

**STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
A COMPONENT UNIT OF
THE CITY OF EUNICE, NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

**Harshwal & Company LLP
Certified Public Accountants
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CITY OF EUNICE HOUSING AUTHORITY
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STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
OFFICIAL ROSTER
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2014

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
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 three months ended September 30, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the Authority's individual enterprise funds budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standard Boards, as of and for the three months ended September 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 presentation of the financial statements.

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

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 three months ended September 30, 2014, and the respective changes in the financial positions and where applicable, cash flows thereof for the three months ended September 30, 2014 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 three months ended September 30, 2014 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 and III required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 and III 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 and III 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 30, 2015 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 30, 2015

BASIC FINANCIAL STATEMENTS

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

Exhibit A-1

**STATEMENT OF NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
ASSETS			
Currents assets:			
Cash and cash equivalents:			
Cash - unrestricted	\$ 4,337	\$	\$ 4,337
Investment - unrestricted	25,242		25,242
Accounts receivable - tenants	316		316
Prepaid expenses and other assets	<u>5,157</u>		<u>5,157</u>
Total current assets	<u>35,052</u>	<u>0</u>	<u>35,052</u>
Noncurrent assets:			
Restricted cash and cash equivalents	3,125		3,125
Capital assets:			
Land	20,392		20,392
Buildings and improvements	588,717		588,717
Machinery and equipment	74,080		74,080
Accumulated depreciation	<u>(624,403)</u>		<u>(624,403)</u>
Total noncurrent assets	<u>61,911</u>	<u>0</u>	<u>61,911</u>
Total assets	<u>96,963</u>	<u>0</u>	<u>96,963</u>
LIABILITIES AND NET POSITIONS			
Current liabilities:			
Accounts payable	4,516		4,516
Accrued payroll	<u>278</u>		<u>278</u>
Total current liabilities	<u>4,794</u>	<u>0</u>	<u>4,794</u>
Current liabilities (payable from restricted assets):			
Tenant deposits	<u>3,175</u>		<u>3,175</u>
Total current liabilities (payable from restricted assets)	<u>3,175</u>	<u>0</u>	<u>3,175</u>
Total liabilities	<u>7,969</u>	<u>0</u>	<u>7,969</u>
NET POSITION			
Net investment in capital assets	58,786		58,786
Restricted	3,125		3,125
Unrestricted	<u>27,083</u>		<u>27,083</u>
Total net position	<u>88,994</u>	<u>0</u>	<u>88,994</u>
Total liabilities and net position	<u>\$ 96,963</u>	<u>\$ 0</u>	<u>\$ 96,963</u>

The accompanying notes are an integral part of these financial statements

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<i>OPERATING REVENUES</i>			
Rental revenue	\$ 12,659	\$	\$ 12,659
Other tenant revenue	628		628
HUD PHA operating grants	<u>9,176</u>	<u> </u>	<u>9,176</u>
Total operating revenues	<u>22,463</u>	<u>0</u>	<u>22,463</u>
<i>OPERATING EXPENSES:</i>			
Administration	18,400		18,400
Utilities	3,146		3,146
Ordinary maintenance	9,873	1,795	11,668
Insurance	6,846		6,846
General expenses	671		671
Depreciation	<u>12,798</u>	<u> </u>	<u>12,798</u>
Total operating expenses	<u>51,734</u>	<u>1,795</u>	<u>53,529</u>
Operating income (loss)	<u>(29,271)</u>	<u>(1,795)</u>	<u>(31,066)</u>
<i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income	29		29
Capital grant	<u> </u>	<u>426</u>	<u>426</u>
Total non-operating revenues (expenses)	<u>29</u>	<u>426</u>	<u>455</u>
<i>INCOME (LOSS) BEFORE TRANSFERS</i>			
Transfers in		1,369	1,369
Transfers (out)	<u>(1,369)</u>	<u> </u>	<u>(1,369)</u>
Total transfers	<u>(1,369)</u>	<u>1,369</u>	<u>0</u>
<i>CHANGE IN NET POSITION</i>	(30,611)	0	(30,611)
<i>NET POSITION - BEGINNING OF YEAR</i>	117,609		117,609
<i>RESTATEMENT</i>	<u>1,996</u>	<u> </u>	<u>1,996</u>
<i>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</i>	<u>119,605</u>	<u>0</u>	<u>119,605</u>
<i>TOTAL NET POSITION - END OF YEAR</i>	<u>\$ 88,994</u>	<u>\$ 0</u>	<u>\$ 88,994</u>

The accompanying notes are an integral part of these financial statements

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

Exhibit A-3

STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2014

	<u>Low Rent Public Housing Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<i>Cash flows from operating activities</i>			
Cash received from tenant rents	\$ 13,168	\$	\$ 13,168
Cash received from operating subsidies	9,176		9,176
Cash payments to employees for services	(19,841)		(19,841)
Cash payments to suppliers for goods and services	<u>(22,773)</u>	<u>(1,795)</u>	<u>(24,568)</u>
Net cash (used) provided by operating activities	<u>(20,270)</u>	<u>(1,795)</u>	<u>(22,065)</u>
<i>Cash flows from noncapital financing activities</i>			
Transfers	<u>(1,369)</u>	<u>1,369</u>	<u></u>
Net cash provided (used) by noncapital financing activities	<u>(1,369)</u>	<u>1,369</u>	<u>0</u>
<i>Cash flows from capital and financing activities</i>			
Capital grant	<u></u>	<u>426</u>	<u>426</u>
Net cash provided (used) by capital financing activities	<u></u>	<u>426</u>	<u>426</u>
<i>Cash flows from investing activities</i>			
Interest on investments	<u>29</u>	<u></u>	<u>29</u>
Net cash provided by investing activities	<u>29</u>	<u>0</u>	<u>29</u>
<i>Net decrease in cash and cash equivalents</i>	(21,610)	0	(21,610)
<i>Cash and cash equivalents - beginning of year</i>	<u>54,314</u>	<u>0</u>	<u>54,314</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 32,704</u>	<u>\$ 0</u>	<u>\$ 32,704</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (29,271)	\$ (1,795)	\$ (31,066)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	12,798		12,798
Changes in assets and liabilities:			
Accounts receivables	(119)		(119)
Prepaid expenses	(5,157)		(5,157)
Accounts payable	972		972
Accrued payroll expenses	(1,381)		(1,381)
Accrued compensated absences	(60)		(60)
Tenant deposits	(48)		(48)
Prior period adjustment	<u>1,996</u>		<u>1,996</u>
Net cash (used) provided by operating activities	<u>\$ (20,270)</u>	<u>\$ (1,795)</u>	<u>\$ (22,065)</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
FOR THE THREE MONTHS ENDED SEPTEMBER 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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 three months ended September 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 three months ended September 30, 2014, none of the Authority's bank balance of \$35,371 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
FOR THE THREE MONTHS ENDED SEPTEMBER 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>Three months ended September 30, 2014</u>	<u>Wells Fargo</u>
Amount of deposits	\$ 35,371
FDIC Coverage	<u>(35,371)</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><u>\$ 0</u></u>

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 29,579
Restricted cash and cash equivalents per Exhibit A-1	<u>3,125</u>
Total cash and cash equivalents per Exhibit A-1	32,704
Add: outstanding checks and other reconciling items	2,767
Less: petty cash	<u>(100)</u>
Bank balance of deposits	<u><u>\$ 35,371</u></u>

NOTE 3. RECEIVABLES AND PAYABLES

Receivables as of three months ended September 30, 2014, are as follows:

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
	<u> </u>	<u> </u>	<u> </u>
Tenant Receivables	\$ <u>316</u>	\$ <u> </u>	\$ <u>316</u>
Total Receivables	<u><u>\$ 316</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 316</u></u>

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

NOTE 3. RECEIVABLES AND PAYABLES (continued)

Accounts payable and accrued expenses as of three months ended September 30, 2014 , are as follows:

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
Payable to vendors	\$ 4,516	\$	\$ 4,516
Payable to and on behalf of employees	<u>278</u>	<u></u>	<u>278</u>
Total accounts payable and accrued expenses	<u>\$ 4,794</u>	<u>\$ 0</u>	<u>\$ 4,794</u>

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance June 30, 2014	Additions and Transfers In	Deletions and Transfers Out	<u>Ending Balance</u> September 30, 2014
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	543,152	11,518		554,670
Machinery and equipment	<u>68,453</u>	<u>1,280</u>		<u>69,733</u>
Total accumulated depreciation	<u>611,605</u>	<u>12,798</u>	<u>0</u>	<u>624,403</u>
Total capital assets, net of depreciation	<u>\$ 71,584</u>	<u>\$ (12,798)</u>	<u>\$ 0</u>	<u>\$ 58,786</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 three months ended September 30, 2014, totaled 12,798.

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

NOTE 5. COMPENSATED ABSENCES

The following summarizes changes in long-term liabilities during the three months ended September 30, 2014

	Beginning Balance	Additions	Retirements	Ending Balance
Compensated Absences	\$ <u>60</u>	\$ <u>0</u>	\$ <u>60</u>	\$ <u>0</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 three months ended September 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 three months ended September 30, 2014.

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 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. NET POSITION RESTATEMENT

During the three months ended September 30, 2014, the Authority determined that changes to the beginning of year net position was necessary due to incorrect account payable balances in the prior years. As a result, prior year financial statements have been restated to show the effects of the change, where necessary. The adjustment resulted in a prior period adjustment of \$1,996 to its beginning of year net position.

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 started its responsibilities hereunder on the Effective Date 15th Oct, 2013.

As of October 1, 2014, at the direction of the U.S. Department of Housing and Urban Development (HUD), the EHA has been transferred to the ERHA. As a result, the EHA's financial statements for future accounting periods will not be issued separately.

Three Months Period Financial Statements:

On October 1, 2014, all the assets, liabilities and net positions of the EHA have been transferred to the ERHA. Accordingly, these financial statements present activity conducted on a three months period of time rather than a full twelve month year period of time.

SUPPLEMENTARY INFORMATION

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

Statement A-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable Unfavorable Final To Actual
<i>OPERATING REVENUES</i>				
Rental revenue	\$ 11,100	\$ 12,659	\$ 12,659	\$
Other tenant revenue	156	454	628	174
HUD PHA operating grants	8,730	9,176	9,176	
Total operating revenues	19,986	22,289	22,463	174
<i>OPERATING EXPENSES</i>				
Administration	15,110	18,400	18,400	
Ordinary maintenance	5,539	9,873	9,873	
Insurance	6,377	6,846	6,846	
Utilities	2,747	3,146	3,146	
General expenses	470	671	671	
Total operating expenses	30,243	38,936	38,936	0
Operating income (loss)	(10,257)	(16,647)	(16,473)	174
<i>NONOPERATING REVENUE (EXPENSES)</i>				
Interest income	29	29	29	
Total nonoperating revenues (expenses)	29	29	29	0
Income (loss) before transfers	(10,228)	(16,618)	(16,444)	174
<i>OTHER FINANCING SOURCES</i>				
Designated cash (budgeted increase in cash)	10,228	16,618		(16,618)
Transfers out			(1,369)	(1,369)
Total Other Financing Sources	10,228	16,618	(1,369)	(17,987)
Change in net position	\$ 0	\$ 0	(17,813)	\$ (17,813)
REVENUE (EXPENSES) NOT BUDGETED				
Depreciation			(12,798)	
<i>CHANGE IN NET POSITION PER EXHIBIT A-2</i>			(30,611)	
<i>NET POSITION - BEGINNING OF YEAR</i>			117,609	
<i>RESTATEMENT</i>			1,996	
<i>TOTAL NET POSITIONS, BEGINNING OF YEAR, AS RESTATED</i>			119,605	
<i>TOTAL NET POSITION, END OF YEAR</i>			\$ 88,994	

The accompanying notes are an integral part of these financial statements

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

Statement A-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PUBLIC HOUSING CAPITAL FUND PROGRAM
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable Unfavorable Final To Actual
<i>OPERATING REVENUES</i>				
HUD PHA operating grants	\$ _____	\$ _____ 426	\$ _____ 426	\$ _____
Total operating revenues	0	426	426	0
<i>OPERATING EXPENSES</i>				
Ordinary maintenance	_____	_____ 1,795	_____ 1,795	_____
Total operating expenses	0	1,795	1,795	0
Operating income (loss)	0	(1,369)	(1,369)	0
Income (loss) before transfers	0	(1,369)	(1,369)	0
<i>OTHER FINANCING SOURCES</i>				
Designated cash (budgeted increase in cash)		1,369		(1,369)
Transfers in	_____	_____	_____ 1,369	_____ 1,369
Total Other Financing Sources	0	1,369	1,369	0
Change in net position	\$ _____ 0	\$ _____ 0	_____ 0	\$ _____ 0
<i>REVENUE (EXPENSES) NOT BUDGETED</i>				
Depreciation			0	
<i>CHANGE IN NET POSITION PER EXHIBIT A-2</i>			0	
<i>TOTAL NET POSITION, BEGINNING OF YEAR</i>			0	
<i>TOTAL NET POSITION, END OF YEAR</i>			\$ _____ 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
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

Schedule I

<u>Bank Name/Account Name</u>	<u>Account Number</u>	<u>Bank Balance</u>	<u>Outstanding Checks, other reconciling and non reconciling items</u>	<u>Book Balance</u>
Wells Fargo Bank				
General fund	1103416607	\$ 6,854	\$ 2,617	\$ 4,237
Tenant deposits	6173531283	3,275	150	3,125
Certificate of deposit	3266083439	10,097		10,097
Certificate of deposit	3266083421	<u>15,145</u>		<u>15,145</u>
Total cash in bank		<u>\$ 35,371</u>	<u>\$ 2,767</u>	32,604
Add: Petty Cash				<u>100</u>
Total cash and cash equivalents per Exhibit A-1				<u>\$ 32,704</u>
Statement of Net Positions (Exhibit A-1)				
Cash and cash equivalents				\$ 29,579
Restricted cash and cash equivalents				<u>3,125</u>
Total cash and cash equivalents				<u>\$ 32,704</u>

See accompanying independent auditor's report

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

Schedule II

**FINANCIAL DATA SCHEDULE
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
ASSETS			
111 Cash - unrestricted	\$ 4,337	\$	\$ 4,337
114 Cash - tenant security deposits	3,125		3,125
100 Total cash	7,462	0	7,462
126 Accounts receivable - tenants - dwelling rents	316		316
120 Total receivables, net of allowance for doubtful accounts	316	0	316
131 Investments - Unrestricted	25,242		25,242
142 Prepaid Expenses and Other Assets	5,157		5,157
150 Total current assets	38,177	0	38,177
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	(624,403)		(624,403)
160 Total capital assets, net of accumulated depreciation	58,786	0	58,786
180 Total non-current assets	58,786	0	58,786
290 Total Assets and Deferred Outflow of Resources	96,963	0	96,963
LIABILITIES AND EQUITY			
LIABILITIES			
312 Accounts payable ≤ 90 days	4,516		4,516
321 Accrued wage/payroll taxes payable	278		278
341 Tenant security deposits	3,175		3,175
310 Total current liabilities	7,969	0	7,969
300 Total liabilities	7,969	0	7,969
EQUITY			
508.4 Net investment in capital assets	58,786		58,786
511.4 Restricted net position	3,125		3,125
512.4 Unrestricted net position	27,083		27,083
513 Total equity/net position	88,994	0	88,994
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 96,963	\$ 0	\$ 96,963

See accompanying independent auditor's report

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

Schedule II

**FINANCIAL DATA SCHEDULE
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014**

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
REVENUES			
70300 Net tenant rental revenue	\$ 12,659	\$	\$ 12,659
70400 Other tenant revenue	<u>628</u>	<u>0</u>	<u>628</u>
70500 Total tenant revenue	<u>13,287</u>	<u>0</u>	<u>13,287</u>
70600 HUD PHA operating grants	9,176		9,176
70610 Capital Grants		426	426
71100 Investment income - unrestricted	<u>29</u>	<u></u>	<u>29</u>
70000 Total revenue	<u>22,492</u>	<u>426</u>	<u>22,918</u>
EXPENSES			
91100 Administrative salaries	6,656		6,656
91300 Management Fee	2,963		2,963
91400 Advertising and Marketing	789		789
91500 Employee benefit contributions - administrative	4,590		4,590
91600 Office expenses	105		105
91700 Legal Expense	450		450
91800 Travel	<u>2,847</u>	<u></u>	<u>2,847</u>
91000 Total operating - administrative	<u>18,400</u>	<u>0</u>	<u>18,400</u>
93100 Water	1,679		1,679
93200 Electricity	672		672
93300 Gas	53		53
93800 Other Utilities Expense	<u>742</u>	<u></u>	<u>742</u>
93000 Total utilities	<u>3,146</u>	<u>0</u>	<u>3,146</u>
94100 Ordinary maintenance and operations labor	3,922		3,922
94200 Ordinary Maintenance and Operations- Materials & Other	<u>5,951</u>	<u>1,795</u>	<u>7,746</u>
94000 Total maintenance	<u>9,873</u>	<u>1,795</u>	<u>11,668</u>
96110 Property insurance	<u>6,846</u>	<u></u>	<u>6,846</u>
96100 Total insurance premiums	<u>6,846</u>	<u>0</u>	<u>6,846</u>
96200 Other general expenses	692		692
96210 Compensated absences	<u>(21)</u>	<u></u>	<u>(21)</u>
96000 Total other general expenses	<u>671</u>	<u>0</u>	<u>671</u>
96900 Total operating expenses	<u>38,936</u>	<u>1,795</u>	<u>40,731</u>

See accompanying independent auditor's report

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

Schedule II

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
97000 Excess of operating revenue over operating expenses	<u>(16,444)</u>	<u>(1,369)</u>	<u>(17,813)</u>
97400 Depreciation expense	<u>12,798</u>	<u></u>	<u>12,798</u>
90000 Total expenses	<u>51,734</u>	<u>1,795</u>	<u>53,529</u>
10010 Operating transfers in	<u></u>	<u>1,369</u>	<u>1,369</u>
10020 Operating transfers out	<u>(1,369)</u>	<u></u>	<u>(1,369)</u>
10100 Total other financing sources (uses)	<u>(1,369)</u>	<u>1,369</u>	<u>0</u>
10000 Excess (deficiency) of operating revenue over (under) expenses	<u>(30,611)</u>	<u>0</u>	<u>(30,611)</u>
11030 Beginning equity	<u>117,609</u>	<u></u>	<u>117,609</u>
11040 Prior period adjustments, equity transfers and correction of errors	<u>1,996</u>	<u></u>	<u>1,996</u>
Beginning equity - as restated	<u>119,605</u>	<u>0</u>	<u>119,605</u>
Ending equity	<u>\$ 88,994</u>	<u>\$ 0</u>	<u>\$ 88,994</u>
11190 Units months available	<u>60</u>	<u>0</u>	<u>60</u>
11210 Number of unit leased	<u>60</u>	<u>0</u>	<u>60</u>
11270 Excess cash	<u>\$ 21,807</u>	<u>\$ 0</u>	<u>\$ 21,807</u>

See accompanying independent auditor's report

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

Schedule III

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
THREE MONTHS ENDED SEPTEMBER 30, 2014**

Prepared by Agency Staff Name: _____ Title: _____ Date _____

RFB #/ RFP #/ State-wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of All Vendor(s) that responded	In-state/ Out-of- state Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in- state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
There were no purchases that exceeded \$60,000 as of September 30, 2014.								

See accompanying independent auditor's report

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Mr. Timothy Keller
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 three months ended September 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 30, 2015.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

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**

A handwritten signature in black ink that reads "Harshwal & Company LLP". The signature is written in a cursive, slightly slanted style.

**Albuquerque, New Mexico
September 30, 2015**

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2014

Schedule IV

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 THREE MONTHS ENDED SEPTEMBER 30, 2014

Schedule IV

SECTION II – CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENT AUDIT

No finding in relation to financial statements

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
PRIOR YEAR AUDIT FINDINGS
THREE MONTHS ENDED SEPTEMBER 30, 2014

Schedule V

The following summarizes the prior year audit findings:

FS 2010-003 Deficiencies in Internal Control Structure Design, Operation, and Oversight - Resolved

FS 2014-001 Internal Controls over Cash Disbursement - Resolved

STATE OF NEW MEXICO
CITY OF EUNICE HOUSING AUTHORITY
OTHER DISCLOSURES
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

A. FINANCIAL STATEMENTS PREPARATION

The Financial statements and notes to the Financial statements for the three months ended, September 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 30, 2015. The following individuals were in attendance.

Representing Eastern Regional Housing Authority

Chris Herbert	Executive Director
Irene Andazola	Deputy Director
Olivia Cruz	Finance Director

Representing Harshwal & Company, LLP

Sanwar Harshwal	Managing Partner (CPA)
Mariem Tall	Staff Auditor
Jolene Calderon	Staff Auditor