

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
A COMPONENT UNIT OF
THE CITY OF EUNICE, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



**STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY**

**A COMPONENT UNIT OF
THE CITY OF EUNICE, NEW MEXICO**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
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June 30, 2013

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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Official Roster
For the Year Ended June 30, 2013

<u>Name</u>		<u>Title</u>
	<u>Board of Directors</u>	
Allen Pickerel		Chairman
George Goforth		Resident Board Member
Newman Shanks		Member
Bill Robinson		Member
Arsenia Boyer		Member
	<u>Administrative Official</u>	
Sonya Gallegos		Executive Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
To the Executive Director and Board of Directors
City of Eunice Housing Authority
Eunice, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of City of Eunice Housing Authority (the "Authority"), a component unit of City of Eunice, New Mexico (the "City"), as of and for the year ended June 30, 2013, 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 budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Authority'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 Authority'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 financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year ended in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 1 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. Supporting Schedule I required by 2.2.2 NMAC, is presented for purpose of additional analysis and is not a required of the basic financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule II for purpose of additional analysis as required by the U.S Department of Housing and Urban Development and is not a required part of the basic financial statements.

The supporting Schedule I required by 2.2.2 NMAC and the Financial Data Schedule presented as supporting Schedule II required by the U.S Department of Housing and Urban Development 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 the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United states of America. In our opinion, the supporting Schedule I required by 2.2.2 NMAC and the Financial Data Schedule presented as supporting Schedule II required by the U.S Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 26, 2013

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The management of Public Housing Authority of Eunice, New Mexico presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ended June 30, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and includes five components: assets, deferred outflows of resources (none applies to this Housing Authority this year), liabilities, deferred inflows of resources (none applies to this Housing Authority this year), and a residual amount, referred to as the net position. The provisions of this Statement are now effective and apply to these financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$176,872 at the close of the fiscal year ended 2013.
 - ✓ Of this amount \$77,884 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ The remainder of \$98,988 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 97% of the total operating expenses of \$102,423 for the fiscal year 2013, which means the Authority might be able to operate about 12 months using the unrestricted assets alone, compared to 11 months in the prior fiscal year.
- The Housing Authority's total net position decreased by \$992, a 1% decrease from the prior fiscal year 2012. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash of \$9,330 from fiscal year 2012.
- These changes led to a decrease in total assets by \$813 and an increase in total liabilities by \$179. As related measure of financial health, there are still over \$18 of current assets covering each dollar of total current liabilities, which compares to \$16 covering the prior fiscal year's liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

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

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

USING THIS ANNUAL REPORT

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

Low Rent Public Housing	\$ 31,883
Public Housing Capital Fund Program	<u>19,850</u>
Total funding received this current fiscal year	<u>\$ 51,733</u>

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

Reporting the Housing Authority's Most Significant Funds

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

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

FINANCIAL ANALYSIS

The Housing Authority's net position was \$176,872 as of June 30, 2013. Of this amount, \$77,884 was invested in capital assets, and the remaining \$98,988 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general net position.

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
As of June 30, 2013**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 104,003	\$ 94,968
Non-current assets, net of depreciation	<u>80,709</u>	<u>90,557</u>
Total assets	<u>184,712</u>	<u>185,525</u>
LIABILITIES		
Current liabilities	5,721	5,750
Non-current liabilities	<u>2,119</u>	<u>1,911</u>
Total liabilities	<u>7,840</u>	<u>7,661</u>
NET POSITION		
Invested in capital assets, net of depreciation	77,884	87,757
Unrestricted & restricted net position	<u>98,988</u>	<u>90,107</u>
Total net position	<u>\$ 176,872</u>	<u>\$ 177,864</u>

The net position of these funds decreased by \$992, or by 1%, from those of fiscal year 2012, as below. In the narrative that follows, the detail factors causing this change are discussed:

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

Fiscal Year Ended June 30, 2013

	<u>2013</u>
OPERATING REVENUES	
Tenant rental revenue	\$ 43,543
Government grants for operations	<u>51,733</u>
Total operating revenues	<u>95,276</u>
OPERATING EXPENSES	
General	13,985
Ordinary maintenance and repairs	32,201
Administrative expenses and management fees	39,859
Utilities	6,505
Depreciation	<u>9,873</u>
Total operating expenses	<u>102,423</u>
Income (losses) from operations	<u>(26,997)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	59
Other non-tenant revenue	<u>6,096</u>
Total non-operating revenues (expenses)	<u>6,155</u>
Income (losses) before capital contributions	(992)
NET POSITION, BEGINNING OF FISCAL YEAR	177,864
NET POSITION, END OF FISCAL YEAR	<u>\$ 176,872</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$34,246, or by 25%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$32,073 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2011 through 2012, and submitted a new grant during fiscal year 2014.
- Federal revenues from HUD for operations decreased by \$1,188, or by 4% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.

- Total tenant revenue decreased by \$1106, or by 3% from that of the prior fiscal year, because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes decreased, so rent revenue from these tenants decreased accordingly, lowering the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$89, or by 37%.
- Total other non-operating revenue decreased by \$48,339 from that of the prior fiscal year.
- Interest income totaling \$59, did not change significantly from the prior to the current year.
- Compared with the prior fiscal year, total operating and non-operating expenses decreased \$20,547, or by 17% but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:
- Maintenance and repairs decreased by \$12,594, or by 28% from that of the prior fiscal year, due to several major factors: Repair staff wages decreased by \$5,127, or by 32% and related employee benefit contributions decreased by \$154, or by 11%. Also, materials used decreased by \$13,631, or by 70% but contract labor costs increased by \$4,050, or by 50%.
- Administrative Expenses decreased by \$6491, or by 14% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries decreased by \$7107, or by 25% and related employee benefit contributions decreased by \$262, or by 10% therefore, total staff salaries and benefit costs decreased by 21%. In addition, audit fees decreased by \$2,284, or by 28%. Overall sundry expenses increased by \$1380 or by 28%.
- General Expenses decreased by \$198, or by 4% from that of the prior fiscal year.
- Utilities Expense increased by \$324 from that of the prior fiscal year.
- Depreciation expense decreased by \$130 from that of the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Housing Authority had a total cost of \$683,189 invested in a broad range of assets and construction in progress from projects funded in 2011 through 2012, listed below. This amount, not including depreciation, represents no change from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of June 30, 2013**

	<u>2013</u>	<u>2012</u>
Land	\$ 20,392	\$ 20,392
Buildings and leasehold improvements	51254	60,938
Machinery and equipment	<u>6238</u>	<u>6,427</u>
Total	<u>\$ 77,884</u>	<u>\$ 87,757</u>

As of the end of the 2013 fiscal year, the Authority is still in the process of completing HUD grants of \$50,259 obtained during 2011 through 2012 fiscal years. A total remainder of \$3,705 will be received and spent for completing these projects during fiscal year 2014.

Debt

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Sonya Gallegos, at Public Housing Authority of Eunice, New Mexico; P.O. Box 1755; Eunice, NM 88231.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Net Position
June 30, 2013

Exhibit A-1

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 99,426	\$ -	\$ 99,426
Accounts receivable - tenants	359	-	359
Inventory	687	-	687
Prepaid expenses	3,531	-	3,531
<i>Total current assets</i>	<u>104,003</u>	<u>-</u>	<u>104,003</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	2,825	-	2,825
Capital assets	683,189	-	683,189
Accumulated depreciation	(605,305)	-	(605,305)
<i>Total assets</i>	<u>\$ 184,712</u>	<u>\$ -</u>	<u>\$ 184,712</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities:</i>			
Accounts payable	\$ 437	\$ -	\$ 437
Other current liabilities	184	-	184
Accrued payroll	1,231	-	1,231
Prepaid rent	4	-	4
Current portion - compensated absences	1,040	-	1,040
<i>Total current liabilities</i>	<u>2,896</u>	<u>-</u>	<u>2,896</u>
<i>Current liabilities (payable from restricted assets):</i>			
Tenant deposits	2,825	-	2,825
<i>Total current liabilities (payable from restricted assets)</i>	<u>2,825</u>	<u>-</u>	<u>2,825</u>
<i>Noncurrent liabilities:</i>			
Compensated absences, long term portion	2,119	-	2,119
<i>Total non-current liabilities</i>	<u>2,119</u>	<u>-</u>	<u>2,119</u>
<i>Total liabilities</i>	<u>7,840</u>	<u>-</u>	<u>7,840</u>
<i>Net position:</i>			
Net investment in capital assets	77,884	-	77,884
Unrestricted	98,988	-	98,988
<i>Total net position</i>	<u>176,872</u>	<u>-</u>	<u>176,872</u>
<i>Total liabilities and net position</i>	<u>\$ 184,712</u>	<u>\$ -</u>	<u>\$ 184,712</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Exhibit A-2

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Operating revenues:</i>			
Rental revenue	\$ 43,543	\$ -	\$ 43,543
Operating subsidies and grants	31,883	19,850	51,733
<i>Total operating revenues</i>	<u>75,426</u>	<u>19,850</u>	<u>95,276</u>
<i>Operating expenses:</i>			
Administration	37,514	2,345	39,859
Ordinary maintenance	30,751	1,450	32,201
Insurance	9,033	-	9,033
Utilities	6,505	-	6,505
General expenses	4,952	-	4,952
Depreciation	9,873	-	9,873
<i>Total operating expenses</i>	<u>98,628</u>	<u>3,795</u>	<u>102,423</u>
<i>Operating income (loss)</i>	<u>(23,202)</u>	<u>16,055</u>	<u>(7,147)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	59	-	59
Miscellaneous income	6,096	-	6,096
<i>Total non-operating revenues (expenses)</i>	<u>6,155</u>	<u>-</u>	<u>6,155</u>
<i>Income (loss) before transfers</i>	<u>(17,047)</u>	<u>16,055</u>	<u>(992)</u>
Transfers in	16,500	-	16,500
Transfers (out)	-	(16,500)	(16,500)
<i>Total transfers</i>	<u>16,500</u>	<u>(16,500)</u>	<u>-</u>
<i>Change in net position</i>	(547)	(445)	(992)
<i>Total net position - beginning of year</i>	<u>177,419</u>	<u>445</u>	<u>177,864</u>
<i>Total net position - end of year</i>	<u>\$ 176,872</u>	<u>\$ -</u>	<u>\$ 176,872</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Cash Flows
For the Year Ended June 30, 2013

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Cash flows from operating activities:</i>			
Cash received from tenant rents	\$ 43,635	\$ -	\$ 43,635
Cash received from operating subsidies	31,883	19,850	51,733
Cash payments to employees for services	(36,835)	(2,345)	(39,180)
Cash payments to suppliers for goods and services	(51,746)	(1,450)	(53,196)
<i>Net cash (used) provided by operating activities</i>	<u>(13,063)</u>	<u>16,055</u>	<u>2,992</u>
<i>Cash flows from noncapital financing activities:</i>			
Miscellaneous income (expense)	6,096	-	6,096
Change in noncurrent accrued compensated absences	208	-	208
Interfund due to and due from	(445)	445	-
Transfers	16,500	(16,500)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>22,359</u>	<u>(16,055)</u>	<u>6,304</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	59	-	59
<i>Net cash provided by investing activities</i>	<u>59</u>	<u>-</u>	<u>59</u>
<i>Net increase in cash and cash equivalents</i>	9,355	-	9,355
<i>Cash and cash equivalents - beginning of year</i>	<u>92,896</u>	<u>-</u>	<u>92,896</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 102,251</u>	<u>\$ -</u>	<u>\$ 102,251</u>

The accompanying notes are an integral part of these financial statements

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (23,202)	\$ 16,055	\$ (7,147)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	9,873	-	9,873
Changes in assets and liabilities			
Accounts receivables	88	-	88
Inventory	177	-	177
Prepaid expenses	30	-	30
Accounts payable	(737)	-	(737)
Accrued payroll expenses	471	-	471
Tenant prepaid rent	4	-	4
Accrued compensated absences	208	-	208
Tenant deposits	25	-	25
<i>Net cash (used) provided by operating activities</i>	<u>\$ (13,063)</u>	<u>\$ 16,055</u>	<u>\$ 2,992</u>

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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eunice Housing Authority (Authority) was organized February 28, 1967 pursuant to an agreement with the U.S. Department of Housing and Urban Development (HUD). The Cooperative Agreement between the City of Eunice and the Housing Authority was entered into February 28, 1967. The twenty unit complex is located in Eunice, New Mexico. The contract provided for clean, safe, sanitary housing which would be financed by the U.S. Government. The terms of the agreement provide that HUD shall provide annual contributions to cover the debt services on bonds for the subsidies for operations of the program. The City of Eunice agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

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.

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 are responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2013, the Authority adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Authority does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

The Authority reports the following major enterprise funds:

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

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

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 programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. 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 is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its residents and participants.

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 Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a component unit of the City of Eunice.

The City of Eunice does issue separately audited financial statements. Additional, information regarding the City of Eunice may be obtained directly from their administrative office as follows: City of Eunice, 1106 Ave J., Eunice, New Mexico 88231.

B. *Basis of Accounting and Measurement Focus*

All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All of the Authority's funds meet the requirements for being reported as major funds under GASB Statement No. 34.

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

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting and Measurement Focus (continued)

All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. The Authority's proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. There are no fiduciary funds included in the Authority's financial statements.

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 contracts with the U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grant revenue. Contributions received from HUD for capital additions and improvements are reported as capital grant revenue.

C. Assets, Liabilities, and Net Position

Deposits and Investments

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

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

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

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.

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounts Receivable and Accounts Payable

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

Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits of \$2,825, held as insurance against the non-payment for services rendered, are classified on the Statement of Net Position as restricted because their use is limited.

Inventories

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as an expenditure at the time of consumption. Inventory for the Authority is valued at cost using the First In, First Out Method. Based on historical data, the Authority has determined that 5% of inventories on hand are expected to become damaged or obsolete. An allowance has been established for this inventory.

Prepaid Items

Certain payments to vendors for items that include insurance reflect costs to future accounting periods and are recorded as prepaid items in the Authority's financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

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

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

Property, plant and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 years
Machinery and equipment	5 – 10 years

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Expenses

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

Compensated Absences

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

Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the program that will pay it. Amounts of vested or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position.

Net Position

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

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

Unrestricted and Restricted Resources

Certain resources set aside for 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

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

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Estimates

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

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund from expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other inter-fund transfers are reported as operating transfers. Offsetting inter-program transactions are eliminated for financial statement presentation.

D. 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 Fund Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net position.
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 Director's approves the budget.

HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation; therefore, the budget is not prepared in accordance with generally accepted accounting principles. It is prepared on a non-GAAP cash budgetary basis and adheres to HUD guidelines. The budget is a guideline to operations and is not a legally enforceable document. The Authority's legal level of budgetary control is at the grant program level.

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2012.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the Authority's accounts at an insured depository institution, including noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority 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, 2013, none of the Authority's bank balance of \$102,883 was exposed to custodial credit risk, as it was fully insured by FDIC.

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states 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.

	Wells Fargo
Year ended June 30, 2013	
Amount of deposits	\$ 102,883
FDIC Coverage	(102,883)
Total uninsured public funds	-
Collateralized by securities held by the pledging institutions or by its trust department or agent in other than the Authority's name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged collateral	-
Over (under) collateralization	\$ -

Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the Authority's Statement of Net Position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 99,426
Restricted cash and cash equivalents per Exhibit A-1	2,825
	102,251
Add: outstanding checks and other reconciling items	682
Less: petty cash	(50)
	\$ 102,883

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 3. RECEIVABLES AND PAYABLES

Receivables as of June 30, 2013, are as follows:

	Low Rent Public Housing	Public Housing Capital Fund	Total
Tenant receivables	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ 359</u>
Total Receivables	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ 359</u>

Accounts payable and accrued expenses as of June 30, 2013, are as follows:

	Low Rent Public Housing	Public Housing Capital Fund	Total
Payable to suppliers	\$ 437	\$ -	\$ 437
Payable to vendors	184	-	184
Payable to and on behalf of employees	<u>1,231</u>	<u>-</u>	<u>1,231</u>
Total accounts payable and accrued expenses	<u>\$ 1,852</u>	<u>\$ -</u>	<u>\$ 1,852</u>

NOTE 4. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land is not subject to depreciation.

	Balance June 30, 2012	Additions and Transfers in	Deletions and Transfers out	Balance June 30, 2013
Capital assets not being depreciated:				
Land	<u>\$ 20,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,392</u>
Total capital assets not being depreciated	<u>20,392</u>	<u>-</u>	<u>-</u>	<u>20,392</u>
Capital assets being depreciated:				
Buildings and improvements	588,717	-	-	588,717
Machinery and equipment	<u>74,080</u>	<u>-</u>	<u>-</u>	<u>74,080</u>
Total capital assets being depreciated	<u>662,797</u>	<u>-</u>	<u>-</u>	<u>662,797</u>
Total capital assets	<u>683,189</u>	<u>-</u>	<u>-</u>	<u>683,189</u>
Less accumulated depreciation:				
Buildings and improvements	527,779	9,684	-	537,463
Machinery and equipment	<u>67,653</u>	<u>189</u>	<u>-</u>	<u>67,842</u>
Total accumulated depreciation	<u>595,432</u>	<u>9,873</u>	<u>-</u>	<u>605,305</u>
Total capital assets, net of depreciation	<u>\$ 87,757</u>	<u>\$ (9,873)</u>	<u>\$ -</u>	<u>\$ 77,884</u>

The Authority has continued to maintain the cost of its buildings, machinery and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2013, totaled \$9,873.

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2013.

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 2,743	\$ 1,248	\$ 832	\$ 3,159	\$ 1,040

NOTE 6. CONTINGENT LIABILITIES

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

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

NOTE 7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. The Authority at present does not maintain any insurance to minimize its exposure. Through the City of Eunice, the Authority obtains coverage from commercial insurance companies for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees the Authority has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the City of Eunice's Internal Service Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Authority has elected not to participate in the Public Employees Retirement Act plan and there are no required contributions for fiscal year ending June 30, 2013.

NOTE 9. POST-EMPLOYMENT BENEFITS - STATE RETIREEE HEALTH CARE PLAN

The Authority has elected not to participate in the New Mexico Retiree Health Care Fund and there are no required contributions for fiscal year ending June 30, 2013.

NOTE 10. CONCENTRATIONS

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

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Notes to the Financial Statements
June 30, 2013

NOTE 11. CAPITAL FUNDS PROJECTS

During the year under audit, Capital Funds Project NM02P027501-11 was completely expended and closed out.

NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2013 which is the date on which the financial statements were available to be issued.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* was issued, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62* was issued, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* was issued, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* was issued, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Revenues, Expenses and Changes in
Net Position - Budget (Non-GAAP Budgetary Basis) and Actual
Low Rent Public Housing Program
For the Year Ended June 30, 2013

Statement A-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable) Final to Actual</u>
<i>Operating revenues:</i>				
Rental revenue	\$ 44,500	\$ 44,500	\$ 43,543	\$ (957)
Noncapital grants and subsidies	28,973	28,973	31,883	2,910
<i>Total operating revenues</i>	73,473	73,473	75,426	1,953
<i>Operating expenses:</i>				
Administration	32,480	32,480	31,150	1,330
Sundry administration	6,350	6,350	6,364	(14)
Ordinary maintenance	19,910	19,910	18,636	1,274
Contracts costs	9,150	9,150	12,115	(2,965)
Insurance	12,450	12,450	9,033	3,417
Utilities	6,900	6,900	6,505	395
Other operating expenses	7,318	7,318	4,952	2,366
<i>Total operating expenses</i>	94,558	94,558	88,755	5,803
<i>Operating income (loss)</i>	(21,085)	(21,085)	(13,329)	7,756
<i>Nonoperating revenues (expenses):</i>				
Capital grants	-	-	-	-
Investment earnings	50	50	59	9
Miscellaneous	4,060	4,060	6,096	2,036
<i>Total nonoperating revenues (expenses)</i>	4,110	4,110	6,155	2,045
<i>Income (loss) before transfers</i>	(16,975)	(16,975)	(7,174)	9,801
Designated cash (budgeted increase in cash)	16,975	16,975	-	(16,975)
Transfers in	-	-	16,500	16,500
Transfers out	-	-	-	-
<i>Change in net position</i>	\$ -	\$ -	9,326	\$ 9,326
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			(9,873)	
<i>Change in net position per Exhibit A-2</i>			(547)	
<i>Total net position, beginning of year</i>			177,419	
<i>Total net position, end of year</i>			\$ 176,872	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Revenues, Expenses and Changes in
Net Position - Budget (Non-GAAP Budgetary Basis) and Actual
Public Housing Capital Fund Program
For the Year Ended June 30, 2013

Statement A-2

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Rental revenue	\$ -	\$ -	\$ -	\$ -
Operating subsidies and grants	15,899	15,899	19,850	3,951
<i>Total operating revenues</i>	15,899	15,899	19,850	3,951
<i>Operating expenses:</i>				
Administration	2,345	2,345	2,345	-
Sundry administration	-	-	-	-
Ordinary maintenance	1,450	1,450	1,450	-
Contracts costs	-	-	-	-
Insurance	-	-	-	-
Utilities	-	-	-	-
Other operating expenses	-	-	-	-
<i>Total operating expenses</i>	3,795	3,795	3,795	-
<i>Operating income (loss)</i>	12,104	12,104	16,055	3,951
<i>Nonoperating revenues (expenses):</i>				
Capital grants	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	-	-	-	-
<i>Income (loss) before transfers</i>	12,104	12,104	16,055	3,951
Designated cash (budgeted increase in cash)	(12,104)	(12,104)	-	12,104
Transfers in	-	-	-	-
Transfers out	15,899	15,899	(16,500)	(601)
<i>Change in net position</i>	\$ -	\$ -	(445)	\$ 15,454
<i>Revenues (expenses) not budgeted:</i>				
Depreciation			-	
<i>Change in net position per Exhibit A-2</i>			(445)	
<i>Total net position, beginning of year</i>			445	
<i>Total net position, end of year</i>			\$ -	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Schedule of Deposit Accounts
June 30, 2013

Schedule I

Bank Name/Account Name	Account Number	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank					
General fund	1103416607	\$ 74,891	\$ -	\$ 682	\$ 74,209
Tenant deposits	6173531283	2,825	-	-	2,825
Certificate of deposit	3266083439	10,067	-	-	10,067
Certificate of deposit	3266083421	15,100	-	-	15,100
Total cash in bank		<u>\$ 102,883</u>	<u>\$ -</u>	<u>\$ 682</u>	\$ 102,201
Petty cash					<u>50</u>
Total cash and cash equivalents per Exhibit A-1					<u>\$ 102,251</u>
Statement of Net Position (Exhibit A-1):					
Cash and cash equivalents					\$ 99,426
Restricted cash and cash equivalents					<u>2,825</u>
Total cash and cash equivalents					<u>\$ 102,251</u>

See accompanying independent auditor's report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2013

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
Assets			
111 Cash - unrestricted	\$ 99,426	\$ -	\$ 99,426
114 Cash - tenant security deposits	<u>2,825</u>	<u>-</u>	<u>2,825</u>
100 Total cash	<u>102,251</u>	<u>-</u>	<u>102,251</u>
126 Accounts receivable - tenants - dwelling rents	<u>359</u>	<u>-</u>	<u>359</u>
120 Total receivables, net of allowance for doubtful accounts	<u>359</u>	<u>-</u>	<u>359</u>
142 Prepaid expenses and other assets	3,531	-	3,531
143 Inventories	<u>687</u>	<u>-</u>	<u>687</u>
150 Total current assets	<u>106,828</u>	<u>-</u>	<u>106,828</u>
161 Land	20,392	-	20,392
162 Buildings	588,717	-	588,717
163 Furniture, equipment and machinery - dwellings	74,080	-	74,080
166 Accumulated depreciation	<u>(605,305)</u>	<u>-</u>	<u>(605,305)</u>
160 Total capital assets, net of accumulated depreciation	<u>77,884</u>	<u>-</u>	<u>77,884</u>
180 Total non-current assets	<u>77,884</u>	<u>-</u>	<u>77,884</u>
190 Total assets	<u>\$ 184,712</u>	<u>\$ -</u>	<u>\$ 184,712</u>

See accompanying independent auditor's report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2013

		Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
Liabilities and Equity				
<i>Liabilities</i>				
312	Accounts payable ≤ 90 days	\$ 437	\$ -	\$ 437
321	Accrued wage/payroll taxes payable	1,231	-	1,231
322	Accrued compensated absences - current portion	1,040	-	1,040
341	Tenant security deposits	2,825	-	2,825
342	Deferred revenues	4	-	4
346	Accrued Liabilities - Other	184	-	184
310	Total current liabilities	<u>5,721</u>	<u>-</u>	<u>5,721</u>
354	Accrued compensated absences - non-current	<u>2,119</u>	<u>-</u>	<u>2,119</u>
350	Total non-current liabilities	<u>2,119</u>	<u>-</u>	<u>2,119</u>
300	Total liabilities	<u>7,840</u>	<u>-</u>	<u>7,840</u>
<i>Equity</i>				
508.1	Net investment in capital assets	77,884	-	77,884
512.1	Unrestricted net position	<u>98,988</u>	<u>-</u>	<u>98,988</u>
513	Total equity/net position	<u>176,872</u>	<u>-</u>	<u>176,872</u>
600	Total liabilities and equity/net position	<u>\$ 184,712</u>	<u>\$ -</u>	<u>\$ 184,712</u>

See accompanying independent auditor's report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
For the Year Ended June 30, 2013

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
Revenues			
70300 Net tenant rental revenue	\$ 43,543	\$ -	\$ 43,543
70500 Total tenant revenue	<u>43,543</u>	<u>-</u>	<u>43,543</u>
70600 HUD PHA operating grants	31,883	19,850	51,733
71100 Investment income - unrestricted	59	-	59
71500 Other revenue	<u>6,096</u>	<u>-</u>	<u>6,096</u>
70000 Total revenue	<u>81,581</u>	<u>19,850</u>	<u>101,431</u>
Expenses			
91100 Administrative salaries	20,800	-	20,800
91200 Auditing fees	5,741	2,345	8,086
91310 Bookkeeping fees	2,222	-	2,222
91500 Employee benefit contributions - administrative	2,387	-	2,387
91600 Office expenses	396	-	396
91900 Other	<u>5,968</u>	<u>-</u>	<u>5,968</u>
91000 Total operating - administrative	<u>37,514</u>	<u>2,345</u>	<u>39,859</u>
93100 Water	3,496	-	3,496
93200 Electricity	1,622	-	1,622
93300 Gas	812	-	812
93600 Sewer	<u>575</u>	<u>-</u>	<u>575</u>
93000 Total utilities	<u>6,505</u>	<u>-</u>	<u>6,505</u>
94100 Ordinary maintenance and operations - labor	10,968	-	10,968
94200 Ordinary maintenance and operations - materials and other	6,458	1,450	7,908
94300 Ordinary maintenance and operations contracts	12,115	-	12,115
94500 Employee benefit contributions - ordinary maintenance	<u>1,210</u>	<u>-</u>	<u>1,210</u>
94000 Total maintenance	<u>30,751</u>	<u>1,450</u>	<u>32,201</u>

See accompanying independent auditor's report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
For the Year Ended June 30, 2013

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
96110 Property insurance	3,874	-	3,874
96120 Liability insurance	3,160	-	3,160
96130 Workmen's compensation	550	-	550
96140 All other insurance	1,449	-	1,449
96100 Total insurance premiums	<u>9,033</u>	<u>-</u>	<u>9,033</u>
96200 Other general expenses	-	-	-
96210 Compensated absences	1,248	-	1,248
96300 Payment in lieu of taxes	3,704	-	3,704
96000 Total other general expenses	<u>4,952</u>	<u>-</u>	<u>4,952</u>
96900 Total operating expenses	<u>88,755</u>	<u>3,795</u>	<u>92,550</u>
97000 Excess of operating revenue over operating expenses	<u>(7,174)</u>	<u>16,055</u>	<u>8,881</u>
97400 Depreciation expense	<u>9,873</u>	<u>-</u>	<u>9,873</u>
90000 Total expenses	<u>98,628</u>	<u>3,795</u>	<u>102,423</u>
10010 Operating transfers in	16,500	-	16,500
10020 Operating transfers out	-	(16,500)	(16,500)
10100 Total other financing sources (uses)	<u>16,500</u>	<u>(16,500)</u>	<u>-</u>
10000 Excess (deficiency) of operating revenue over (under) expenses	(547)	(445)	(992)
11030 Beginning equity	<u>177,419</u>	<u>445</u>	<u>177,864</u>
Ending equity (deficit)	<u>\$ 176,872</u>	<u>\$ -</u>	<u>\$ 176,872</u>
11190 Unit months available	<u>240</u>	<u>-</u>	<u>240</u>
11210 Number of unit months leased	<u>238</u>	<u>-</u>	<u>238</u>

See accompanying independent auditor's report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
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 AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
To the Executive Director and Board of Directors
City of Eunice Housing Authority
Eunice, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Eunice Housing Authority (the "Authority"), a component unit of the City of Eunice, New Mexico as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated November 26, 2013.

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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2010-3 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of finding and responses as items FS 2007-1 and FS 2009-1 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2013-001.

Authority's Responses to Findings

The Authority responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 26, 2013

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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Schedule of Findings and Responses
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2007-1 Preparation of Financial Statements – Significant Deficiency – Repeated and Modified

FS 2009-1 Internal Controls/Segregation of Duties – Significant Deficiency – Repeated and Modified

FS 2010-3 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness – Repeated and Modified

SECTION III – FINANCIAL STATEMENT FINDINGS

FS 2007-1 Preparation of Financial Statements – Significant Deficiency

Condition: The financial statements and related disclosures are not being prepared by the Housing Authority.

Criteria: According to the Auditing Standards Board Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Auditors' Recommendations: We recommend the Authority's management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Eunice Housing Authority (EHA) will be working closer with the housing's fee accountant in order to reach a better understanding of the requirements of external financial reporting. The EHA will be implementing policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2009-1 Internal Controls/Segregation of Duties – Significant Deficiency

Condition: The Authority is lacking adequate internal controls over its accounting processes. During review of internal control procedures, we noted that the secretary has the ability to receive rent payments, record payments, prepare and make deposits, and process tenant calls and complaints. The secretary also has the ability to prepare checks, sign checks as a second signature and mail checks.

Criteria: Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur. (AU 325) Section 6-5-2, NMSA 1978, requires that state agencies shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: The Authority's books or records may be at risk of containing misstatements, as errors may occur and may not be detected within a timely manner. Insufficient controls over the receipting process create an opportunity/incentive for misappropriation of funds.

Cause: The Authority has only two employees, accordingly, a proper segregation of duties is not possible.

Auditors' Recommendations: Proper segregation is not always possible in a small organization. We recommend that the "Board" provide extensive oversight, and implement limited segregation to the extent possible to reduce the risk of errors or fraud.

Agency's Response: Copies of all checks and invoices are provided to the board. The board approves the bills at each board meeting and the chairman initials each invoice. The secretary signs a check only when the Executive Director or Chairman is not available. The board relies on the outside fee accountant to help mitigate the risk. The outside fee accountant reviews all disbursements, bank statements/reconciliations, and rent rolls. Copies of all rent receipts issued and deposits made to the bank documentation are provided to the board. The board reviews this information at each board meeting and the chairman initials all documentation.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2010-3 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness

Condition: The Housing Authority does not have a comprehensive documented internal control structure. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:

- There is not a fraud risk assessment done at the Housing Authority
- There is inadequate segregation of duties.

Criteria: As required by NMSA 1978 Section 6-6-3, the Housing Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Under SAS 115, the internal control and financial reporting process should have adequate oversight provided by the body charged with governance.

Effect: Because there is not an adequate internal control structure or oversight by the governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the fiscal year 2013 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control structure.

Auditors' Recommendations: The Housing Authority should ensure that a comprehensive internal control structure is designed, documented and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Additionally, the Housing Authority management should give annual consideration to how fraud might occur in their organization and develop procedures to address fraud risk and document those risks and procedures.

Agency's Response: The Housing Authority is small. There is only one office person to perform duties. Fee accountant oversees all work performed in the office on a monthly basis. Copies of all paperwork such as rent receipts, rent registers, deposits, draw downs of grant funding, copies of checks, bank statements, etc. are sent to the fee accountant on a monthly basis. This helps to alleviate any risks that could occur.

SECTION III – FINANCIAL STATEMENT FINDINGS (continued)

FS 2013-001 Move-in and Annual Inspections - Noncompliance

Condition: During testwork over Tenant files, we noted that in 6 out of 6 tenants tested, the files did not have documents noting that the move-in and annual inspections had been completed.

Criteria: The PHA or owner must provide housing that is decent, safe, and sanitary. To achieve this end, the PHA must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe, and sanitary. Any entity responsible for conducting a physical inspection of HUD housing, to determine compliance with this subpart, must inspect such HUD housing annually in accordance with HUD-prescribed physical inspection procedures. The inspection must be conducted annually unless the program regulations governing the housing provide otherwise or unless HUD has provided otherwise by notice. Section 5.705 Title 24-Housing and Urban Development

Effect: Failure to perform annual inspections caused the Housing Authority to be out of compliance with the inspections requirements related to move-in and annual inspections. This could result in possible loss of federal grant funding.

Cause: Procedures were not in place to ensure the Housing Authority maintained proper move-in and annual inspection processes to maintain compliance with U.S Department of Housing and Urban Development.

Auditors' Recommendations: The Housing Authority should develop and implement a system of internal controls to ensure that the move-in and annual inspections are performed in a timely manner on all units. The body charged with governance should provide effective oversight of these procedures to ensure they are effectively operating.

Agency's Response: The Housing Authority is small. There is only one office person to perform duties. Though the move-in inspections were completed the annual inspections for those who have lived there the entire year was over looked. The body charged with governance scheduled the inspections for all units as soon as this was brought to their attention and will be completed by December 1, 2013 and ensure all proper documentation is kept in client files.

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Other Disclosures
For the Year Ended June 30, 2013

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Authority to prepare its own GAAP-basis financial statements, it is felt that the Authority's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. The responsibility for the financial statements remains with the Authority.

B. EXIT CONFERENCE

The contents of this report for the City of Eunice Housing Authority were discussed on December 2, 2013. The following individuals were in attendance.

City of Eunice Housing Authority Officials

Sonya Gallegos, Executive Director
Allen Pickerel, Chairman

Accounting and Consulting Group, LLP

Cindy Bryan, Partner