

**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, 2014**

**Harshwal & Company LLP  
Certified Public Accountants  
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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
TABLE OF CONTENTS  
JUNE 30, 2014**

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Official Roster		1
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		3
Basic Financial Statements:		
Statement of Net Position	A-1	7
Statement of Revenues, Expenses and Changes in Net Position	A-2	8
Statement of Cash Flows	A-3	9
Notes to the Financial Statements		10
<b>SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual:		
Low Rent Public Housing Program	A-1	22
Public Housing Capital Fund Program	A-2	23
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposit Accounts	I	25
Financial Data Schedule	II	26
<b>COMPLIANCE SECTION</b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditors' Report		30
Schedule of Findings and Responses	III	32
Prior Year Audit Findings	IV	35
<b>OTHER DISCLOSURES</b>		36

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2014**

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

## **FINANCIAL SECTION**

## 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 Public Housing Authority (the "Authority"), a component unit of City of Eunice, New Mexico (the "city"), 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 have also audited the Authority's individual enterprise funds budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standard Boards, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2014, and the respective changes in the financial positions 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 financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons of the individual enterprise funds for the year then ended in accordance 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*

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require 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 Information**

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. Supporting schedules I required by 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part 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 September 27, 2014 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.

**Harshwal & Company LLP  
Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico  
September 27, 2014**



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF EUNICE HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Exhibit A-1

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<b>ASSETS</b>			
Currents assets:			
Cash and cash equivalents	\$ 51,189	\$	\$ 51,189
Accounts receivable - tenants	<u>197</u>	<u>          </u>	<u>197</u>
Total current assets	<u>51,386</u>	<u>0</u>	<u>51,386</u>
Noncurrent assets:			
Restricted cash and cash equivalents	3,125		3,125
Capital assets	683,189		683,189
Accumulated depreciation	<u>(611,604)</u>	<u>          </u>	<u>(611,604)</u>
Total noncurrent assets	<u>74,710</u>	<u>0</u>	<u>74,710</u>
Total assets	<u>126,096</u>	<u>0</u>	<u>126,096</u>
<b>LIABILITIES AND NET POSITIONS</b>			
Current liabilities:			
Accounts payable	469		469
Other current liabilities	3,076		3,076
Accrued payroll	1,659		1,659
Current portion - compensated absences	<u>60</u>	<u>          </u>	<u>60</u>
Total current liabilities	<u>5,264</u>	<u>0</u>	<u>5,264</u>
Current liabilities (payable from restricted assets):			
Tenant deposits	<u>3,223</u>	<u>          </u>	<u>3,223</u>
Total current liabilities (payable from restricted assets)	<u>3,223</u>	<u>0</u>	<u>3,223</u>
Total liabilities	<u>8,487</u>	<u>0</u>	<u>8,487</u>
<b>NET POSITION</b>			
Net investment in capital assets	71,585		71,585
Restricted	3,125		3,125
Unrestricted	<u>42,899</u>	<u>          </u>	<u>42,899</u>
Total net position	<u>117,609</u>	<u>0</u>	<u>117,609</u>
Total liabilities and net position	<u>\$ 126,096</u>	<u>\$ 0</u>	<u>\$ 126,096</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit A-2  
CITY OF EUNICE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<b><i>OPERATING REVENUES</i></b>			
Rental revenue	\$ 45,397	\$	\$ 45,397
Operating subsidies and grants	<u>42,322</u>	<u>17,431</u>	<u>59,753</u>
Total operating revenues	<u>87,719</u>	<u>17,431</u>	<u>105,150</u>
<b><i>OPERATING EXPENSES:</i></b>			
Administration	60,876		60,876
Ordinary maintenance	30,426	17,431	47,857
Insurance	17,121		17,121
Utilities	18,426		18,426
General expenses	13,880		13,880
Depreciation	<u>6,299</u>		<u>6,299</u>
Total operating expenses	<u>147,028</u>	<u>17,431</u>	<u>164,459</u>
Operating income (loss)	<u>(59,309)</u>	<u>0</u>	<u>(59,309)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES):</i></b>			
Interest income	46		46
Total non-operating revenues (expenses)	<u>46</u>	<u>0</u>	<u>46</u>
<b><i>INCOME (LOSS) BEFORE TRANSFERS</i></b>			
Transfers in		4,500	4,500
Transfers (out)		<u>(4,500)</u>	<u>(4,500)</u>
Total transfers	<u>0</u>	<u>0</u>	<u>0</u>
<b><i>CHANGE IN NET POSITION</i></b>	(59,263)	0	(59,263)
<b><i>TOTAL NET POSITION - BEGINNING OF YEAR</i></b>	<u>176,872</u>	<u>0</u>	<u>176,872</u>
<b><i>TOTAL NET POSITION - END OF YEAR</i></b>	<u>\$ 117,609</u>	<u>\$ 0</u>	<u>\$ 117,609</u>

The accompanying notes are an integral part of these financial statements

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

Exhibit A-3

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<b><i>Cash flows from operating activities</i></b>			
Cash received from tenant rents	\$ 45,559	\$	\$ 45,559
Cash received from operating subsidies	42,322	17,431	59,753
Cash payments to employees for services	(61,428)		(61,428)
Cash payments to suppliers for goods and services	<u>(72,317)</u>	<u>(17,431)</u>	<u>(89,748)</u>
Net cash (used) provided by operating activities	<u>(45,864)</u>	<u>0</u>	<u>(45,864)</u>
<b><i>Cash flows from noncapital financing activities</i></b>			
Miscellaneous income (expense)			
Change in noncurrent accrued compensated absences	(2,119)		(2,119)
Transfers	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash provided (used) by noncapital financing activities	<u>(2,119)</u>	<u>0</u>	<u>(2,119)</u>
<b><i>Cash flows from investing activities</i></b>			
Interest on investments	<u>46</u>	<u>                    </u>	<u>46</u>
Net cash provided by investing activities	<u>46</u>	<u>0</u>	<u>46</u>
<b>Net increase in cash and cash equivalents</b>	(47,937)	0	(47,937)
<b>Cash and cash equivalents - beginning of year</b>	<u>102,251</u>	<u>0</u>	<u>102,251</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 54,314</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 54,314</u></u>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>			
Operating income (loss)	\$ (59,309)	\$	\$ (59,309)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	6,299		6,299
Changes in assets and liabilities:			
Accounts receivables	162		162
Inventory	687		687
Prepaid expenses	3,531		3,531
Accounts payable	32		32
Accrued payroll expenses	428		428
Tenant prepaid rent	(4)		(4)
Accrued compensated absences	(980)		(980)
Tenant deposits	398		398
Other Current Liability	<u>2,892</u>	<u>                    </u>	<u>2,892</u>
<b>Net cash (used) provided by operating activities</b>	<u><u>\$ (45,864)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (45,864)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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.

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  
NOTES TO THE 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 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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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,

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

**Accounts Receivable and Accounts Payable**

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 \$3,125, 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.



**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

**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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 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.

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, 2014, none of the Authority's bank balance of \$58,124 was exposed to custodial credit risk, as it was fully insured by FDIC.

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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

<u>Year ended June 30, 2014</u>	<u>Wells Fargo</u>
Amount of deposits	\$ 58,124
FDIC Coverage	<u>(58,124)</u>
Total uninsured public funds	<u>0</u>
Collateralized by securities held by the pledging institutions or by its trust department or agent in other than the Authority's name	<u>                    </u>
Uninsured and uncollateralized	<u>0</u>
Collateral requirement (50% of uninsured public funds)	
Pledged collateral	<u>0</u>
Over (under) collateralization	<u>\$ 0</u>

**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	\$ 51,189
Restricted cash and cash equivalents per Exhibit A-1	<u>3,125</u>
Total cash and cash equivalents per Exhibit A-1	54,314
Add: outstanding checks and other reconciling items	3,910
Less: petty cash	<u>(100)</u>
Bank balance of deposits	<u>\$ 58,124</u>

**NOTE 3. RECEIVABLES AND PAYABLES**

Receivables as of June 30, 2014, are as follows:

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
Tenant Receivables	\$ <u>197</u>	\$ <u>          </u>	\$ <u>197</u>
Total Receivables	\$ <u>197</u>	\$ <u>0</u>	\$ <u>197</u>

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3. RECEIVABLES AND PAYABLES (continued)**

Accounts payable and accrued expenses as of June 30, 2014 , are as follows:

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
Payable to vendors	\$ 469	\$	\$ 469
Payable to and on behalf of employees	<u>1,659</u>	<u></u>	<u>1,659</u>
Total accounts payable and accrued expenses	<u>\$ 2,128</u>	<u>\$ 0</u>	<u>\$ 2,128</u>

**NOTE 4. CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land is not subjected to depreciation.

	<u>Balance June 30, 2013</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2014</u>
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>0</u>	<u>0</u>	<u>20,392</u>
Capital assets being depreciated:				
Buildings and improvements	588,717			588,717
Machinery and equipment	<u>74,080</u>			<u>74,080</u>
Total capital assets being depreciated	<u>662,797</u>	<u>0</u>	<u>0</u>	<u>662,797</u>
Total capital assets	<u>683,189</u>	<u>0</u>	<u>0</u>	<u>683,189</u>
Less accumulated depreciation:				
Buildings and improvements	537,463	5,688		543,151
Machinery and equipment	<u>67,842</u>	<u>611</u>		<u>68,453</u>
Total accumulated depreciation	<u>605,305</u>	<u>6,299</u>	<u>0</u>	<u>611,604</u>
Total capital assets, net of depreciation	<u>\$ 77,884</u>	<u>\$ (6,299)</u>	<u>\$ 0</u>	<u>\$ 71,585</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, 2014, totaled 6,299.

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5. LONG-TERM LIABILITIES**

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

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Due Within a Year</u>
Compensated Absences	\$ <u>3,159</u>	\$ <u>0</u>	\$ <u>3,099</u>	\$ <u>60</u>	\$ <u>60</u>

**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, 2014.

**NOTE 9. POST-EMPLOYMENT BENEFITS - STATE RETIREE 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, 2014.

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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 problems by this U.S Governmental Agency.

**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 September 27, 2014 which is the date on which the financial statements were available to be issued.

**NOTE 12. PROFESSIONAL SERVICES AGREEMENT**

City of Eunice Housing Authority (EHA) entered in professional services agreement with Eastern Regional Housing Authority (ERHA) on 15th Oct, 2013. Whereas ERHA operates Low Rent Public Housing Program in compliance with HUD regulations and has agreed to undertake the operational responsibilities for the Low Rent Public Housing Program on EHA's behalf, and to assist EHA in its financial reporting requirements for certain state and federal agencies, as required by applicable state and federal law. ERHA shall begin its responsibilities hereunder on the Effective Date 15th Oct, 2013. Such responsibilities shall continue until the Annual Contributions Contract which EHA currently has with HUD is transferred from the EHA to ERHA, unless this Agreement is earlier terminated pursuant to the provisions of Paragraph 6 of the agreement.

**NOTE 13. SUBSEQUENT PRONOUNCEMENTS**

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.

## **SUPPLEMENTARY INFORMATION**



STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
LOW RENT PUBLIC HOUSING PROGRAM  
JUNE 30, 2014

Statement A-1

	Original Budget	Final Budget	Actual	Variance Favorable Unfavourable Final To Actual
<b><i>OPERATING REVENUES</i></b>				
Rental revenue	\$ 44,863	\$ 45,313	\$ 45,397	\$ 84
Operating subsidies and grants	<u>38,303</u>	<u>37,853</u>	<u>42,322</u>	<u>4,469</u>
Total operating revenues	<u>83,166</u>	<u>83,166</u>	<u>87,719</u>	<u>4,553</u>
<b><i>OPERATING EXPENSES</i></b>				
Administration	57,424	60,424	60,876	(452)
Ordinary maintenance	30,165	30,665	30,426	239
Insurance	19,180	18,680	17,121	1,559
Utilities	20,316	18,816	18,426	390
General expenses	<u>15,372</u>	<u>13,872</u>	<u>13,880</u>	<u>(8)</u>
Total operating expenses	<u>142,457</u>	<u>142,457</u>	<u>140,729</u>	<u>1,728</u>
Operating income (loss)	<u>(59,291)</u>	<u>(59,291)</u>	<u>(53,010)</u>	<u>(6,281)</u>
<b><i>NONOPERATING REVENUE (EXPENSES)</i></b>				
Investment earnings	<u>          </u>	<u>          </u>	<u>46</u>	<u>46</u>
Total nonoperating revenues (expenses)	<u>0</u>	<u>0</u>	<u>46</u>	<u>46</u>
Income (loss) before transfers	<u>(59,291)</u>	<u>(59,291)</u>	<u>(52,964)</u>	<u>6,327</u>
<b><i>OTHER FINANCING SOURCES</i></b>				
Designated cash (budgeted increase in cash)	59,291	59,291		(59,291)
Transfers in	<u>          </u>	<u>          </u>	<u>          </u>	<u>0</u>
Total Other Financing Sources	<u>59,291</u>	<u>59,291</u>	<u>0</u>	<u>(59,291)</u>
Change in net position	<u>\$ 0</u>	<u>\$ 0</u>	<u>(52,964)</u>	<u>\$ (52,964)</u>
<b>REVENUE (EXPENSES) NOT BUDGETED</b>				
Depreciation			(6,299)	
<b>CHANGE IN NET POSITION PER EXHIBIT A-2</b>			(52,964)	
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>			<u>176,872</u>	
<b>TOTAL NET POSITION, END OF YEAR</b>			<u>\$ 117,609</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PUBLIC HOUSING CAPITAL FUND PROGRAM  
JUNE 30, 2014

Statement A-2

	Original Budget	Final Budget	Actual	Variance Favorable Unfavourable Final To Actual
<b><i>OPERATING REVENUES</i></b>				
Operating subsidies and grants	\$ 17,431	\$ 17,431	\$ 17,431	\$
Total operating revenues	17,431	17,431	17,431	0
<b><i>OPERATING EXPENSES</i></b>				
Ordinary maintenance	21,931	21,931	17,431	4,500
Total operating expenses	21,931	21,931	17,431	4,500
Operating income (loss)	(4,500)	(4,500)	0	4,500
Income (loss) before transfers	(4,500)	(4,500)	0	4,500
<b><i>OTHER FINANCING SOURCES</i></b>				
Designated cash (budgeted increase in cash)			(4,500)	(4,500)
Transfers in	4,500	4,500	4,500	
Total Other Financing Sources	4,500	4,500	-	(4,500)
Change in net position	\$ 0	\$ 0	0	\$ 0
<b><i>REVENUE (EXPENSES) NOT BUDGETED</i></b>				
Depreciation			0	
<b><i>CHANGE IN NET POSITION PER EXHIBIT A-2</i></b>			0	
<b><i>TOTAL NET POSITION, BEGINNING OF YEAR</i></b>			0	
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>			\$ 0	

The accompanying notes are an integral part of these financial statements

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**CITY OF EUNICE HOUSING AUTHORITY**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**JUNE 30, 2014**

Schedule I

<u>Bank Name/Account Name</u>	<u>Account Number</u>	<u>Bank Balance</u>	<u>Outstanding Checks and other reconciling items</u>	<u>Book Balance</u>
Wells Fargo Bank				
General fund	1103416607	\$ 29,815	\$ 3,938	\$ 25,877
Tenant deposits	1103416607	3,125		3,125
Certificate of deposit	3266083439	10,074	(11)	10,085
Certificate of deposit	3266083421	<u>15,110</u>	<u>(17)</u>	<u>15,127</u>
Total cash in bank		<u>\$ 58,124</u>	<u>\$ 3,910</u>	54,214
Add: Petty Cash				<u>100</u>
Total cash and cash equivalents per Exhibit A-1				<u>\$ 54,314</u>
Statement of Net Positions (Exhibit A-1)				
Cash and cash equivalents				\$ 51,189
Restricted cash and cash equivalents				<u>3,125</u>
Total cash and cash equivalents				<u>\$ 54,314</u>

See accompanying independent auditor's report

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule II

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<b>ASSETS</b>			
111 Cash - unrestricted	\$ 25,976	\$	\$ 25,976
114 Cash - tenant security deposits	<u>3,125</u>	<u>          </u>	<u>3,125</u>
100 Total cash	<u>29,101</u>	<u>0</u>	<u>29,101</u>
126 Accounts receivable - tenants - dwelling rents	<u>197</u>	<u>          </u>	<u>197</u>
120 Total receivables, net of allowance for doubtful accounts	<u>197</u>	<u>0</u>	<u>197</u>
131 Investments - Unrestricted	25,213		25,213
150 Total current assets	<u>54,511</u>	<u>0</u>	<u>54,511</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>(611,604)</u>	<u>          </u>	<u>(611,604)</u>
160 Total capital assets, net of accumulated depreciation	<u>71,585</u>	<u>0</u>	<u>71,585</u>
180 Total non-current assets	<u>71,585</u>	<u>0</u>	<u>71,585</u>
190 Total assets	<u>126,096</u>	<u>0</u>	<u>126,096</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
312 Accounts payable ≤ 90 days	470		470
321 Accrued wage/payroll taxes payable	1,658		1,658
322 Accrued compensated absences - current portion	60		60
341 Tenant security deposits	3,223		3,223
346 Accrued Liabilities - Other	<u>3,076</u>	<u>          </u>	<u>3,076</u>
310 Total current liabilities	<u>8,487</u>	<u>0</u>	<u>8,487</u>
300 Total liabilities	<u>8,487</u>	<u>0</u>	<u>8,487</u>
<b>EQUITY</b>			
508.1 Net investment in capital assets	71,585		71,585
512.4 Restricted net position	<u>3,125</u>	<u>          </u>	<u>3,125</u>
512.4 Unrestricted net position	<u>42,899</u>	<u>          </u>	<u>42,899</u>
513 Total equity/net position	<u>117,609</u>	<u>0</u>	<u>117,609</u>
600 Total liabilities and equity/net position	<u>\$ 126,096</u>	<u>\$ 0</u>	<u>\$ 126,096</u>

See accompanying independent auditor's report

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule II

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
<b>REVENUES</b>			
70300 Net tenant rental revenue	\$ 45,397	\$	\$ 45,397
70400 Other tenant revenue	1,291	0	1,291
70500 Total tenant revenue	46,688	0	46,688
70600 HUD PHA operating grants	39,705	17,431	57,136
71100 Investment income - unrestricted	46		46
71500 Other revenue	1,326		1,326
70000 Total revenue	87,765	17,431	105,196
<b>EXPENSES</b>			
91100 Administrative salaries	29,484		29,484
91200 Auditing fees	10,781		10,781
91300 Management Fee	7,902		7,902
91500 Employee benefit contributions - administrative	13,637		13,637
91900 Other	1,889		1,889
91000 Total operating - administrative	63,693	0	63,693
93100 Water	4,470		4,470
93200 Electricity	5,688		5,688
93300 Gas	790		790
93800 Other Utilities Expense	3,038		3,038
93000 Total utilities	13,986	0	13,986
94100 Ordinary maintenance and operations labor		11,975	11,975
94300 Ordinary maintenance and operations contracts	37,429	5,456	42,885
94000 Total maintenance	37,429	17,431	54,860
96110 Property insurance	8,212		8,212
96100 Total insurance premiums	8,212	0	8,212
96200 Other general expenses	15,453		15,453
96210 Compensated absences	1,851		1,851
96400 Bad debt - Tenant Rents	105		105
96000 Total other general expenses	17,409	0	17,409
96900 Total operating expenses	140,729	17,431	158,160
97000 Excess of operating revenue over operating expenses	(52,964)	0	(52,964)
97400 Depreciation expense	6,299		6,299
90000 Total expenses	147,028	17,431	164,459
10010 Operating transfers in		4,500	4,500
10020 Operating transfers out		(4,500)	(4,500)
10100 Total other financing sources (uses)	\$ 0	\$ 0	\$ 0

See accompanying independent auditor's report

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule II

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
10000 Excess (deficiency) of operating revenue over (under) expenses	\$ <u>(59,263)</u>	\$ <u>0</u>	\$ <u>(59,263)</u>
11030 Beginning equity	<u>176,872</u>	<u>0</u>	<u>176,872</u>
Ending equity (deficit)	\$ <u><u>117,609</u></u>	\$ <u><u>0</u></u>	\$ <u><u>117,609</u></u>
11190 Units months available	\$ <u><u>240</u></u>	\$ <u><u>0</u></u>	\$ <u><u>240</u></u>
11210 Number of unit leased	\$ <u><u>238</u></u>	\$ <u><u>0</u></u>	\$ <u><u>238</u></u>

See accompanying independent auditor's report

## **COMPLIANCE SECTION**



**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 Public Housing Authority (the "Authority"), a component unit of the City of Eunice, New Mexico 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 related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated September 27, 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 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 entity'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 2010-003 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 item 2014-001 to be significant deficiency.

### **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 no instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

### **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'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 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

**Harshwal & Company LLP  
Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico  
September 27, 2014**

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

Schedule III

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

Yes

No

Yes

None reported

Noncompliance material to the financial statement noted?

Yes

No

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

Schedule III

**SECTION II – CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENT AUDIT**

**FS 2010-003 [FS 2010-3] Deficiencies in Internal Control Structure Design, Operation, and Oversight - Repeated – 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 2014 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control structure.

**Auditors' Recommendation:**

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.

**Management's response:**

The Eunice Housing Authority has been under the management of the Eastern Regional Housing Authority for the later part of the last year. The issues of a lack of segregation of duties no longer exist for the Eunice Housing Authority. In the next fiscal Year the Eunice Housing Authority will be absorbed into the Eastern Regional Housing Authority and will cease to exist.

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

Schedule III

**SECTION II – CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENT AUDIT**  
**(continued)**

**2014-001 Internal Controls over Cash Disbursement- Significant deficiency**

**Condition:**

During test work of cash disbursements, we noted one out of twenty disbursements totaling \$4,500 that did not have supporting documentation to review.

**Criteria:**

Maintenance of adequate supporting documentation for all disbursements, including purchase requisitions, purchase orders, travel authorizations, receiving reports, travel reports, and approval of disbursements are an integral part of a sound internal control system to safeguard the assets and accomplish timely preparation and submission of financial reports.

**Effect:**

Without proper documentation, there are not adequate controls over expenditures which could result in over spending.

**Cause:**

Management did not follow proper internal control procedures. The Authority staff failed to ensure that all of the required documentation that supports the expenditure was in place.

**Auditors' Recommendation:**

The Authority should implement procedures to maintain proper supporting documentation and also train personnel to adhere to the policies and procedures.

**Management's response:**

The Eunice Housing Authority has been under the management of the Eastern Regional Housing Authority for the later part of the last year. The issues of a lack of proper documentation for cash disbursements have been corrected for the Eunice Housing Authority. In the next fiscal Year the Eunice Housing Authority will be absorbed into the Eastern Regional Housing Authority and will cease to exist.

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014**

Schedule VI

The following summarizes the prior year audit findings:

**FS 2007-1** Preparation of Financial Statements - Resolved

**FS 2009-1** Internal Controls/Segregation of Duties -Resolved

**2010-003 (FS 2010-3)** Deficiencies in Internal Control Structure Design, Operation and Oversight-  
Repeated

**FS 2013-00** Move -in and Annual Inspections- Resolved

**STATE OF NEW MEXICO  
CITY OF EUNICE HOUSING AUTHORITY  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2014**

**A. FINANCIAL STATEMENTS PREPARATION**

The Financial statements and notes to the Financial statements for the year ended, June 30, 2014 were prepared by Harshwal & Company, LLP based on management chart of accounts and trial balances including adjusting entries, correcting or closing entries approved by management. These services are allowable under SAS 115.

**B. EXIT CONFERENCE**

The contents of this report were discussed with the City of Eunice Housing Authority on September 27, 2014. The following individuals were in attendance.

**Representing Eastern Regional Housing Authority**

Chris Herbert	Executive Director
Irene Andazola	Deputy Director
Sonya Gallegos	Executive Director

**Representing Harshwal & Company, LLP**

Sanwar Harshwal	Managing Partner
Vaishali Shukla	Senior Auditor
Albert Edward Hwu	Senior Auditor
Mariem Tall	Staff Auditor