

Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico
Eastern Regional Housing Authority
Annual Financial Report
For the Year Ended June 30, 2011



**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Eastern Regional Housing Authority
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June 30, 2011

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STATE OF NEW MEXICO
Eastern Regional Housing Authority
Official Roster
June 30, 2011

Board of Commissioner

Waymon L. Dowdy Sr.	Chairperson
Allen B Sparks	Vice Chairperson
Mary Beth Fowler	Secretary
Michael O'Hara	Treasurer
Ella Turner	Commissioner
Bill Birdwell	Commissioner
Dr. Fundador Adajar	Commissioner

Executive Staff

Chris Herbert	Executive Director
Irene Andazola	Deputy Director
Olivia Cruz	Finance Director
Carol Cheadle	Section 8 Supervisor

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
Executive Director and Board of Commissioners
Eastern Regional Housing Authority
Roswell, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Eastern Regional Housing Authority (the "Authority"), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Authority's individual enterprise funds, including budgetary comparisons, presented as supplementary information in the accompanying combining and individual fund financial statement as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Eastern Regional Housing Authority as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity 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 budgetary comparisons for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, 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 control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Eastern Regional Housing Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the basic financial statements and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting Schedules I, II and III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule IV for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 19, 2011

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Net Assets - Proprietary Funds
June 30, 2011

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 1,965	\$ 466	\$ 18,142
Investments	-	-	-
Accounts receivable - tenants	5,474	695	-
Accounts receivable - interest	15,618	3,662	-
Due from other funds	58,704	-	601,542
<i>Total current assets</i>	<u>81,761</u>	<u>4,823</u>	<u>619,684</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	377,742	73,403	393,326
Capital assets, net of accumulated depreciation	466,848	54,577	1,612,798
Bond issuance costs, net of accumulated amortization	128,559	21,140	160,940
Long term receivables	232,357	38,244	-
<i>Total noncurrent assets</i>	<u>1,205,506</u>	<u>187,364</u>	<u>2,167,064</u>
<i>Total assets</i>	<u>\$ 1,287,267</u>	<u>\$ 192,187</u>	<u>\$ 2,786,748</u>
LIABILITIES AND NET ASSETS			
<i>Current liabilities (payable from current assets):</i>			
Accounts payable	\$ 3,975	\$ 918	\$ 4,843
Accrued payroll	1,919	669	1,584
Accrued interest	34,691	5,647	7,392
Current portion of long term debt	34,400	5,600	70,000
Deferred revenue	952	1,155	19,622
Escrow funds held for others - current portion	-	-	-
Compensated absences	1,438	250	1,057
Due to other funds	20,000	22,487	-
<i>Total current liabilities (payable from current assets)</i>	<u>97,375</u>	<u>36,726</u>	<u>104,498</u>
<i>Current liabilities (payable from restricted assets)</i>			
Tenant deposits	12,008	1,948	48,741
<i>Total current liabilities (payable from restricted assets)</i>	<u>12,008</u>	<u>1,948</u>	<u>48,741</u>
<i>Noncurrent liabilities :</i>			
Other noncurrent liabilities	-	-	-
Escrow funds held for others, long-term portion	-	-	-
Notes payable, net of current portion	1,221,200	198,800	2,420,000
Deferred loss on advanced refunding	-	-	-
<i>Total noncurrent liabilities (payable from restricted assets)</i>	<u>1,221,200</u>	<u>198,800</u>	<u>2,420,000</u>
<i>Total liabilities</i>	<u>1,330,583</u>	<u>237,474</u>	<u>2,573,239</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	(788,752)	(149,823)	(877,202)
Restricted net assets	365,734	71,455	344,585
Unrestricted net assets	379,702	33,081	746,126
<i>Total net assets</i>	<u>(43,316)</u>	<u>(45,287)</u>	<u>213,509</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,287,267</u>	<u>\$ 192,187</u>	<u>\$ 2,786,748</u>

The accompanying notes are an integral part of these financial statements

Rio Felix FMHA Program	Low Rent Public Housing Program	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Department	Interprogram Eliminations	Total
\$ 75,674	\$ 86,867	\$ 467	\$ 2,758,622	\$ 720	\$ -	\$ 2,942,923
-	96,256	-	-	-	-	96,256
1,697	16,670	6,819	-	-	-	31,355
-	-	-	-	-	-	19,280
-	-	-	-	623,930	(1,284,176)	-
<u>77,371</u>	<u>199,793</u>	<u>7,286</u>	<u>2,758,622</u>	<u>624,650</u>	<u>(1,284,176)</u>	<u>3,089,814</u>
4,775	18,119	92,572	79,820	500	-	1,040,257
395,254	2,486,551	590,068	-	264,547	-	5,870,643
-	-	132,725	-	-	-	443,364
-	-	-	-	-	(270,601)	-
<u>400,029</u>	<u>2,504,670</u>	<u>815,365</u>	<u>79,820</u>	<u>265,047</u>	<u>(270,601)</u>	<u>7,354,264</u>
<u>\$ 477,400</u>	<u>\$ 2,704,463</u>	<u>\$ 822,651</u>	<u>\$ 2,838,442</u>	<u>\$ 889,697</u>	<u>\$ (1,554,777)</u>	<u>\$ 10,444,078</u>
\$ 2,528	\$ 5,682	\$ -	\$ -	\$ 14,843	\$ -	\$ 32,789
-	1,936	1,510	-	7,248	-	14,866
-	-	173,940	-	19,280	-	240,950
4,305	39,476	40,000	-	27,697	-	221,478
573	18,071	1,608	-	-	-	41,981
-	-	-	633	-	-	633
-	1,513	905	-	6,946	-	12,109
36,435	1,267	765,812	-	438,175	(1,284,176)	-
<u>43,841</u>	<u>67,945</u>	<u>983,775</u>	<u>633</u>	<u>514,189</u>	<u>(1,284,176)</u>	<u>564,806</u>
3,577	16,885	9,026	-	-	-	92,185
<u>3,577</u>	<u>16,885</u>	<u>9,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,185</u>
-	-	-	-	270,601	(270,601)	-
-	-	-	79,187	-	-	79,187
26,372	131,274	1,490,000	-	104,945	-	5,592,591
-	-	(97,256)	-	-	-	(97,256)
<u>26,372</u>	<u>131,274</u>	<u>1,392,744</u>	<u>79,187</u>	<u>375,546</u>	<u>(270,601)</u>	<u>5,574,522</u>
73,790	216,104	2,385,545	79,820	889,735	(1,554,777)	6,231,513
364,577	2,315,801	(939,932)	-	131,905	-	56,574
1,198	1,234	83,546	79,820	500	-	948,072
37,835	171,324	(706,508)	2,678,802	(132,443)	-	3,207,919
<u>403,610</u>	<u>2,488,359</u>	<u>(1,562,894)</u>	<u>2,758,622</u>	<u>(38)</u>	<u>-</u>	<u>4,212,565</u>
<u>\$ 477,400</u>	<u>\$ 2,704,463</u>	<u>\$ 822,651</u>	<u>\$ 2,838,442</u>	<u>\$ 889,697</u>	<u>\$ (1,554,777)</u>	<u>\$ 10,444,078</u>

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2011

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development
<i>Operating revenues:</i>			
Tenant charges	\$ 116,069	\$ 24,658	\$ 1,037,615
Management and administrative fees	-	-	-
Miscellaneous income	8,933	1,109	23,649
<i>Total operating revenues</i>	<u>125,002</u>	<u>25,767</u>	<u>1,061,264</u>
<i>Operating expenses:</i>			
Contractual services	36,345	6,182	21,580
Personnel expenses	187,319	67,260	205,967
Repairs and Maintenance	64,587	9,944	102,188
Supplies and materials	39,137	6,753	38,558
Utilities	135,892	23,683	161,648
Ordinary maintenance and operations	33,004	6,550	52,197
Management and administrative fees	46,234	7,965	71,597
Depreciation and amortization	36,897	5,112	95,425
<i>Total operating expenses</i>	<u>579,415</u>	<u>133,449</u>	<u>749,160</u>
<i>Operating income (loss)</i>	<u>(454,413)</u>	<u>(107,682)</u>	<u>312,104</u>
<i>Non-operating revenues (expenses):</i>			
Government subsidies	379,444	54,698	-
Interest income	36,583	2	51
Housing assistance payments	-	-	-
Gain (loss) on sale of assets	-	-	-
Interest expense	(92,002)	(27,512)	(179,357)
<i>Total non-operating revenues (expenses)</i>	<u>324,025</u>	<u>27,188</u>	<u>(179,306)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(130,388)</u>	<u>(80,494)</u>	<u>132,798</u>
Capital grants	-	-	-
<i>Net capital grants and transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(130,388)</u>	<u>(80,494)</u>	<u>132,798</u>
<i>Net assets - beginning of year</i>	87,072	35,207	80,711
<i>Prior period adjustment - note 15</i>	-	-	-
<i>Net assets - beginning of year as restated</i>	<u>87,072</u>	<u>35,207</u>	<u>80,711</u>
<i>Net assets - end of year</i>	<u>\$ (43,316)</u>	<u>\$ (45,287)</u>	<u>\$ 213,509</u>

The accompanying notes are an integral part of these financial statements

Rio Felix FMHA Program	Low Rent Public Housing Program	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Department	Interprogram Eliminations	Total
\$ 37,811	\$ 127,670	\$ 314,037	\$ -	\$ 21,469	\$ -	\$ 1,679,329
-	-	-	-	1,020,667	(1,020,667)	-
3,110	13,153	13,581	121,937	35,781	-	221,253
40,921	140,823	327,618	121,937	1,077,917	(1,020,667)	1,900,582
3,137	15,937	21,212	-	45,182	-	149,575
20,910	216,628	165,828	-	742,306	-	1,606,218
4,154	30,857	27,615	-	17,052	-	256,397
4,438	63,686	31,556	-	22,708	-	206,836
22,988	78,800	167,134	-	18,100	-	608,245
5,377	108,984	118,751	-	79,295	-	404,158
5,400	85,885	26,432	777,154	-	(1,020,667)	-
15,605	148,678	36,319	-	35,946	-	373,982
82,009	749,455	594,847	777,154	960,589	(1,020,667)	3,605,411
(41,088)	(608,632)	(267,229)	(655,217)	117,328	-	(1,704,829)
31,871	305,794	16,541	6,725,031	-	-	7,513,379
-	60	3	-	-	(36,575)	124
-	-	-	(5,262,763)	-	-	(5,262,763)
-	-	-	-	-	-	-
(341)	(12,421)	(115,755)	-	(27,996)	36,575	(418,809)
31,530	293,433	(99,211)	1,462,268	(27,996)	-	1,831,931
(9,558)	(315,199)	(366,440)	807,051	89,332	-	127,102
-	620,603	-	-	-	-	620,603
-	620,603	-	-	-	-	620,603
(9,558)	305,404	(366,440)	807,051	89,332	-	747,705
413,168	2,182,955	(1,196,454)	1,997,540	(80,133)	-	3,520,066
-	-	-	(45,969)	(9,237)	-	(55,206)
413,168	2,182,955	(1,196,454)	1,951,571	(89,370)	-	3,464,860
\$ 403,610	\$ 2,488,359	\$ (1,562,894)	\$ 2,758,622	\$ (38)	\$ -	\$ 4,212,565

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development
<i>Cash flows from operating activities:</i>			
Cash received from tenant charges	\$ 126,086	\$ 29,410	\$ 1,066,170
Cash payments to employees for services	(188,165)	(67,615)	(206,751)
Cash payments to suppliers for goods and services	3,975	918	1,282
Cash received from other funds	51,025	55,667	-
Cash payments to other funds	-	-	(241,189)
Other operating cash payments	(355,199)	(61,076)	(447,276)
<i>Net cash provided (used) by operating activities</i>	<u>(362,278)</u>	<u>(42,696)</u>	<u>172,236</u>
<i>Cash flows from noncapital financing activities:</i>			
Noncapital transfers from other funds	83,547	12,533	-
Housing assistance payments	-	-	-
Change in noncurrent accrued compensated absences	(245)	(724)	(767)
Receipts from intergovernmental HUD subsidy	379,444	54,698	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>462,746</u>	<u>66,507</u>	<u>(767)</u>
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on notes	(34,400)	(5,600)	(65,000)
Interest payments on notes	(93,756)	(27,797)	(179,728)
Proceeds from capital grants	-	-	-
Acquisition of capital assets	-	-	(29,595)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(128,156)</u>	<u>(33,397)</u>	<u>(274,323)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	36,583	2	51
<i>Net cash provided (used) by investing activities</i>	<u>36,583</u>	<u>2</u>	<u>51</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	8,895	(9,584)	(102,803)
<i>Cash and cash equivalents - beginning of year</i>	<u>370,812</u>	<u>83,453</u>	<u>514,271</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 379,707</u>	<u>\$ 73,869</u>	<u>\$ 411,468</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (454,413)	\$ (107,682)	\$ 312,104
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation and amortization	36,897	5,112	95,425
Changes in assets and liabilities			
Receivables	2,414	2,803	3,742
Interfund balances	51,025	55,667	(240,697)
Escrow funds held for others	-	-	-
Accounts payable	3,976	919	1,282
Accrued payroll expenses	(846)	(355)	(784)
Customer deposits	(328)	(196)	2,450
Deferred revenue	(1,003)	1,036	(1,286)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (362,278)</u>	<u>\$ (42,696)</u>	<u>\$ 172,236</u>

The accompanying notes are an integral part of these financial statements

Rio Felix FmHA Program	Low Rent Public Housing Program	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Department	Total
\$ 41,368	\$ 141,115	\$ 334,597	\$ 75,968	\$ 1,113,622	\$ 2,928,336
(20,910)	(217,229)	(165,441)	-	(741,925)	(1,608,036)
1,331	-	(18,176)	(819,619)	(18,766)	(849,055)
7,985	1,115	128,592	-	5,554	249,938
-	-	-	-	-	(241,189)
(45,494)	(383,624)	(392,700)	-	(183,355)	(1,868,724)
(15,720)	(458,623)	(113,128)	(743,651)	175,130	(1,388,730)
-	-	-	-	-	-
-	220,299	-	-	(115,361)	201,018
-	-	-	(5,262,763)	-	(5,262,763)
-	(3,616)	(446)	-	(1,726)	(7,524)
31,871	305,794	16,541	6,725,031	-	7,513,379
31,871	522,477	16,095	1,462,268	(117,087)	2,444,110
(4,252)	(37,199)	-	-	(36,514)	(182,965)
(341)	(12,421)	-	-	(8,716)	(322,759)
-	400,304	-	-	-	400,304
-	(431,825)	-	-	(49,045)	(510,465)
(4,593)	(81,141)	-	-	(94,275)	(615,885)
-	16	3	-	-	36,655
-	16	3	-	-	36,655
11,558	(17,271)	(97,030)	718,617	(36,232)	476,150
68,891	122,257	190,069	2,119,825	37,452	3,507,030
\$ 80,449	\$ 104,986	\$ 93,039	\$ 2,838,442	\$ 1,220	\$ 3,983,180
\$ (41,088)	\$ (608,632)	\$ (267,229)	\$ (701,186)	\$ 117,328	\$ (1,750,798)
15,605	148,678	36,319	-	35,946	373,982
(12)	(5,630)	10,702	-	35,705	49,724
7,985	1,640	128,592	-	5,554	9,766
-	-	-	(42,465)	-	(42,465)
1,331	(13,239)	(18,176)	-	(19,784)	(43,691)
-	(601)	387	-	381	(1,818)
319	1,829	(2,400)	-	-	1,674
140	17,332	(1,323)	-	-	14,896
\$ (15,720)	\$ (458,623)	\$ (113,128)	\$ (743,651)	\$ 175,130	\$ (1,388,730)

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

On March 31, 2009 the New Mexico Legislature restructured the State's Regional Housing Authorities. The Region VI and Region IV Housing Authorities were combined to form the Eastern Regional Housing Authority. The Region VI Housing Authority was chosen to maintain separate financial records from Region IV Authority until the end of the 2009 fiscal year since HUD contracts were separately issued through June 30, 2009. As of July 1, 2009 the operations of Region VI and IV were combined. The Regional Housing Authority of Region VI had been the fiscal agent for Region IV Housing Authority since May 8, 2008 through June 30, 2009.

The Eastern Regional Housing Authority, New Mexico, Inc., (the Authority) was created pursuant to the Regional Housing Law of the State of New Mexico and exists to provide decent safe and sanitary housing for lower income residents of Chaves, Eddy, Lea, Lincoln, Otero, Curry, Union, Roosevelt, Harding, Quay, Guadalupe, and De Baca Counties. The Authority also assists other organizations and units of local governments to operate, manage, and administer housing programs and projects and achieve this objective. The Authority's Administrative Services Department is dependent upon administrative fees from the U.S. Department of Housing and Urban Development ("HUD") Section 8 program and on administrative and management fees earned from the Authority owned apartment complexes as more fully described below.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Authority has implemented Government Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the year ended June 30, 2011. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

A. Financial Reporting Entity

The Authority's combined financial statements include all of the authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether: (1) the organization is legally separate (can sue and be sued in their own name), (2) the Authority hold the corporate powers of the organization, (3) the Authority appoints a voting majority of the organizations board, (4) the Authority is able to impose its will on the organization, (5) the organization has the potential to impose a financial/benefit/burden on the Authority. (6) there is a fiscal dependency by the organization of the Authority. Based on the aforementioned criteria, the Authority determined it had blended component units as follows. The Authority has created, in accordance with the Regional Housing Law, Section 11-3A-1, NMSA 1978, the following non-profit corporations to issue bonds for the acquisition and rehabilitation of apartment projects: RHA Housing Development Corporation (Woodleaf), Southeastern New Mexico Affordable Housing Corporation (Casa Hermosa), and Carlsbad Housing Corporation (Colonial Hillcrest and La Posada). These are blended component units.

Programs and Developments: The Authority, through related non-profit organizations, owns various apartment complexes, and is also a designated public housing authority ("PHA") by HUD, and participates in various rental assistance programs which include:

- Colonial Hillcrest and La Posada Development (Enterprise Fund) –Two apartment complexes in Carlsbad, New Mexico owned by Carlsbad Housing Corporation and operated by the Authority. Colonial Hillcrest is a 74 unit low income multi-family development and La Posada is a 12 unit low income multi-family development.
- Woodleaf Development (Enterprise Fund) – A 152 unit apartment complex in Hobbs, New Mexico, which is owned by RHA Housing Development Corporation and managed by the Authority.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

- Farmers Home Administration (Enterprise Fund) – Farm Labor Housing Project (Rio Felix) – A development which is located in Hagerman, New Mexico, and is owned and managed by the Authority. The project was constructed as a result of substantial grant and a small loan within a 1% interest rate from the Farmers Home Administration (“FmHA”). Tenants of the project pay a basic rent of 30% of their adjusted income as rent and FmHA subsidizes the difference between the tenant rent and basic rent for qualifying applicants.
- Low Rent Public Housing (Enterprise Fund) – A program with a combined total of 84 rental units in Roswell, Capitan, and Carrizozo, New Mexico. The developments are owned and managed by the Authority. Participants in this program pay rent equal to 30% of their adjusted income. HUD, through the Authority, pays the balance of the rent.
- Casa Hermosa Development (Enterprise Fund) – An 88 unit multi-family rental housing project for low and moderate income persons located in Hobbs, New Mexico, owned by Southeastern New Mexico Affordable Housing Corporation and operated by the Authority.
- Section 8 Housing Voucher Program (Enterprise Fund) – A rent subsidy program funded by HUD. The subsidy is equal to the difference between a payment standard based on HUD published fair market rents and a percentage of the tenant’s adjusted monthly income. Monthly rent subsidies for approximately 1,850 tenants were provided for during the year ended June 30, 2011.
- Administrative Services Department (Enterprise Fund) – The department of the Authority which manages the above listed developments and provides support to the above listed programs for which it receives management and/or administrative fees.

B. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. *Business-type activities* rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Authority’s enterprise programs are accounted for as one business-type activity for financial reporting purposes. Major individual enterprise funds are reported as separate columns in the fund financial statements. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenue from fees and charges of the activity; (b) which are governed by laws and regulations that require that the activity’s costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs. The Authority has elected to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1090. The Authority follows all applicable GASB

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

The economic resources measurement focus and the accrual basis of accounting are utilized by proprietary funds. Under this mentioned, revenues, are recorded when earned and expenses are recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The government reports all propriety funds as major funds.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated form the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds (including administrative fees paid to the Administrative Services Department from the other programs), and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided such as rental fees; and 2) operating grants and contributions such as weatherization assistance. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges for rent and Section 8 rent vouchers. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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.

The Authority does not budget depreciation expense; therefore the budget is not in conformity with GAAP. The budget is approved by the Board of Commissioners for all funds. In addition, the budgets for the low Rent Public Housing and the Section 8 Housing Program are approved by HUD.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities, and Net Assets (continued)*

Revenue Recognition

The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as government subsidies revenue in the accompanying revenues, except for capital related contributions, which are recorded as non-operating revenues.

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned.

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. 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 uninsured 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, they are pledged at par value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the *governmental activities* and *business-type* activities are reported in the government-wide financials statements as "internal balances."

Inter-program receivables and payables arose from loans and reimbursable expenses between developments and programs. Accounts receivable and accounts payable relate to operating trade activities.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Assets, Liabilities, and Net Assets (continued)*

Receivables and Payables (continued)

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 Assets

Certain resources set aside for the repayment of 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. Assets held in replacement reserves and other escrows as required by bond indenture agreements are classified as restricted.

Prepaid Items

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

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, when received, are recorded at fair market value on the date received. State law sets a capitalization threshold of \$5,000 for acquisitions of capital assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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. Pursuant to the implementation of GASB statement No. 34, the historical costs of infrastructure assets, (retroactive 1979) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.19 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the authority during the current fiscal year was \$455,384. No interest was included as part of the cost of capital assets under construction.

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

Buildings	40 years
Building Improvements	7-20 years
Equipment and Office Equipment	3-10 years

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Assets, Liabilities, and Net Assets (continued)*

Accrued Expenses

Accrued expenses include payroll and related taxes incurred but not paid by the end of the fiscal year.

Deferred Revenues

Accounting principles generally accepted in the United State of America require that the grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as deferred revenues.

Compensated Absences

Vested or accumulated vacation leave is reported as an expense and a liability of the program to which it relates. Employees accrue vacation at the rate of 10 hours per month and are required to use 80 hours of annual leave and/or administrative leave each year. Annual leave can be accumulated up to 40 hours.

Sick leave is earned at a rate of 8 hours per month and may be accrued from year to year, up to a maximum of 320 hours. Accumulated sick leave is not paid upon termination of employment. In accordance with provisions of Government Accounting Standards Statement No. 16 'Accounting for Compensated Absences,' no liability is recorded for non-vested accumulated rights to receive pay benefits.

Bond Issue Costs

The Authority capitalizes underwriter fees, legal fees, bond counsel, and related costs of refinancing as bond issue costs. Bond issuance costs and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the bonds using a method that approximates the effective interest method. See Note 6 regarding the deferred loss on advance refunding.

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the authority. Operating revenues consist primary of charges for services paid by tenants and by grantor agencies. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Allocation Expenses

For purposes of the statement of revenues, expenses and changes in fund net assets, payroll taxes and fringe benefits were allocated to operations and administration based on direct salaries.

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 of assets, liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Assets, Liabilities, and Net Assets (continued)*

Net Assets

Net assets include the following:

1. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted net assets include net assets that are subject to constraints on their use by creditors, grantors, and the bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net assets are available for general use by the authority for any obligation or expense.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Authority adheres to the following regarding the budget:

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

The Authority does not budget depreciation expense; therefore, the budget is not prepared in accordance with generally accepted accounting principles. The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level.

The Authority did not submit its budget to the State of New Mexico Department of Finance and Administration.

NOTE 3. 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, the State Treasurer's Local Government Investment Pool (LGIP), money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2011.

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.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Excess 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.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

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's policy regarding types of deposits allowed and collateral requirements is to deposit monies in compliance with state statute. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution. As of June 30, 2011, \$3,207,035 of the Authority's deposits totaling \$4,071,549 were exposed to custodial credit risk. \$862,388 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name, and \$0 was uninsured and uncollateralized.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. 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. All depositories held collateral exceeding the amount required by law.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

	<u>Wells Fargo Bank</u>	<u>New Mexico Bank & Trust</u>	<u>First National Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 3,207,035	\$ 2,126	\$ 862,388	\$ 4,071,549
FDIC Coverage	<u>(3,207,035)</u>	<u>(2,126)</u>	<u>-</u>	<u>(3,209,161)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>862,388</u>	<u>862,388</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority's name	<u>-</u>	<u>-</u>	<u>862,388</u>	<u>862,388</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ 431,194	\$ 431,194
Pledged Collateral	<u>-</u>	<u>-</u>	<u>2,140,037</u>	<u>2,140,037</u>
Over (Under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,708,843</u>	<u>\$ 1,708,843</u>

The collateral pledged is listed on Schedule I of this report.

Reconciliation to Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the Authority's statement of net assets as follows:

Cash and cash equivalents per Exhibit A-1	\$ 2,942,923
Restricted cash per Exhibit A-1	<u>1,040,257</u>
Total Cash and cash equivalents per Exhibit A-1	3,983,180
Add: outstanding checks and other reconciling items	90,256
Less: petty cash	<u>(1,887)</u>
Reconciled balance of deposits	<u>\$ 4,071,549</u>

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 4. ACCOUNTS RECEIVABLE

The Authority's accounts receivable at June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	Interest Receivable	Grants Receivable	Tenant Accounts Receivable	Allowance	Net Receivable
Project-Based Housing Units	\$ 19,280	\$ -	\$ 89,259	\$ (57,904)	\$ 50,635
Totals	<u>\$ 19,280</u>	<u>\$ -</u>	<u>\$ 89,259</u>	<u>\$ (57,904)</u>	<u>\$ 50,635</u>

NOTE 5. INTERFUND BALANCES AND TRANSFERS

During the course of operations, transactions occur between individual funds for loans to cover payroll and certain other operating expenses. The composition of interfund balances as of June 30, 2011 is as follows:

Interfund balances are expected to be repaid within one year from the date of the financial statements.

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
Administrative Service	La Posada	\$ 13,787
Administrative Service	Rio Felix	36,435
Administrative Service	Low Rent	1,267
Administrative Service	Casa Hermosa	573,041
Colonial Hillcrest	La Posada	3,700
Colonial Hillcrest	Casa Hermosa	55,004
Woodleaf	Casa Hermosa	137,767
Woodleaf	La Posada	5,000
Woodleaf	Colonial Hillcrest	20,000
Woodleaf	Administrative Services	438,175
		<u>\$ 1,284,176</u>

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and construction in progress are not subject to depreciation.

Effective July 1, 2010, the fixed assets from the Weatherization Program were transferred to another entity. As a result, the following schedule is the rollforward of the assets from Weatherization program.

	Balance, July 1, 2010	Additions / Transfers	Disposals / Adjustments	Adjustments	Balance, June 30, 2011
Governmental Activities:					
Capital assets being depreciated:					
Equipment	\$ 5,338	\$ -	\$ (5,338)	\$ -	\$ -
Total capital assets being depreciated	<u>5,338</u>	<u>-</u>	<u>(5,338)</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation:					
Equipment	1,245	-	(1,245)	-	-
Total accumulated depreciation	<u>1,245</u>	<u>-</u>	<u>(1,245)</u>	<u>-</u>	<u>-</u>
Total capital assets, net of depreciation	<u>\$ 4,093</u>	<u>\$ -</u>	<u>\$ (4,093)</u>	<u>\$ -</u>	<u>\$ -</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2011 totaled \$346,769.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 6. CAPITAL ASSETS (continued)

	Balance, July 1, 2010	Additions / Transfers	Disposals / Adjustments	Adjustments	Balance, June 30, 2011
Land:					
Woodleaf Development	\$ 259,920	\$ -	\$ -	\$ -	\$ 259,920
Colonial Hillcrest Development	47,917	-	-	-	47,917
La Posada Development	11,897	-	-	-	11,897
Casa Hermosa Development	62,000	-	-	-	62,000
Rio Felix FmHA Development	169,050	-	-	-	169,050
Low Rent Public Housing	335,734	-	-	-	335,734
Administrative Services Development	30,104	-	-	-	30,104
Total Land	916,622	-	-	-	916,622
Buildings:					
Woodleaf Development	3,296,666	-	-	-	3,296,666
Colonial Hillcrest Development	1,275,992	-	-	-	1,275,992
La Posada Development	223,073	-	-	-	223,073
Casa Hermosa Development	1,178,073	-	-	-	1,178,073
Rio Felix FmHA Development	618,248	-	-	-	618,248
Low Rent Public Housing	4,546,158	400,304	-	(7,813)	4,938,649
Administrative Services Department	206,154	-	-	-	206,154
Total Buildings	11,344,364	400,304	-	(7,813)	11,736,855
Equipment:					
Woodleaf Development	52,618	29,595	-	(19,422)	62,791
Colonial Hillcrest Development	41,824	-	(11,937)	(6,236)	23,651
La Posada Development	10,937	-	-	-	10,937
Casa Hermosa Development	2,858	-	-	19,422	22,280
Rio Felix FmHA Development	10,008	-	-	-	10,008
Low Rent Public Housing	79,177	31,521	-	(6,213)	104,485
Administrative Services Department	327,798	49,045	(2,480)	17,713	392,076
Total Rural Housing	525,220	110,161	(14,417)	5,264	626,228
Total Property and Equipment	12,786,206	510,465	(14,417)	(2,549)	13,279,705
Less Accumulated Depreciation:					
Woodleaf Development	1,939,863	85,646	-	(18,930)	2,006,579
Colonial Hillcrest Development	870,028	28,857	(11,937)	(6,236)	880,712
La Posada Development	187,527	3,803	-	-	191,330
Casa Hermosa Development	624,629	28,234	-	19,422	672,285
Rio Felix Fmha Development	386,447	15,605	-	-	402,052
Low Rent Public Housing	2,757,140	148,678	-	(13,501)	2,892,317
Administrative Services Department	313,625	35,946	(2,480)	16,696	363,787
Total Accumulated Depreciation	7,079,259	346,769	(14,417)	(2,549)	7,409,062
Total Property and Equipment, Net of Depreciation	\$ 5,706,947	\$ 163,696	\$ -	\$ -	\$ 5,870,643

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 7. CONDUIT DEBT

During the year ended June 30, 2001 the Authority issued \$2,710,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Wildewood apartments, a 60 unit multifamily housing complex located in Roswell, New Mexico for rental to elderly and handicapped persons. Repayments of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of the conduit debt obligation outstanding as of June 30, 2011 was \$2,322,000.

During the year ended June 30, 2004 the Authority issued \$3,300,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Washington Place Apartments, a 76 unit multifamily housing complex located in Hobbs, New Mexico. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of this conduit debt obligation outstanding as of June 30, 2011 was \$2,320,000.

NOTE 7. LONG-TERM LIABILITIES

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2011.

	Balance, July 1, 2010	Additions	Retirements	Adjustments	Balance, June 30, 2011	Due Within One Year
Woodleaf Development	\$ 2,555,000	\$ -	\$ 65,000	\$ -	\$ 2,490,000	\$ 70,000
Colonial Hillcrest Development	1,290,000	-	34,400	-	1,255,600	34,400
La Posada Development	210,000	-	5,600	-	204,400	5,600
Casa Hermosa Development	1,530,000	-	-	-	1,530,000	40,000
Rio Felix FmHA Development	34,929	-	4,252	-	30,677	4,305
Low Rent Public Housing Administrative Services	207,949	-	37,199	-	170,750	39,476
Department Administrative Services	52,263	-	23,235	-	29,028	24,711
Department - RIII Administrative Services	95,258	-	-	-	95,258	95,258
Department - Canon Copier	21,635	-	18,781	5,502	8,356	2,986
Totals	\$ 5,997,034	\$ -	\$ 188,467	\$ 5,502	\$ 5,814,069	\$ 316,736

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 7. LONG-TERM LIABILITIES (continued)

Annual debt service requirements to maturity for all long-term debt (both current and long-term portions) are as follows:

Fiscal Year Ending June 30,	Principal Payment	Total Interest Payment	Total
2012	\$ 316,736	\$ 399,913	\$ 716,649
2013	219,462	384,386	603,848
2014	226,496	368,746	595,242
2015	238,178	352,413	590,591
2016	209,480	336,686	546,166
2017-2021	1,283,717	1,428,603	2,712,320
2022-2026	1,805,000	877,875	2,682,875
2027-2030	1,515,000	128,100	1,643,100
Total	<u>\$ 5,814,069</u>	<u>\$ 4,276,722</u>	<u>\$ 10,090,791</u>

Long-term debt and bonds payable of the Authority's respective programs at June 30, 2011 are summarized as follows:

Woodleaf Development

Revenue bonds payable – Series 1997A, 7.125% interest rate. Principal maturities of \$35,000 to \$470,000 to be paid through December 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture.

Annual requirements to amortize Woodleaf Development revenue bonds as of June 30, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 70,000	\$ 174,919	\$ 244,919
2013	75,000	169,753	244,753
2014	80,000	164,231	244,231
2015	90,000	158,175	248,175
2016	95,000	151,584	246,584
2017-2021	585,000	642,853	1,227,853
2022-2026	825,000	394,191	1,219,191
2027-2030	670,000	57,356	727,356
Total	<u>\$ 2,490,000</u>	<u>\$ 1,913,062</u>	<u>\$ 4,403,062</u>

Colonial Hillcrest Development

Revenue bonds payable – Series 1997A, 7.25 – 7.375% interest rate. Principal maturities of \$20,000 to \$280,000 to be paid through August 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 7. LONG-TERM LIABILITIES (continued)

Annual requirements to amortize Colonial Hillcrest Development revenue bonds as of June 30, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 34,400	\$ 91,262	\$ 125,662
2013	38,700	88,612	127,312
2014	38,700	85,782	124,482
2015	43,000	82,770	125,770
2016	47,300	79,440	126,740
2017-2021	292,400	337,421	629,821
2022-2026	417,100	207,875	624,975
2027-2030	344,000	30,444	374,444
Total	<u>\$ 1,255,600</u>	<u>\$ 1,003,606</u>	<u>\$ 2,259,206</u>

La Posada Development

Revenue bonds payable – Series 1997A, 7.125% interest rate. Principal maturities of \$20,000 to \$280,000 to be paid through August 2017. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture.

Annual requirements to amortize La Posada Development revenue bonds as of June 30, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 5,600	\$ 14,857	\$ 20,457
2013	6,300	14,425	20,725
2014	6,300	13,965	20,265
2015	7,000	13,474	20,474
2016	7,700	12,932	20,632
2017-2021	47,600	54,929	102,529
2022-2026	67,900	33,840	101,740
2027-2030	56,000	4,956	60,956
Total	<u>\$ 204,400</u>	<u>\$ 163,378</u>	<u>\$ 367,778</u>

Casa Hermosa Development

Revenue bonds payable – Series 1997A, 7-7.25% interest rate. Principal maturities of \$20,000 to \$285,000 to be paid through December 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture.

Annual requirements to amortize Casa Hermosa Development revenue bonds as of June 30, 2011, including interest payments are as follows:

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 7. LONG-TERM LIABILITIES (continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 40,000	\$ 106,575	\$ 146,575
2013	45,000	103,494	148,494
2014	50,000	100,050	150,050
2015	50,000	96,425	146,425
2016	55,000	92,619	147,619
2017-2021	350,000	393,313	743,313
2022-2026	495,000	241,969	736,969
2027-2030	445,000	35,344	480,344
Total	<u>\$ 1,530,000</u>	<u>\$ 1,169,789</u>	<u>\$ 2,699,789</u>

Rio Felix FmHA Development

Two notes payable to Farmer's Home Administration with interest at 1%. Principal and interest of \$211 and \$172 due monthly through May 2019. Collateralized by real estate.

Annual requirements to amortize Rio Felix FmHA Development long-term debt as of June 30, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,372	\$ 158	\$ 2,530
2013	2,395	134	2,529
2014	2,419	110	2,529
2015	2,444	86	2,530
2016	2,468	61	2,529
2017-2021	4,800	48	4,848
Total	<u>\$ 16,898</u>	<u>\$ 597</u>	<u>\$ 17,495</u>

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,933	\$ 129	\$ 2,062
2013	1,953	109	2,062
2014	1,972	90	2,062
2015	1,992	70	2,062
2016	2,012	50	2,062
2017-2021	3,917	39	3,956
Total	<u>\$ 13,779</u>	<u>\$ 487</u>	<u>\$ 14,266</u>

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 7. LONG-TERM LIABILITIES (continued)

Low Rent Public Housing Program

Notes payable to F & H Investments, LLC, interest rate of 6.5%. Monthly principal and interest of \$4,135, maturity in May 2015. Collateralized by office building.

Annual requirements to amortize Low Rent Public Housing Program long-term debt as of June 30, 2011, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 39,476	\$ 9,930	\$ 49,406
2013	42,348	7,272	49,620
2014	45,184	4,436	49,620
2015	43,742	1,413	45,155
Total	<u>\$ 170,750</u>	<u>\$ 23,051</u>	<u>\$ 193,801</u>

Administrative Services Department

Note payable to Wells Fargo Bank, National Association, interest at 6%. Principal and interest of \$2,148 due monthly through August 2012. Collateralized by real estate.

Note payable to cannon, capital lease based on interest of 14.50%. Principal and interest payments of \$317 due monthly through December 2013.

Note due to Region III, 0% interest, no stated maturity. This debt was incurred by Region IV in prior years and absorbed by Eastern Regional Housing Authority as part of the combination of the two offices. Eastern Regional is currently awaiting guidance from the State on how to properly dispose of this debt.

Wells Fargo -Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 24,711	\$ 1,065	\$ 25,776
2013	4,317	32	4,349
Total	<u>\$ 29,028</u>	<u>\$ 1,097</u>	<u>\$ 30,125</u>

Cannon - Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,986	\$ 1,018	\$ 4,004
2013	3,449	555	4,004
2014	1,921	82	2,003
Total	<u>\$ 8,356</u>	<u>\$ 1,655</u>	<u>\$ 10,011</u>

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 7. LONG-TERM LIABILITIES (continued)

Region III - Fiscal Year Ending June 30,	Principal	Interest	Total
<u>2012</u>	<u>\$ 95,258</u>	<u>\$ -</u>	<u>\$ 95,258</u>
Total	<u><u>\$ 95,258</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,258</u></u>

In a prior year, the Authority defeased the 1995A series bond issue for Casa Hermosa Development by creating an irrevocable trust fund from proceeds of the 1997A series revenue bonds. The proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investment and earnings from the investment are sufficient to service the defeased debt until the debt is called or matures. The amount outstanding at June 30, 2011, was \$1,530,000.

For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Casa Hermosa financial statement. A deferred loss arising from the debt defeasance is recorded as an offset to the 1997A series revenue bonds. The deferral is being amortized over the original remaining life of the 1995A series bonds, twenty-eight years, with the resulting amortization reported as interest expense. For the year ended June 30, 2011 the unamortized deferred loss is \$97,256 and the amortization of \$6,726 was reported as interest expense.

The Casa Hermosa Development Bond of \$1,530,000 is currently in foreclosure. The case is now pending in the United States District Court for the District of New Mexico. It has been filed by the Bond Trustee, and seeks to have a judgment entered in the amount of the unpaid balance due on the bonds, as well as recovery of out of pocket costs, and attorney fees and costs. The total amount due as of June 30, 2011 is in excess of \$1.6 million, although the amount continues to bear interest and there will be additional attorney fees and costs incurred as the litigation progresses.

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above. As of June 30, 2011, the Authority was in violation of certain debt covenants. Since the Authority has been in violation of this bond covenant for several years without having their bonds called, we are continuing to report the bonds as long term debt. The Authority has obtained a forbearance agreement which indicates that the debt will not be called as long as the Authority provides monthly financial information to the bond trustee.

The Section 8 Housing Program has a long-term obligation for Family Self Sufficiency (FSS) Escrow for Section 8 money being held for the benefit of the program participants. The money is to assist the participants in achieving home ownership. The money can be drawn upon completion of the program or under certain other circumstances. The total amount as June 30, 2011 was \$79,820, of which \$633 is shown as short-term relating to the current year's graduates of the program.

In a prior year, the Colonial Hillcrest and La Posada developments completed a bond issue in the amount of \$1,800,000. Bond proceeds of \$284,790 were loaned to the Administrative Services Department. A restructured promissory note was executed in May 2007, which provides for repayment of monthly interest payment of \$100, interest at 8.47%, with a maturity in August 2017. A balance of \$289,881 (including \$19,280 of accrued interest) was outstanding at June 30, 2011. \$120,122 in payments were made by the Administrative Services Department to Colonial Hillcrest and La Posada development during the year ended June 30, 2011.

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Notes to the Financial Statements
 For the Year Ended June 30, 2011

NOTE 8. COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement.

	Balance, July 1, 2010	Additions	Retirements	Balance, June 30, 2011	Due Within One Year
Compensated Absences	\$ 19,633	\$ 50,820	\$ 58,344	\$ 12,109	\$ 12,109
	<u>\$ 19,633</u>	<u>\$ 50,820</u>	<u>\$ 58,344</u>	<u>\$ 12,109</u>	<u>\$ 12,109</u>

NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority is insured through the Risk management Division of the General Services department which is accounted for as internal service fund of the State of New Mexico. In general, the Risk Management Division responds to suits against the State of New Mexico and state agencies, manages funds to provide unemployment compensation, tort liability insurance, worker's compensation and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of the Risk Management Division were not available and not included in this report. However, the Authority is not liable for more than the premiums paid.

NOTE 10. PERA PENSION PLAN

Plan Description. Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are covered under Municipal Plan I. Under Plan I, members are required to contribute 7.0% of their gross salary. The Authority is required to contribute 7.0% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Total Authority contributions to PERA for the year ending June 30, 2011, 2010, and 2009 were \$65,162, \$77,745, and \$52,551, respectively. All amounts expended were equal to the amount of the required contributions for each year.

NOTE 11. POST EMPLOYMENT BENEFITS

The Authority has not elected to participate in the New Mexico Public Employee Health Care Act plan and there are no required contributions for fiscal year ending June 30, 2011.

NOTE 12. CONCENTRATIONS

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

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

Casa Hermosa Development Fund	\$	330,121
Colonial Hillcrest Development Fund	\$	93,491
La Posada Development Fund	\$	75,382

B. Deficit net assets of individual funds. Four funds reflected a deficit net assets as of June 30, 2011.

Colonial Hillcrest Development	\$	43,316
La Posada Development	\$	45,287
Casa Hermosa Development	\$	1,562,894
Administrative Services Department	\$	38

NOTE 14. SUBSEQUENT EVENT

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is September 19, 2011 which is the date on which the financial statements were available to be issued.

NOTE 15. RESTATEMENT

During the fiscal year ending June 30, 2010, the Authority had a weatherization program special revenue fund that was established to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. The program was transferred to another entity effective July 1, 2010. As a result, the total amount of interfund loans to the program from the Administrative Services Department were not received prior to the transfer. Therefore, the remaining balance of \$9,237 should have been reclassified as a permanent transfer for the fiscal year ending June 30, 2010.

Based on a notice to the Authority from the U.S. Department of Housing and Urban Development dated March 22, 2011, it stated that the 2009 Net Restricted Assets balance was overstated by \$45,969. This was a result of administrative fees being charged twice in a previous year. The Executive Director of the Authority signed a letter of concurrence with the adjustment on March 30, 2011.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Woodleaf Development Fund
For the Year Ended June 30, 2011

Statement A-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 952,293	\$ 1,034,605	\$ 1,037,615	\$ 3,010
Other tenant revenue	20,798	24,058	23,649	(409)
<i>Total operating revenues</i>	973,091	1,058,663	1,061,264	2,601
<i>Operating expenses:</i>				
Personnel expenses	287,729	205,173	205,967	(794)
Contractual services	27,148	21,415	21,580	(165)
Management fees	58,891	71,597	71,597	-
Other operating expenses	41,530	54,099	52,197	1,902
Repairs and maintenance	33,179	116,330	102,188	14,142
Supplies and materials	45,732	39,798	38,558	1,240
Utilities	165,781	160,267	161,648	(1,381)
<i>Total operating expenses</i>	659,990	668,679	653,735	14,944
<i>Operating income (loss)</i>	313,101	389,984	407,529	(12,343)
<i>Non-operating revenues (expenses):</i>				
Interest income	190	51	51	-
Interest expense	(179,728)	(179,732)	(179,357)	375
<i>Total non-operating revenues (expenses)</i>	(179,538)	(179,681)	(179,306)	375
<i>Change in net assets</i>	133,563	210,303	228,223	(11,968)
<i>Net assets, beginning of year</i>	-	-	80,709	80,709
<i>Net assets, end of year</i>	\$ 133,563	\$ 210,303	\$ 308,932	\$ 68,741
Change in net assets (<i>above</i>)			\$ 228,223	
Adjustments for depreciation and amortization			(95,425)	
Change in net assets (<i>Exhibit A-2</i>)			\$ 132,798	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Colonial Hillcrest Development Fund
For the Year Ended June 30, 2011

Statement A-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ -	\$ 115,084	\$ 116,069	\$ 985
Other tenant revenue	-	8,997	8,933	(64)
<i>Total operating revenues</i>	-	124,081	125,002	921
<i>Operating expenses:</i>				
Personnel expenses	-	189,101	187,319	1,782
Contractual services	-	38,826	36,345	2,481
Management fees	-	46,234	46,234	-
Other operating expenses	-	33,749	33,004	745
Repairs and maintenance	-	71,697	64,587	7,110
Supplies and materials	-	52,650	39,137	13,513
Utilities	-	129,794	135,892	(6,098)
<i>Total operating expenses</i>	-	562,051	542,518	19,533
<i>Operating income (loss)</i>	-	(437,970)	(417,516)	(18,612)
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	-	379,444	379,444	-
Interest income	-	6	36,583	36,577
Gain (loss) on sale of assets	-	250	-	(250)
Interest expense	-	(93,756)	(92,002)	1,754
<i>Total non-operating revenues (expenses)</i>	-	285,944	324,025	38,081
<i>Change in net assets</i>	-	(152,026)	(93,491)	19,469
<i>Net assets, beginning of year</i>	-	-	87,072	87,072
<i>Net assets, end of year</i>	\$ -	\$ (152,026)	\$ (6,419)	\$ 106,541
Change in net assets (above)			\$ (93,491)	
Adjustments for depreciation and amortization			(36,897)	
Change in net assets (Exhibit A-2)			\$ (130,388)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
La Posada Development Fund
For the Year Ended June 30, 2011

Statement A-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 25,459	\$ 24,658	\$ 24,658	\$ -
Other tenant revenue	2,638	975	1,109	134
<i>Total operating revenues</i>	<u>28,097</u>	<u>25,633</u>	<u>25,767</u>	<u>134</u>
<i>Operating expenses:</i>				
Personnel expenses	29,272	67,263	67,260	3
Contractual services	2,281	6,722	6,182	540
Management fees	5,960	7,965	7,965	-
Other operating expenses	694	6,507	6,550	(43)
Repairs and maintenance	2,905	11,025	9,944	1,081
Supplies and materials	261	8,621	6,753	1,868
Utilities	11,373	19,895	23,683	(3,788)
<i>Total operating expenses</i>	<u>52,746</u>	<u>127,998</u>	<u>128,337</u>	<u>(339)</u>
<i>Operating income (loss)</i>	<u>(24,649)</u>	<u>(102,365)</u>	<u>(102,570)</u>	<u>473</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	50,992	54,698	54,698	-
Interest income	3	1	2	1
Gain (loss) on sale of assets	-	-	-	-
Interest expense	(15,263)	(15,263)	(27,512)	(12,249)
<i>Total non-operating revenues (expenses)</i>	<u>35,732</u>	<u>39,436</u>	<u>27,188</u>	<u>(12,248)</u>
<i>Change in net assets</i>	11,083	(62,929)	(75,382)	(11,775)
<i>Net assets, beginning of year</i>	-	-	35,207	35,207
<i>Net assets, end of year</i>	<u>\$ 11,083</u>	<u>\$ (62,929)</u>	<u>\$ (40,175)</u>	<u>\$ 23,432</u>
Change in net assets (above)			\$ (75,382)	
Adjustments for depreciation and amortization			<u>(5,112)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (80,494)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Casa Hermosa Development Fund
For the Year Ended June 30, 2011

Statement A-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 322,114	\$ 313,771	\$ 314,037	\$ 266
Other tenant revenue	27,684	13,291	13,581	290
<i>Total operating revenues</i>	<u>349,798</u>	<u>327,062</u>	<u>327,618</u>	<u>556</u>
<i>Operating expenses:</i>				
Personnel expenses	105,705	165,812	165,828	(16)
Contractual services	25,130	18,844	21,212	(2,368)
Management fees	23,792	26,432	26,432	-
Other operating expenses	9,906	96,108	118,751	(22,643)
Repairs and maintenance	8,321	28,313	27,615	698
Supplies and materials	29,326	30,549	31,556	(1,007)
Utilities	184,992	160,399	167,134	(6,735)
<i>Total operating expenses</i>	<u>387,172</u>	<u>526,457</u>	<u>558,528</u>	<u>(32,071)</u>
<i>Operating income (loss)</i>	<u>(37,374)</u>	<u>(199,395)</u>	<u>(230,910)</u>	<u>32,627</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	26,963	16,541	16,541	-
Interest income	12	-	3	3
Gain (loss) on sale of assets	-	-	-	-
Interest expense	(109,475)	(108,025)	(115,755)	(7,730)
<i>Total non-operating revenues (expenses)</i>	<u>(82,500)</u>	<u>(91,484)</u>	<u>(99,211)</u>	<u>(7,727)</u>
<i>Change in net assets</i>	(119,874)	(290,879)	(330,121)	24,900
<i>Net assets, beginning of year</i>	-	-	(1,196,454)	(1,196,454)
<i>Net assets, end of year</i>	<u>\$ (119,874)</u>	<u>\$ (290,879)</u>	<u>\$ (1,526,575)</u>	<u>\$ (1,171,554)</u>
Change in net assets (above)			\$ (330,121)	
Adjustments for depreciation and amortization			<u>(36,319)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (366,440)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Statement of Revenues, Expenses and Changes in
 Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
 Rio Felix FmHA Development Fund
 For the Year Ended June 30, 2011

Statement A-5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 25,555	\$ 37,581	\$ 37,811	\$ 230
Other tenant revenue	6,289	3,342	3,110	(232)
<i>Total operating revenues</i>	<u>31,844</u>	<u>40,923</u>	<u>40,921</u>	<u>(2)</u>
<i>Operating expenses:</i>				
Personnel expenses	785	20,910	20,910	-
Contractual services	3,337	3,095	3,137	(42)
Management fees	4,800	5,400	5,400	-
Other operating expenses	1,792	5,377	5,377	-
Repairs and maintenance	2,238	4,862	4,154	708
Supplies and materials	23,345	4,623	4,438	185
Utilities	21,569	20,903	22,988	(2,085)
<i>Total operating expenses</i>	<u>57,866</u>	<u>65,170</u>	<u>66,404</u>	<u>(1,234)</u>
<i>Operating income (loss)</i>	<u>(26,022)</u>	<u>(24,247)</u>	<u>(25,483)</u>	<u>1,232</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	30,095	31,871	31,871	-
Interest income	20	-	-	-
Gain (loss) on sale of assets	-	-	-	-
Interest expense	(380)	(341)	(341)	-
<i>Total non-operating revenues (expenses)</i>	<u>29,735</u>	<u>31,530</u>	<u>31,530</u>	<u>-</u>
<i>Change in net assets</i>	3,713	7,283	6,047	1,232
<i>Net assets, beginning of year</i>	-	-	413,168	413,168
<i>Net assets, end of year</i>	<u>\$ 3,713</u>	<u>\$ 7,283</u>	<u>\$ 419,215</u>	<u>\$ 414,400</u>
Change in net assets (above)			\$ 6,047	
Adjustments for depreciation and amortization			<u>(15,605)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (9,558)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Low Rent Public Housing Program Fund
For the Year Ended June 30, 2011

Statement A-6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 135,082	\$ 127,666	\$ 127,670	\$ 4
Other tenant revenue	8,501	13,360	13,153	(207)
<i>Total operating revenues</i>	143,583	141,026	140,823	(203)
<i>Operating expenses:</i>				
Personnel expenses	164,209	219,981	216,628	3,353
Contractual services	15,125	22,986	15,937	7,049
Management fees	47,340	78,540	85,885	(7,345)
Other operating expenses	12,923	106,545	108,984	(2,439)
Repairs and maintenance	18,738	32,526	30,857	1,669
Supplies and materials	41,606	62,055	63,686	(1,631)
Utilities	52,663	67,192	78,800	(11,608)
<i>Total operating expenses</i>	352,604	589,825	600,777	(10,952)
<i>Operating income (loss)</i>	(209,021)	(448,799)	(459,954)	10,749
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	260,617	305,794	305,794	-
Interest income	-	66	60	(6)
Capital grants	70,000	216,605	620,603	403,998
Transfers from other funds	-	-	-	-
Interest expense	(14,756)	(12,421)	(12,421)	-
<i>Total non-operating revenues (expenses)</i>	315,861	510,044	914,036	403,992
<i>Change in net assets</i>	106,840	61,245	454,082	414,741
<i>Net assets, beginning of year</i>	-	-	2,182,955	2,182,955
<i>Net assets, end of year</i>	\$ 106,840	\$ 61,245	\$ 2,637,037	\$ 2,597,696
Change in net assets (above)			\$ 454,082	
Adjustments for depreciation and amortization			(148,678)	
Change in net assets (Exhibit A-2)			\$ 305,404	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-7

Eastern Regional Housing Authority
 Statement of Revenues, Expenses and Changes in
 Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
 Section 8 Housing Program Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant Charges	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>				
Management and administration fees	745,854	777,154	777,154	-
<i>Total operating expenses</i>	<u>745,854</u>	<u>777,154</u>	<u>777,154</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>(745,854)</u>	<u>(777,154)</u>	<u>(777,154)</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	6,504,664	6,725,031	6,725,031	-
Housing assistance payments	(5,309,524)	(5,293,999)	(5,262,763)	31,236
Other non-operating revenue	58,200	75,887	121,937	46,050
<i>Total non-operating revenues (expenses)</i>	<u>1,253,340</u>	<u>1,506,919</u>	<u>1,584,205</u>	<u>77,286</u>
<i>Change in net assets</i>	<u>507,486</u>	<u>729,765</u>	<u>807,051</u>	<u>77,286</u>
<i>Net assets, beginning of year</i>	-	-	1,997,540	1,997,540
<i>Restatement (note 15)</i>	<u>-</u>	<u>-</u>	<u>(45,969)</u>	
<i>Net assets, as restated</i>	<u>-</u>	<u>-</u>	<u>1,951,571</u>	<u>1,997,540</u>
<i>Net assets, end of year</i>	<u>\$ 507,486</u>	<u>\$ 729,765</u>	<u>\$ 2,758,622</u>	<u>\$ 2,074,826</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Statement of Revenues, Expenses and Changes in
 Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
 Administrative Services Department Fund
 For the Year Ended June 30, 2011

Statement A-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>Operating revenues:</i>				
Tenant charges	\$ 8,830	\$ 21,068	\$ 21,469	\$ 401
Management and administrative fees	919,578	1,020,667	1,020,667	-
Other tenant revenue	3,940	19,827	35,781	15,954
<i>Total operating revenues</i>	<u>932,348</u>	<u>1,061,562</u>	<u>1,077,917</u>	<u>16,355</u>
<i>Operating expenses:</i>				
Personnel expenses	724,651	730,860	742,306	(11,446)
Contractual services	56,074	43,385	45,182	(1,797)
Other operating expenses	69,247	79,575	79,295	280
Repairs and maintenance	15,424	19,940	17,052	2,888
Supplies and materials	47,653	22,556	22,708	(152)
Utilities	12,380	17,572	18,100	(528)
<i>Total operating expenses</i>	<u>925,429</u>	<u>913,888</u>	<u>924,643</u>	<u>(10,755)</u>
<i>Operating income (loss)</i>	<u>6,919</u>	<u>147,674</u>	<u>153,274</u>	<u>27,110</u>
<i>Non-operating revenues (expenses):</i>				
Gain/(loss) on sale of assets	-	250	-	(250)
Interest expense	(5,317)	(3,955)	(27,996)	(24,041)
<i>Total non-operating revenues (expenses)</i>	<u>(5,317)</u>	<u>(3,705)</u>	<u>(27,996)</u>	<u>(24,291)</u>
<i>Change in net assets</i>	1,602	143,969	125,278	2,819
<i>Net assets, beginning of year</i>	<u>-</u>	<u>-</u>	<u>(80,133)</u>	<u>(80,133)</u>
<i>Net assets, end of year</i>	<u>\$ 1,602</u>	<u>\$ 143,969</u>	<u>\$ 45,145</u>	<u>\$ (77,314)</u>
Change in net assets (<i>above</i>)			\$ 125,278	
Adjustments for depreciation and amortization			<u>(35,946)</u>	
Change in net assets (<i>Exhibit A-2</i>)			<u>\$ 89,332</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Collateral Pledged by Depository for Public Funds
 For the Year Ended June 30, 2011

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market or Par Value June 30, 2011
Pledged by Wells Fargo Bank, N.A.:				
Federal Home Loan Bank	FN 878442	5/1/2036	31409T5B0	\$ <u>2,140,037</u>
	Total Wells Fargo Bank Pledged Securities			<u>2,140,037</u>
	Total pledged securities			<u>\$ 2,140,037</u>

Note:

All pledged collateral held in safekeeping by Wells Fargo in San Francisco, California

See independent auditors' report

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Schedule of Deposit and Investment Accounts
June 30, 2011

Account Name	Account Type	Deposits		
		Wells Fargo Bank	Everyone's Federal Credit Union	Wells Fargo Investment
Clovis Security Deposits	Checking	\$ 500	\$ -	\$ -
Administrative Services General	Checking	3,619	-	-
Colonial General	Checking	1,837	-	-
Colonial Tenant Deposits	Checking	12,896	-	-
La Posada General	Checking	388	-	-
La Posada Security Deposits	Checking	2,381	-	-
Woodleaf Development General	Checking	28,219	-	-
Woodleaf Security Deposits	Checking	49,041	-	-
Rio Felix General	Checking	820	-	-
Rio Felix Security Deposits	Checking	4,775	-	-
Rio Felix Tax and Insurance	Checking	547	-	-
SSM General	Checking	81,702	-	-
SSM Security Deposits	Checking	16,100	-	-
Vaughn General	Checking	597	-	-
Vaughn Security Deposits	Checking	8,019	-	-
Casa General	Checking	11,596	-	-
Casa Security Deposits	Checking	10,338	-	-
Section 8 Housing Vouchers	Checking	2,774,486	-	-
Section 8	Checking	79,820	-	-
CHA Revenue Fund	Money market	-	-	1
CHA and LPA Bond Fund	Money market	-	-	69,190
CHA and LPA Repair Fund	Money market	-	-	111,684
CHA and LPA Debt Service Fund	Money market	-	-	150,406
CHA and LPA Expense Fund	Money market	-	-	4,719
CHA and LPA Rehab Fund	Money market	-	-	7,528
CHA and LPA Surplus Fund	Money market	-	-	92,341
Casa Revenue Fund	Money market	-	-	98
Casa Bond Fund	Money market	-	-	50,673
Casa Repair Fund	Money market	-	-	163
Casa Debt Service Fund	Money market	-	-	31,300
Woodleaf Repair Fund	Money market	-	-	50,024
Woodleaf Debt Service Fund	Money market	-	-	251,544
Woodleaf Expense Fund	Money market	-	-	3,346
Woodleaf Surplus Fund	Money market	-	-	3,121
Woodleaf Bond Fund	Money market	-	-	36,250
Certificate of Deposit -Sandstone	Certificate of deposit	-	-	-
Certificate of Deposit -Rio Felix Reserve	Certificate of deposit	74,373	-	-
Vaughn Rent	Checking	2,126	-	-
Total amount of deposit in bank		<u>3,164,180</u>	<u>-</u>	<u>862,388</u>
Reconciling items:				
Less: outstanding checks per bank reconciliation		45,275	-	-
Plus: deposits in transit per bank reconciliation		-	-	-
Total reconciling items		<u>(45,275)</u>	<u>-</u>	<u>-</u>
Reconciled balance		<u>\$ 3,118,905</u>	<u>\$ -</u>	<u>\$ 862,388</u>

Plus: petty cash
Less: restricted cash and cash equivalents per Exhibit A-1
Less: investments per Exhibit A-1
Cash and cash equivalents per Exhibit A-1

Investments

<u>Wells Fargo Bank</u>	<u>Total</u>
\$ -	\$ 500
-	3,619
-	1,837
-	12,896
-	388
-	2,381
-	28,219
-	49,041
-	820
-	4,775
-	547
-	81,702
-	16,100
-	597
-	8,019
-	11,596
-	10,338
-	2,774,486
-	79,820
-	1
-	69,190
-	111,684
-	150,406
-	4,719
-	7,528
-	92,341
-	98
-	50,673
-	163
-	31,300
-	50,024
-	251,544
-	3,346
-	3,121
-	36,250
96,256	96,256
-	74,373
-	2,126
96,256	4,122,824
-	45,275
-	4,077,549
-	(45,275)
\$ 96,256	4,077,549
	1,887
	(1,040,257)
	(96,256)
	\$ 2,942,923

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Supporting Data Required by the Bond Indenture
 Computation of Debt Service Coverage Ratio
 RHA Housing Development Corporation (Woodleaf Development)
 For the Year Ended June 30, 2011

Debt Service Ratio Calculation

Net revenue available for debt service	(1) \$	406,948
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	244,919
 Debt Service Ratio		 <u><u>1.66</u></u>
 Debt Service Ratio required by bond indenture		 <u><u>1.25</u></u>

Calculation of Net Revenues Available for Debt Service on the Bonds

Total gross revenues	\$	1,060,192
Total operating expenses and interest expense		(928,517)
Plus: Recorded bond amortization and depreciation expense		95,916
Interest expense related to 1997A Series bonds		<u>179,357</u>
 Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	 (1) \$	 <u><u>406,948</u></u>

Debt Service for the year ended June 30, 2012:

Principal reduction on 1997A Series bonds during the year ended June 30, 2012	\$	70,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2012		<u>174,919</u>
 <i>Maximum Annual Debt Service as defined in the bond indenture</i>	 (2) \$	 <u><u>244,919</u></u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2011, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Supporting Data Required by the Bond Indenture
 Computation of Debt Service Coverage Ratio
 Carlsbad Housing Corporation (Colonial Hillcrest and La Posada Developments)
 For the Year Ended June 30, 2011

Debt Service Ratio Calculation

	Colonial Hillcrest	La Posada	Total
Net revenue available for debt service	(1) \$ (1,488)	\$ (47,869)	\$ (49,357)
Divided by			
Maximum Annual Debt Service as defined in the bond trust indenture	(2) 125,662	20,457	146,119
Debt Service Ratio	<u>(0.01)</u>	<u>(2.34)</u>	<u>(0.34)</u>
Debt Service Ratio required by bond indenture	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>

Calculation of Net Revenues Available for Debt Service on the Bonds

Total gross revenues	\$ 541,279	\$ 80,467	\$ 621,746
Total operating expenses and interest expense	(671,667)	(160,961)	(832,628)
Plus: Recorded bond amortization and depreciation expense	36,898	5,113	42,011
Interest expense related to 1997A Series bonds	<u>92,002</u>	<u>27,512</u>	<u>119,514</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) <u>\$ (1,488)</u>	<u>\$ (47,869)</u>	<u>\$ (49,357)</u>

Debt Service for the year ended June 30, 2012:

Principal reduction on 1997A Series bonds during the year ended June 30, 2012	\$ 34,400	\$ 5,600	\$ 40,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2012	<u>91,262</u>	<u>14,857</u>	<u>106,119</u>
Maximum Annual Debt Service as defined in the bond indenture	(2) <u>\$ 125,662</u>	<u>\$ 20,457</u>	<u>\$ 146,119</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2011, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the Carlsbad Housing Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

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STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Supporting Data Required by the Bond Indenture
 Computation of Debt Service Coverage Ratio
 Southwestern New Mexico Affordable Housing Corporation (Casa Hermosa Development)
 For the Year Ended June 30, 2011

Debt Service Ratio Calculation

Net revenue available for debt service	(1)	(214,366)
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	146,575
 Debt Service Ratio		 <u><u>(1.46)</u></u>
 Debt Service Ratio required by bond indenture		 <u><u>1.25</u></u>

Calculation of Net Revenues Available for Debt Service on the Bonds

Total gross revenues		\$ 344,162
Total operating expenses and interest expense		(710,602)
Plus: Recorded bond amortization and depreciation expense		36,319
Interest expense related to 1997A Series bonds		<u>115,755</u>
 Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	 (1)	 <u><u>\$ (214,366)</u></u>

Debt Service for the year ended June 30, 2012:

Principal reduction on 1997A Series bonds during the year ended June 30, 2012		\$ 40,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2012		<u>106,575</u>
 <i>Maximum Annual Debt Service as defined in the bond indenture</i>	 (2)	 <u><u>\$ 146,575</u></u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2011, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the Southwestern New Mexico Affordable Housing Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice Voucher 14.871
111	Cash - Unrestricted	\$ 86,867	\$ -	\$ 2,758,622
114	Cash - Tenant Security Deposits	18,119	-	-
	Cash - Replacement Reserve/Escrow Deposits	-	-	79,820
100	Total Cash	<u>104,986</u>	<u>-</u>	<u>2,838,442</u>
126	Accounts Receivable - Tenants - Dwelling Rents	21,709	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(5,039)	-	-
129	Accrued interest receivable	-	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>16,670</u>	<u>-</u>	<u>-</u>
131	Investments - unrestricted	96,256	-	-
132	Investments - restricted	-	-	-
144	Interprogram - due from	-	-	-
130	Total Investments	<u>96,256</u>	<u>-</u>	<u>-</u>
150	Total Current Assets	<u>217,912</u>	<u>-</u>	<u>2,838,442</u>
161	Land	335,734	-	-
162	Buildings	4,938,649	-	-
163	Furniture, Equipment & Machinery - Dwellings	104,485	-	-
166	Accumulated Depreciation	(2,892,317)	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>2,486,551</u>	<u>-</u>	<u>-</u>
171	Notes, Loans and Mortgages Receivable - non-current	-	-	-
174	Other Assets	-	-	-
180	Total Non Current Assets	<u>2,486,551</u>	<u>-</u>	<u>-</u>
190	Total Assets	<u>\$ 2,704,463</u>	<u>\$ -</u>	<u>\$ 2,838,442</u>

See independent auditors' report

Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$ 2,898	\$ 75,674	\$ 18,142	\$ 720	\$ 2,942,923
25,615	4,775	49,041	500	98,050
-	-	-	-	79,820
<u>28,513</u>	<u>80,449</u>	<u>67,183</u>	<u>1,220</u>	<u>3,120,793</u>
43,935	5,106	18,509	-	89,259
(30,947)	(3,409)	(18,509)	-	(57,904)
<u>19,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,280</u>
<u>32,268</u>	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>50,635</u>
-	-	-	-	96,256
518,102	-	344,285	-	862,387
<u>58,704</u>	<u>-</u>	<u>601,542</u>	<u>623,930</u>	<u>1,284,176</u>
<u>576,806</u>	<u>-</u>	<u>945,827</u>	<u>623,930</u>	<u>2,242,819</u>
<u>637,587</u>	<u>82,146</u>	<u>1,013,010</u>	<u>625,150</u>	<u>5,414,247</u>
121,814	169,050	259,919	30,104	916,621
2,677,139	618,248	3,296,666	206,154	11,736,856
56,869	10,008	62,791	392,076	626,229
<u>(1,744,329)</u>	<u>(402,052)</u>	<u>(2,006,578)</u>	<u>(363,787)</u>	<u>(7,409,063)</u>
1,111,493	395,254	1,612,798	264,547	5,870,643
270,601	-	-	-	270,601
<u>282,424</u>	<u>-</u>	<u>160,940</u>	<u>-</u>	<u>443,364</u>
<u>1,664,518</u>	<u>395,254</u>	<u>1,773,738</u>	<u>264,547</u>	<u>6,584,608</u>
<u>\$ 2,302,105</u>	<u>\$ 477,400</u>	<u>\$ 2,786,748</u>	<u>\$ 889,697</u>	<u>\$ 11,998,855</u>

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice Voucher 14.871
312	Accounts Payable <= 90 Days	\$ 5,682	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	1,936	-	-
322	Accrued Compensated Absences - Current Portion	1,513	-	-
325	Accrued Interest Payable	-	-	-
341	Tenant Security Deposits	16,885	-	-
342	Deferred Revenues	18,071	-	-
343	Current portion of long-term debt - Capital Projects	39,476	-	-
344	Current portion of long-term debt - Operating Borrowings	-	-	-
345	Other Current Liabilities	-	-	633
347	Interprogram Due To	1,267	-	-
310	Total Current Liabilities	<u>84,830</u>	<u>-</u>	<u>633</u>
351	Long-Term Debt, Net of Current - Capital Projects	131,274	-	-
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-	-
353	Noncurrent Liabilities - Other	-	-	79,187
350	Total Noncurrent Liabilities	<u>131,274</u>	<u>-</u>	<u>79,187</u>
300	Total Liabilities	<u>216,104</u>	<u>-</u>	<u>79,820</u>
508.1	Invested in Capital Assets, Net of Related Debt	2,315,801	-	-
511	Restricted Net Assets	18,119	-	79,820
512.1	Unrestricted	154,439	-	2,678,802
513	Total Equity/Net Assets	<u>2,488,359</u>	<u>-</u>	<u>2,758,622</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 2,704,463</u>	<u>\$ -</u>	<u>\$ 2,838,442</u>

See independent auditors' report

Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$ 4,893	\$ 2,528	\$ 4,843	\$ 14,843	\$ 32,789
4,098	-	1,584	7,248	14,866
2,593	-	1,057	6,946	12,109
214,278	-	7,392	19,280	240,950
22,982	3,577	48,741	-	92,185
3,715	573	19,622	-	41,981
80,000	4,305	70,000	24,711	218,492
-	-	-	2,986	2,986
-	-	-	-	633
808,299	36,435	-	438,175	1,284,176
<u>1,140,858</u>	<u>47,418</u>	<u>153,239</u>	<u>514,189</u>	<u>1,941,167</u>
2,812,744	26,372	2,420,000	270,601	5,660,991
-	-	-	104,945	104,945
-	-	-	-	79,187
<u>2,812,744</u>	<u>26,372</u>	<u>2,420,000</u>	<u>375,546</u>	<u>5,845,123</u>
<u>3,953,602</u>	<u>73,790</u>	<u>2,573,239</u>	<u>889,735</u>	<u>7,786,290</u>
(1,781,251)	364,577	(877,202)	(30,765)	(8,840)
543,717	4,775	393,326	500	1,040,257
(413,963)	34,258	697,385	30,227	3,181,148
<u>(1,651,497)</u>	<u>403,610</u>	<u>213,509</u>	<u>(38)</u>	<u>4,212,565</u>
<u>\$ 2,302,105</u>	<u>\$ 477,400</u>	<u>\$ 2,786,748</u>	<u>\$ 889,697</u>	<u>\$ 11,998,855</u>

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice Voucher 14.871
703	Net Tenant Rental Revenue	\$ 127,670	\$ -	\$ -
704	Tenant Revenue - Other	8,546	-	-
705	Total Tenant Revenue	<u>136,216</u>	<u>-</u>	<u>-</u>
706	HUD PHA Operating Grants	305,794	-	6,725,031
706.1	Capital Grants	400,304	131,672	-
708	Other Governmental Grants	-	-	-
711	Investment Income - Unrestricted	60	-	-
714	Fraud Recovery	-	-	6,399
715	Other Revenue	4,607	-	115,538
716	Gain or Loss on Sale of Fixed Assets	-	-	-
700	Total Revenue	<u>846,981</u>	<u>131,672</u>	<u>6,846,968</u>
911	Administrative Salaries	45,337	-	-
912	Auditing Fees	4,978	-	-
913	Outside Management Fees	85,885	-	777,154
914	Compensated Absences	2,241	-	-
915	Employee Benefit Contributions - Administrative	59,652	-	-
916	Other Operating - Administrative	5,334	-	-
	Subtotal	<u>203,427</u>	<u>-</u>	<u>777,154</u>
931	Water	8,398	-	-
932	Electricity	10,599	-	-
933	Gas	16,756	-	-
938	#REF!	10,629	-	-
	Subtotal	<u>46,382</u>	<u>-</u>	<u>-</u>
941	Ordinary Maintenance & Operation - Labor	73,470	-	-
942	Ordinary Maintenance & Operation - Materials & Other	104,124	38,999	-
	Subtotal	<u>177,594</u>	<u>38,999</u>	<u>-</u>
961	Insurance Premiums	4,211	-	-
962	Other General Expenses	36,498	-	-
964	Bad Debt - Tenant Rents	5,039	-	-
967	Interest expense	12,421	-	-
	Subtotal	<u>58,169</u>	<u>-</u>	<u>-</u>
969	Total Operating Expenses	<u>485,572</u>	<u>38,999</u>	<u>777,154</u>
970	Excess Operating Revenue Over Operating Expenses	<u>361,409</u>	<u>92,673</u>	<u>6,069,814</u>
973	Housing Assistance Payments	-	-	5,262,763
974	Depreciation Expense	148,678	-	-
900	Total Expenses	<u>\$ 634,250</u>	<u>\$ 38,999</u>	<u>\$ 6,039,917</u>

See independent auditors' report

Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$ 454,764	\$ 37,811	\$ 1,037,615	\$ 6,520	\$ 1,664,380
23,603	3,110	23,643	-	58,902
<u>478,367</u>	<u>40,921</u>	<u>1,061,258</u>	<u>6,520</u>	<u>1,723,282</u>
450,683	-	-	-	7,481,508
-	-	-	-	531,976
-	31,871	-	-	31,871
36,588	-	51	-	36,699
-	-	-	6,187	12,586
20	-	6	1,065,210	1,185,381
-	-	-	-	-
<u>965,658</u>	<u>72,792</u>	<u>1,061,315</u>	<u>1,077,917</u>	<u>11,003,303</u>
87,915	9,915	37,465	532,422	713,054
10,429	1,185	9,007	11,851	37,450
80,631	5,400	71,597	-	1,020,667
7,954	383	5,932	32,177	48,687
88,358	4,806	41,804	170,899	365,519
5,395	551	4,605	32,889	48,774
<u>280,682</u>	<u>22,240</u>	<u>170,410</u>	<u>780,238</u>	<u>2,234,151</u>
129,472	13,249	63,568	2,807	217,494
47,532	2,844	22,646	12,647	96,268
38,852	692	11,464	-	67,764
12,232	1,711	28,550	36,255	89,377
<u>228,088</u>	<u>18,496</u>	<u>126,228</u>	<u>51,709</u>	<u>470,903</u>
176,474	5,232	92,781	-	347,957
285,455	14,279	200,470	27,635	670,962
<u>461,929</u>	<u>19,511</u>	<u>293,251</u>	<u>27,635</u>	<u>1,018,919</u>
8,817	1,003	7,619	247	21,897
218,920	1,745	37,633	63,464	358,260
30,947	3,409	18,594	1,350	59,339
235,269	341	179,357	27,996	455,384
<u>493,953</u>	<u>6,498</u>	<u>243,203</u>	<u>93,057</u>	<u>894,880</u>
1,464,652	66,745	833,092	952,639	4,618,853
(498,994)	6,047	228,223	125,278	6,384,450
-	-	-	-	5,262,763
78,328	15,605	95,425	35,946	373,982
<u>\$ 1,542,980</u>	<u>\$ 82,350</u>	<u>\$ 928,517</u>	<u>\$ 988,585</u>	<u>\$ 10,255,598</u>

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Financial Data Schedule
 June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice Voucher 14.871
1001	Operating Transfers In	\$ 92,673	\$ -	\$ -
1002	Operating Transfers Out	-	92,673	-
1010	Total Other Financing Sources (Uses)	<u>92,673</u>	<u>(92,673)</u>	<u>-</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	<u>305,404</u>	<u>-</u>	<u>807,051</u>
1103	Beginning Equity	2,182,955	-	1,997,540
	Restatement - note 15	<u>-</u>	<u>-</u>	<u>(45,969)</u>
	Beginning Equity - as restated	<u>2,182,955</u>	<u>-</u>	<u>1,951,571</u>
	Ending Equity (deficit)	<u>\$ 2,488,359</u>	<u>\$ -</u>	<u>\$ 2,758,622</u>

See independent auditors' report

Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$ -	\$ -	\$ -	\$ -	\$ 92,673
-	-	-	-	92,673
-	-	-	-	-
(577,322)	(9,558)	132,798	89,332	747,705
(1,074,175)	413,168	80,711	(80,133)	3,520,066
-	-	-	(9,237)	(55,206)
(1,074,175)	413,168	80,711	(89,370)	3,464,860
\$ (1,651,497)	\$ 403,610	\$ 213,509	\$ (38)	\$ 4,212,565

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
Eastern Regional Housing Authority
Roswell, New Mexico

We have audited the financial statements of the business-type activities of the Eastern Regional Housing Authority (the “Authority”) as of and for the year ended June 30, 2011, which collectively comprise the Eastern Regional Housing Authority’s basic financial statements and have issued our report thereon dated September 19, 2011. We have also audited the budgetary comparisons for the year ended June 30, 2011 listed as supplementary information in the table of contents. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting. [2008-04, 2011-01, 2011-02, 2011-03, 2011-04, and 2011-05] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-4.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, the New Mexico Department of Finance and Administration, the Office of the State Auditor, the New Mexico Legislature and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
September 19, 2011

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget
Eastern Regional Housing Authority
Roswell, New Mexico

Compliance

We have audited Eastern Regional Housing Authority's (Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As describe in item 2011-06 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding eligibility that are applicable to it's public rent housing program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-4.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, the New Mexico Department of Finance and Administration, the Office of the State Auditor, the New Mexico Legislature and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
September 19, 2011

STATE OF NEW MEXICO
 Eastern Regional Housing Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Schedule V

Federal Grantor Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Public and Indian Housing	14.850	172,887
Section 8 Housing Choice Vouchers	14.871	5,262,763 *
Section 8 Housing Assistance Payment Program - Special Allocations:		
Colonial Hillcrest Development	14.195	379,444
La Posada Development	14.195	54,698
Casa Hermosa Development	14.195	16,541
Public Housing Capital Fund	14.872	106,805
Public Housing Capital Fund - ARRA	14.872	27,168
Total U.S. Department of Housing and Urban Development		<u>6,020,306</u>
<u>U.S. Department of Agriculture:</u>		
Direct programs:		
Farm Labor Housing Loans and Grants	10.405	31,871
Total U.S. Department of Agriculture		<u>31,871</u>
Total Expenditures of Federal Awards		<u>\$ 6,052,177</u>

() Denotes cluster

* Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Eastern Regional Housing Authority (Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The Authority did not provide any federal awards to sub-recipients during the year.

See independent auditors' report

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | | | |
|---|----------------|------------------------------------|-----------------|--------|--|------------------------------------|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | Yes | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="width: 20px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td></td> <td style="text-align: center;">Public Rent Public Housing Program</td> </tr> </table> | CFDA
Number | | Federal Program | 14.850 | | Public Rent Public Housing Program | |
| CFDA
Number | | Federal Program | | | | | |
| 14.850 | | Public Rent Public Housing Program | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings

FS 2007-2: Violation of Debt Covenant	Revised and repeated
FS 2007-4: Expenditures in Excess of Budget Amounts	Revised and repeated
FS 2008-2: IT Policy	Resolved
FS 2008-4: Deficit Budgeting	Revised and repeated
FS 2009-6: Salary Advances	Resolved
FS 2009-7: Disposal of Capital Assets	Resolved
FS 2010-8: Audit Report Not Submitted Timely	Resolved
FA 2008-05: Tenant File Documentation	Resolved
FA 2010-01: Early Tenant Move In	Resolved

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2007-2 (Significant Deficiency): Violation of Debt Covenant

Condition: The Authority's ratio is (.01) for Colonial Hillcrest Development, (2.34) for La Posada Development, and (1.46) for Casa Hermosa Development. The Authority did not comply with the debt covenants related to Colonial Hillcrest Development, La Posada Development, or Casa Hermosa Development.

Criteria: The bond trust indentures require that the ratio of revenue available for debt service to the maximum annual debt service be 1.25.

Effect: If the ratio is not brought into compliance with the debt service covenants, the loan could be declared in default and become due. It is noted that Wells Fargo does not intend to call the bonds unless there is a default by the Authority on their bond payments.

Cause: The primary cause of this noncompliance is that debt service requirements of \$125,662 were too high in relation to revenues available of \$(1,488) for Colonial Hillcrest Development, debt service requirements of \$20,457 were too high in relation to revenues available of \$(47,869) for La Posada Development, and debt service requirements of \$146,575 were too high in relation to revenues available of \$(214,366) for Casa Hermosa Development.

Recommendation: Revenues should be increased and expenses should be decreased at Colonial Hillcrest Development, La Posada Development, and Casa Hermosa Development.

Agency's Response: Both Casa Hermosa Apartments and Colonial Hillcrest/LaPosada Apartments have been placed up for sale. It is the Authorities' sincerest expectation that we will have a disposition of these properties within in the next year

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FS 2007-4 (Significant Deficiency): Expenditures in Excess of Budget Amounts

Condition: For the following expenditures, the Authority expended amounts in excess of the budget approved by the Board:

Fund	Expenditure	Amount
Woodleaf Development	Personnel expenses	\$ 794
Woodleaf Development	Contractual services	\$ 165
Woodleaf Development	Utilities	\$ 890
Colonial Hillcrest Development	Utilities	\$ 6,097
Las Posada Development	Other operating expenses	\$ 43
Las Posada Development	Utilities	\$ 3,788
Las Posada Development	Interest expense	\$ 12,249
Casa Hermosa Development	Personnel expenses	\$ 16
Casa Hermosa Development	Contractual services	\$ 2,368
Casa Hermosa Development	Other operating expenses	\$ 22,643
Casa Hermosa Development	Supplies and materials	\$ 1,007
Casa Hermosa Development	Utilities	\$ 6,735
Casa Hermosa Development	Interest expense	\$ 7,730
Rio Felix FmHA Development	Contractual services	\$ 42
Rio Felix FmHA Development	Utilities	\$ 2,085
Low Rent Public Housing Program	Contractual services	\$ 296
Low Rent Public Housing Program	Other operating expenses	\$ 2,439
Low Rent Public Housing Program	Supplies and materials	\$ 1,631
Low Rent Public Housing Program	Utilities	\$ 11,084
Administrative Services Department	Personnel expenses	\$ 11,446
Administrative Services Department	Contractual services	\$ 2,047
Administrative Services Department	Supplies and materials	\$ 152
Administrative Services Department	Utilities	\$ 528
Administrative Services Department	Interest expense	\$ 24,041

Criteria: Per NMSA Section 6-3-7, no expenditures shall be made by any agency for the fiscal year covered by the budget until the budget has been approved.

Effect: The effect of making expenditures that have not been approved by the state budget division is that the public officer or employee who violated the law is guilty of a felony per Section 6-3-8 NMSA.

Cause: The budget was not effectively monitored or adjusted prior to being over expended.

Recommendation: We recommend the Authority monitor the budget and adjust it when necessary.

Agency's Response: The Authority completed two budget amendments in an attempt to anticipate changes in expenditures, we will further refine our budget review process to eliminate expenditures in excess of budget.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2008-4 (Significant Deficiency): Deficit Budgeting

Condition: In the following funds, the prior year ending assets were not adequate to cover the ending budget deficit in fiscal year ending June 30, 2011:

- Colonial Hillcrest Development budgeted expenditures in excess of revenues for the year of \$93,491, but only had unrestricted cash and accounts receivable from the prior year of \$8,536.
- La Posada Development budgeted expenditures in excess of revenues for the year of \$75,382, but only had unrestricted cash and accounts receivable from the prior year of \$16,537.
- Casa Hermosa Development budgeted expenditures in excess of revenues for the year of \$330,121, but only had unrestricted cash and accounts receivable from the prior year of \$19,039.

Criteria: Deficit budgeting is not allowed. The “designated cash” must be available at the end of the prior fiscal year to cover the deficit created when budgeted expenditures exceed budgeted revenues.

Effect: The Authority is in violation of 6.20.2.14(E) NMAC which requires each fund to disburse money for its specific purpose in accordance with its budget. The Authority has not complied with the requirement to ensure adequate cash is available for budgeted expenditures.

Cause: Prior year ending available cash and accounts receivable were not carefully monitored to determine adequacy for FY 2011 budgeting purposes.

Recommendation: We recommend improved monitoring of the budget.

Agency’s Response: The Authority fully recognizes the deficient revenues these projects incur, and have tried to minimize cost while still meeting our obligations. Further three of these properties are up for sale and the Board of Commissioners will be considering the sale of Rio Felix in the near future.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2011-01 (Significant Deficiency): Controls over Checks

Condition: The Authority is lacking adequate internal controls over its accounting processes. During review of blank checks as well as internal controls, we noted that the Executive Director has a key to both lock on the filing cabinet holding the blank checks.

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

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

Cause: The Authority thought the Executive Director needed to have copies of both keys in case several people were out of the office and checks needed to be written.

Auditors' Recommendation: We recommend that the Executive Director maintains access to only one key due to the fact that it is unlikely that someone with the opposing key will be unavailable. This will ensure that the proper segregation of duties is maintained at all times.

Recommendation: We recommend that the Executive Director properly dispose of one of the keys.

Agency's Response: The Executive Director has at the time of this response disposed properly of one of the keys.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2011-02 (Significant Deficiency): Segregation of Duties Over Bank Reconciliations

Condition: There is a lack of segregation of duties concerning the review of the bank reconciliation as well as inadequate segregation of duties concerning an independent individual preparing and reviewing the bank reconciliations from the individual who receives and reviews the bank statements.

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

Effect: Absent an adequate segregation of duties, an entity's financial statements are exposed to additional risks of misstatement due to error or fraud.

Cause: The Authority didn't know that bank reconciliations should be reviewed by a second person..

Recommendation: Proper segregation is not always possible in a small organization. However, we recommend that one of the directors conducts the review of the bank reconciliations each month after they are prepared. In addition, we recommend that the one who receives the bank statements to open them and review them before handing them to the individual who prepares the bank reconciliation.

Agency's Response: The Authority will begin immediately having the Deputy Director review the bank reconciliation, in addition she will review the bank statement prior to them being handed over for reconciliation.

2011-03 (Significant Deficiency): Internal Controls Over Deposits

Condition: The Authority is lacking adequate internal controls over its accounting processes. During review of accounts receivable internal controls, it was noted in the amount of \$159 that the employee did not sign his or her name on the deposit record.

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

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

Cause: The Authority was not monitoring controls.

Auditors' Recommendation: We recommend that there are controls in place for employees to sign off on deposit records when they are prepared.

Agency's Response: We have issued a memo to all staff to assure that any staff person making deposits will sign his or her name. Training will be completed on all staff who make deposits to assure they sign their name to the deposit slip.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

2011-04 (Significant Deficiency): Reconciliation of Tenant Deposits

Condition: The restricted tenant deposits accounts do not match the liability accounts for the deposits. The cash account for Casa Hermosa is overfunded by \$1,312, Colonial Hillcrest by \$888, La Posada by \$433, Rio Felix by \$1,198, Sandstone Manor by \$713, Vaughn by \$521, and Woodleaf by \$300. These accounts are specifically set up for tenants' deposits that are owed to the individual upon cancellation of service or to reimburse the Housing Authority for damages to the property by the tenant.

Criteria: The deposit liability should be reconciled to the deposit bank account regularly.

Effect: Failure to properly reconcile tenant deposit liability accounts, results in an overstatement or understatement of restricted cash on the financials.

Cause: The deposit liability cash account is not being properly managed and reconciled. Expenses paid by the operating fund for repair of damages are not being adequately reimbursed by the deposit liability cash account.

Auditors' Recommendation: The tenant deposits liability account should be reconciled with the tenant deposits account throughout the year and any necessary adjustments and reimbursements made at the time of reconciliation.

Agency's Response: Accounting staff will transfer money in or out of the account to cover all security deposits on a month to month basis.

2011-05 (Significant Deficiency): Budget Submission

Condition: The Housing Authority failed to submit its proposed budget for the 2011 fiscal year to DFA by June 1, 2010.

Criteria: Section 6-6-2A, NMSA 1978, requires each local public body to furnish and file with the local government division, on or before June 1 of each year, a proposed budget for the next fiscal year.

Effect: The Housing Authority is operating on a budget that has not been legally adopted.

Cause: The Housing Authority was not aware of the requirement to submit the proposed budget to DFA as well as to HUD.

Auditors' Recommendation: We recommend that the Authority file their proposed budgets as required by state statutes.

Agency's Response: Budgets including amendments have been sent to MFA for distribution, and we will deliver our budget for 2013 by June 1 of 2012 to the New Mexico Mortgage Finance Authority.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2011-06 (Material Weakness): Lack of Proper Documentation in Tenant Files

Federal Program Information:

Funding agency: U.S. Department of Housing and Urban Development
Title: Section 8 Housing Choice Vouchers
CFDA Number: 14.871

Questions Costs: None

Condition: Five of 40 tenants selected for testwork lacked proof of background check in their file

Criteria: Eastern Regional Housing Authority is required to include background checks by *Code of Federal Regulations Title 24, Part 982, Section 551(B) and (L)* to:

(B) submit any information that the Housing Authority deems necessary and

(L) members of the household may not engage in drug – related criminal activity or violent criminal activity or other criminal activity that threatens the health, safety, or right to peaceful enjoyment of other residents.

Effect: The Authority could be providing services to tenants who are eligible for the program. As a result, it could affect funding for the program.

Cause: Region IV Housing Authority was consolidated with Eastern Regional Housing Authority during the 2011 fiscal year. Files from Region IV lacked proper documentation as noted in prior year findings for that Region. Staff at Region VI Housing Authority did not go through the files obtained from Region IV and perform background checks on all adults listed as current residents in tenant files.

Recommendation : Management should ensure that all files have background checks, regardless of whether the file originated with Region IV or Region VI Housing Authority.

Agency's Response: All files will be reviewed to assure that background checks have been completed.

STATE OF NEW MEXICO
Eastern Regional Housing Authority
Other Disclosures
For the Year Ended June 30, 2011

OTHER DISCLOSURES

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for Eastern Regional Housing Authority to prepare its own GAAP-basis financial statements, it is felt that the Eastern Regional Housing Authority's personnel did not have the available time to prepare them. Therefore, the outside auditor assisted with the preparation of the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

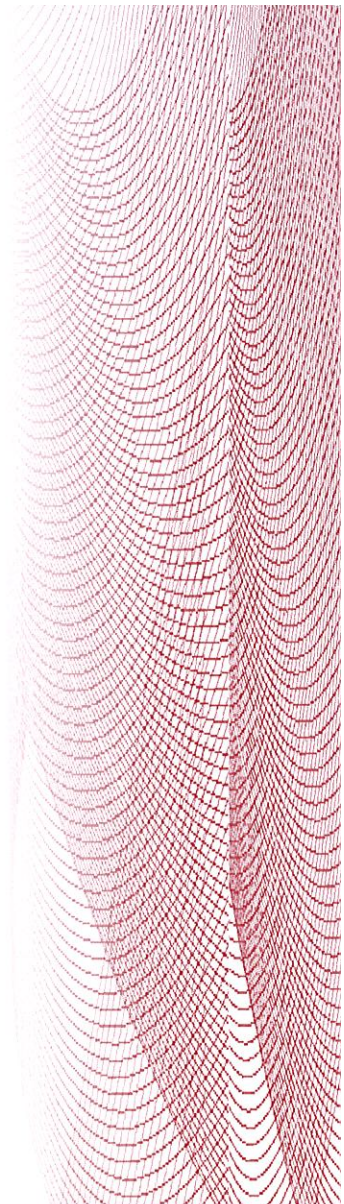
The contents of the report for the Eastern Regional Housing Authority were discussed on September 19, 2011. The following individuals were in attendance.

Eastern Regional Housing Authority

Waymon L. Dowdy Sr., Chairman
Chris Herbert, Executive Director
Irene Andazola, Deputy Director
Olivia Cruz, Finance Director

Accounting and Consulting Group, LLP

Jennifer Nunez, Senior Accountant



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