 90 Days	90,194	90,194
313 Accounts Payable >90 Days Past Due	-	-
321 Accrued Wage/Payroll Taxes Payable	28,705	28,705
322 Accrued Compensated Absences - Current Portion	5,515	5,515
324 Accrued Contingency Liability	-	-
325 Accrued Interest Payable	-	-
331 Accounts Payable - HUD PHA Programs	-	-
332 Account Payable - PHA Projects	-	-
333 Accounts Payable - Other Government	-	-
341 Tenant Security Deposits	33,576	33,576
342 Deferred Revenues	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-
345 Other Current Liabilities	348	348
346 Accrued Liabilities - Other	-	-
347 Inter Program - Due To	-	-
348 Loan Liability - Current	-	-
310 Total Current Liabilities	\$ 158,338	\$ 158,338
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ -	\$ -
352 Long-term Debt, Net of Current - Operating Borrowings	-	-
353 Non-current Liabilities - Other	-	-
354 Accrued Compensated Absences - Non Current	-	-
355 Loan Liability - Non Current	-	-
356 FASB 5 Liabilities	-	-
357 Accrued Pension and OPEB Liabilities	-	-
350 Total Non-Current Liabilities	\$ -	\$ -
300 Total Liabilities	\$ 158,338	\$ 158,338
400 Deferred Inflow of Resources	\$ -	\$ -
508.4 Invested in Capital Assets	\$ 2,488,760	\$ 2,488,760
511.4 Restricted Net Position	-	-
512.4 Unrestricted Net Position	593,718	593,718
513 Total Equity/Net Assets/Position	\$ 3,082,478	\$ 3,082,478
600 Total Liabilities and Equity/Net Assets	\$ 3,240,816	\$ 3,240,816

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

**Housing Authority of the City of Artesia
ARTESIA, NM
Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Low Rent Public Housing	Public Housing Capital Fund Program	Total
70300 Net Tenant Rental Revenue	\$ 454,307	\$ -	\$ 454,307
70400 Tenant Revenue - Other	10,922	-	10,922
70500 Total Tenant Revenue	\$ 465,229	\$ -	\$ 465,229
70600 HUD PHA Operating Grants	\$ 141,987	\$ 4,619	\$ 146,606
70610 Capital Grants	-	127,553	127,553
70800 Other Government Grants	\$ -	\$ -	\$ -
71100 Investment Income - Unrestricted	783	-	783
71200 Mortgage Interest Income	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-
71310 Cost of Sale of Assets	-	-	-
71400 Fraud Recovery	-	-	-
71500 Other Revenue	6,346	-	6,346
71600 Gain or Loss on Sale of Capital Assets	-	-	-
72000 Investment Income - Restricted	-	-	-
70000 Total Revenue	\$ 614,345	\$ 132,172	\$ 746,517
91100 Administrative Salaries	\$ 113,931	\$ -	\$ 113,931
91200 Auditing Fees	5,876	-	5,876
91300 Management Fee	-	-	-
91310 Book-keeping Fee	-	-	-
91400 Advertising and Marketing	-	-	-
91500 Employee Benefit contributions - Administrative	41,639	-	41,639
91600 Office Expenses	36,358	-	36,358
91700 Legal Expense	-	-	-
91800 Travel	1,022	-	1,022
91810 Allocated Overhead	-	-	-
91900 Other	16,581	-	16,581
91000 Total Operating - Administrative	\$ 215,407	\$ -	\$ 215,407

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**Housing Authority of the City of Artesia
ARTESIA, NM
Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Low Rent Public Housing	Public Housing Capital Fund Program	Total
92000 Asset Management Fee	\$ -	\$ -	\$ -
92100 Tenant Services - Salaries	-	-	\$ -
92200 Relocation Costs	-	-	\$ -
92300 Employee Benefit Contributions - Tenant Services	-	-	\$ -
92400 Tenant Services - Other	-	-	\$ -
92500 Total Tenant Services	\$ -	\$ -	\$ -
93100 Water	\$ 60,062	\$ -	\$ 60,062
93200 Electricity	43,308	-	\$ 43,308
93300 Gas	35,917	-	\$ 35,917
93400 Fuel	-	-	\$ -
93500 Labor	-	-	\$ -
93600 Sewer	-	-	\$ -
93700 Employee Benefit Contributions - Utilities	-	-	\$ -
93800 Other Utilities Expense	14,268	-	\$ 14,268
93000 Total Utilities	\$ 153,555	\$ -	\$ 153,555
94100 Ordinary Maintenance and Operations - Labor	\$ 106,798	\$ -	\$ 106,798
94200 Ordinary Maintenance and Operations - Materials and Other	32,721	-	\$ 32,721
94300 Ordinary Maintenance and Operations Contracts	47,459	-	\$ 47,459
94500 Employee Benefit Contributions - Ordinary Maintenance	60,927	-	\$ 60,927
94000 Total Maintenance	\$ 247,905	\$ -	\$ 247,905
95100 Protective Services - Labor	\$ -	\$ -	\$ -
95200 Protective Services - Other Contract Costs	-	-	\$ -
95300 Protective Services - Other	-	-	\$ -
95500 Employee Benefit Contributions - Protective Services	-	-	\$ -
95000 Total Protective Services	\$ -	\$ -	\$ -
96110 Property Insurance	\$ 38,010	\$ -	\$ 38,010
96120 Liability Insurance	8,000	-	\$ 8,000
96130 Workmen's Compensation	1,490	-	\$ 1,490
96140 All Other Insurance	597	-	\$ 597
96100 Total insurance Premiums	\$ 48,097	\$ -	\$ 48,097
96200 Other General Expenses	\$ -	\$ -	\$ -
96210 Compensated Absences	-	-	\$ -
96300 Payments in Lieu of Taxes	-	-	\$ -
96400 Bad debt - Tenant Rents	6,379	-	\$ 6,379
96500 Bad debt - Mortgages	-	-	\$ -
96600 Bad debt - Other	-	-	\$ -
96800 Severance Expense	-	-	\$ -
96000 Total Other General Expenses	\$ 6,379	\$ -	\$ 6,379

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

**Housing Authority of the City of Artesia
ARTESIA, NM
Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Low Rent Public Housing	Public Housing Capital Fund Program	Total
96710 Interest of Mortgage (or Bonds) Payable	\$ -	\$ -	\$ -
96720 Interest on Notes Payable (Short and Long Term)	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ -
96900 Total Operating Expenses	\$ 671,343	\$ -	\$ 671,343
97000 Excess of Operating Revenue over Operating Expenses	\$ (56,998)	\$ 132,172	\$ 75,174
97100 Extraordinary Maintenance	\$ -	\$ -	\$ -
97200 Casualty Losses - Non-capitalized	-	-	-
97300 Housing Assistance Payments	-	-	-
97350 HAP Portability-In	-	-	-
97400 Depreciation Expense	225,749	18,023	243,772
97500 Fraud Losses	-	-	-
97800 Dwelling Units Rent Expense	-	-	-
90000 Total Expenses	\$ 897,092	\$ 18,023	\$ 915,115
10010 Operating Transfer In	\$ 4,619	\$ -	\$ 4,619
10020 Operating transfer Out	-	(4,619)	(4,619)
10030 Operating Transfers from/to Primary Government	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-
10060 Proceeds from Property Sales	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-
10093 Transfers between Program and Project - In	-	-	-
10094 Transfers between Project and Program - Out	-	-	-
10100 Total Other financing Sources (Uses)	\$ 4,619	\$ (4,619)	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (278,128)	\$ 109,530	\$ (168,598)

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

Housing Authority of the City of Artesia
ARTESIA, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2014

	Low Rent Public Housing	Public Housing Capital Fund Program	Total
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030 Beginning Equity	\$ 3,251,076	\$ -	\$ 3,251,076
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ 109,530	\$ (109,530)	\$ -
11190 Unit Months Available	1,594	-	\$ 1,594
11210 Number of Unit Months Leased	1,570	-	\$ 1,570
11270 Excess Cash	\$ 491,461	\$ -	\$ 491,461
11610 Land Purchases	\$ -	\$ -	\$ -
11620 Building Purchases	\$ -	\$ -	\$ -
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ -	\$ -	\$ -
11650 Leasehold Improvements Purchases	\$ -	\$ 127,553	\$ 127,553
11660 Infrastructure Purchases	\$ -	\$ -	\$ -
13510 CFFP Debt Service Payments	\$ -	\$ -	\$ -
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -

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