

**EASTERN REGIONAL  
HOUSING AUTHORITY  
Roswell, NM  
Audited Financial Statements  
For the Year Ended  
June 30, 2012**

**Harshwal & Company LLP  
Certified Public Accountants  
500 Marquette Ave NW, Suite 710  
Albuquerque, NM 87102  
(505) 814-1201**

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
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**Year Ended June 30, 2012**

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**Eastern Regional Housing Authority**  
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**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Official Roster**  
**Year Ended June 30, 2012**

**Board of Commissioners**

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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**

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

## **FINANCIAL SECTION**

## 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, 2012, 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 statements, as of and for the year ended June 30, 2012, 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, 2012, 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 individual enterprise funds and budgetary comparisons for the year ended June 30, 2012, 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 20, 2012, on our consideration of the Authority 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.

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

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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**HARSHWAL & COMPANY LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**September 20, 2012**



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Net Assets - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-1**

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 9,124	\$ 287	\$ 21,494
Investments			
Accounts receivable	18,572	3,301	6,570
Due from other funds	<u>66,004</u>	<u>          </u>	<u>697,011</u>
Total current assets	<u>93,700</u>	<u>3,588</u>	<u>725,075</u>
Noncurrent assets			
Restricted cash and cash equivalents	378,094	76,896	375,040
Nondepreciable capital assets	47,917	11,897	259,920
Depreciable capital assets, net	390,831	39,261	1,265,919
Unamortized debt issue costs	120,518	19,832	151,162
Long-term receivable	<u>186,777</u>	<u>          </u>	<u>          </u>
Total noncurrent assets	<u>1,124,137</u>	<u>147,886</u>	<u>2,052,041</u>
<b>Total assets</b>	<u>\$ 1,217,837</u>	<u>\$ 151,474</u>	<u>\$ 2,777,116</u>
<b>Liabilities</b>			
Current liabilities (payable from restricted assets)			
Accounts payable	\$ 20,843	\$ 764	\$ 4,899
Accrued liabilities	1,820		760
Accrued interest	34,691	5,647	7,392
Due to other funds	45,852	12,500	
Compensated absences	98		77
Deferred revenue	1,189	423	17,048
Current maturities of long-term debt	38,700	6,300	75,000
Current portion of escrow funds held for others	<u>          </u>	<u>          </u>	<u>          </u>
Total current liabilities (payable from current assets)	143,193	25,634	105,176
Current liabilities (payable from restricted assets)			
Tenant deposits	<u>9,638</u>	<u>2,275</u>	<u>49,291</u>
Total current liabilities (payable from restricted assets)	<u>9,638</u>	<u>2,275</u>	<u>49,291</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Escrow funds held for others, long-term			
Notes payable, net of current portion	1,182,500	192,500	2,345,000
Deferred loss on advanced refunding	<u>          </u>	<u>          </u>	<u>          </u>
Total noncurrent liabilities	<u>1,182,500</u>	<u>192,500</u>	<u>2,345,000</u>
<b>Total liabilities</b>	<u>1,335,331</u>	<u>220,409</u>	<u>2,499,467</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	(782,452)	(147,642)	(894,161)
Unrestricted	664,958	78,707	1,171,810
Restricted	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total net assets</b>	<u>\$ (117,494)</u>	<u>\$ (68,935)</u>	<u>\$ 277,649</u>

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Net Assets - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-1**

<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
\$ 68,387	\$ 177,051	\$ 7,055	\$ 1,347,179	\$ 10,024		\$ 1,640,601
	96,304					96,304
1,700	18,984	14,811				63,938
				817,652	\$ (1,580,667)	0
<u>70,087</u>	<u>292,339</u>	<u>21,866</u>	<u>1,347,179</u>	<u>827,676</u>	<u>(1,580,667)</u>	<u>1,800,843</u>
3,469	16,363	25,196	87,082	250		962,390
169,050	335,734	62,000		30,104		916,622
211,063	2,016,264	499,834		201,028		4,624,200
		124,640				416,152
					(186,777)	0
<u>383,582</u>	<u>2,368,361</u>	<u>711,670</u>	<u>87,082</u>	<u>231,382</u>	<u>(186,777)</u>	<u>6,919,364</u>
<u>\$ 453,669</u>	<u>\$ 2,660,700</u>	<u>\$ 733,536</u>	<u>\$ 1,434,261</u>	<u>\$ 1,059,058</u>	<u>\$ (1,767,444)</u>	<u>\$ 8,720,207</u>
\$ 242	\$ 17,027	\$ 1,618		\$ 5,666		\$ 51,059
420	1,608	2,602		10,831		18,041
		284,865		9,011		341,606
55,182	13,816	891,722		561,595	\$ (1,580,667)	0
111	214	5		758		1,263
209	18,416	2,733				40,018
4,348	42,348	125,000		376,289		667,985
			\$ 633			633
<u>60,512</u>	<u>93,429</u>	<u>1,308,545</u>	<u>633</u>	<u>964,150</u>	<u>(1,580,667)</u>	<u>1,120,605</u>
<u>3,469</u>	<u>16,363</u>	<u>9,850</u>				<u>90,886</u>
<u>3,469</u>	<u>16,363</u>	<u>9,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90,886</u>
				186,777	(186,777)	0
			86,449			86,449
22,022	88,712	1,405,000		1,921		5,237,655
		(90,530)				(90,530)
<u>22,022</u>	<u>88,712</u>	<u>1,314,470</u>	<u>86,449</u>	<u>188,698</u>	<u>(186,777)</u>	<u>5,233,574</u>
<u>86,003</u>	<u>198,504</u>	<u>2,632,865</u>	<u>87,082</u>	<u>1,152,848</u>	<u>(1,767,444)</u>	<u>6,445,065</u>
353,743	2,220,938	(968,166)		126,249		(91,491)
13,923	241,258	(931,163)	1,347,179	(220,039)		2,366,633
						0
<u>\$ 367,666</u>	<u>\$ 2,462,196</u>	<u>\$ (1,899,329)</u>	<u>\$ 1,347,179</u>	<u>\$ (93,790)</u>	<u>\$ 0</u>	<u>\$ 2,275,142</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 - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-2**

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>
<b>Operating revenues</b>			
Tenant charges	\$ 143,684	\$ 30,705	\$ 1,064,557
Management and administrative fees			
Miscellaneous income	<u>16,237</u>	<u>2,870</u>	<u>20,837</u>
<b>Total operating revenues</b>	<u>159,921</u>	<u>33,575</u>	<u>1,085,394</u>
<b>Operating expenses</b>			
Contractual services	44,477	25,976	35,724
Personnel expenses	137,932	31,617	119,381
Repairs and maintenance	51,328	6,409	267,039
Supplied and materials	23,177	4,400	40,699
Utilities	117,746	16,272	177,689
Ordinary maintenance and operations	26,070	5,601	36,768
Management and administrative fees	44,116	8,164	72,342
Depreciation and amortization	<u>36,139</u>	<u>4,728</u>	<u>96,740</u>
<b>Total operating expenses</b>	<u>480,985</u>	<u>103,167</u>	<u>846,382</u>
<b>Operating income (loss)</b>	<u>(321,064)</u>	<u>(69,592)</u>	<u>239,012</u>
<b>Non-operating revenues (expenses)</b>			
Government subsidies	338,141	60,800	
Interest income		1	47
Housing assistance payments			
Interest expense	<u>(91,255)</u>	<u>(14,857)</u>	<u>(174,919)</u>
<b>Total non-operating revenues (expenses)</b>	<u>246,886</u>	<u>45,944</u>	<u>(174,872)</u>
<b>Income (loss) before capital grants</b>	(74,178)	(23,648)	64,140
Capital grants	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Change in net assets</b>	(74,178)	(23,648)	64,140
<b>Total net assets, beginning of year</b>	<u>(43,316)</u>	<u>(45,287)</u>	<u>213,509</u>
<b>Total net assets, end of year</b>	<u>\$ (117,494)</u>	<u>\$ (68,935)</u>	<u>\$ 277,649</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 - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-2**

<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
\$ 38,187	\$ 133,783	\$ 283,338		\$ 9,042		\$ 1,703,296
				849,086	\$ (849,086)	0
<u>2,093</u>	<u>10,787</u>	<u>12,327</u>	<u>\$ 57,067</u>	<u>77,743</u>		<u>199,961</u>
<u>40,280</u>	<u>144,570</u>	<u>295,665</u>	<u>57,067</u>	<u>935,871</u>	<u>(849,086)</u>	<u>1,903,257</u>
7,244	25,807	35,708		95,201		270,137
22,713	138,413	168,986		752,724		1,371,766
21,947	39,361	23,047		31,983		441,114
5,075	157,966	11,789		22,504		265,610
22,392	89,922	140,490		13,580		578,091
2,233	105,312	75,926		77,545		329,455
5,400	60,900	22,186	635,978		(849,086)	0
<u>15,140</u>	<u>134,553</u>	<u>36,319</u>		<u>33,414</u>		<u>357,033</u>
<u>102,144</u>	<u>752,234</u>	<u>514,451</u>	<u>635,978</u>	<u>1,026,951</u>	<u>(849,086)</u>	<u>3,613,206</u>
<u>(61,864)</u>	<u>(607,664)</u>	<u>(218,786)</u>	<u>(578,911)</u>	<u>(91,080)</u>	<u>0</u>	<u>(1,709,949)</u>
26,204	266,280		4,145,214			4,836,639
	53	1				102
			(4,977,746)			(4,977,746)
<u>(284)</u>	<u>(9,983)</u>	<u>(117,651)</u>		<u>(2,672)</u>		<u>(411,621)</u>
<u>25,920</u>	<u>256,350</u>	<u>(117,650)</u>	<u>(832,532)</u>	<u>(2,672)</u>	<u>0</u>	<u>(552,626)</u>
(35,944)	(351,314)	(336,436)	(1,411,443)	(93,752)		(2,262,575)
	<u>325,151</u>					<u>325,151</u>
(35,944)	(26,163)	(336,436)	(1,411,443)	(93,752)	0	(1,937,424)
<u>403,610</u>	<u>2,488,359</u>	<u>(1,562,894)</u>	<u>2,758,622</u>	<u>(38)</u>	<u>0</u>	<u>4,212,565</u>
<u>\$ 367,666</u>	<u>\$ 2,462,196</u>	<u>\$ (1,899,329)</u>	<u>\$ 1,347,179</u>	<u>\$ (93,790)</u>	<u>\$ 0</u>	<u>\$ 2,275,142</u>

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-3**

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 160,308	\$ 34,226	\$ 1,076,800
Cash paid to employees	(120,232)	(30,183)	(86,661)
Cash paid to suppliers	(309,183)	(69,330)	(664,732)
Cash payments to/from other funds	<u>18,552</u>	<u>(9,987)</u>	<u>(95,469)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(250,555)</u>	<u>(75,274)</u>	<u>229,938</u>
<b>Cash flows from non-capital financing activities</b>			
Housing assistance payments			
Receipts from intergovernmental HUD subsidy	338,141	60,800	
Long-term receivable	<u>45,580</u>	<u>38,244</u>	<u>          </u>
<b>Net cash provided (used) for non-capital financing activities</b>	<u>383,721</u>	<u>99,044</u>	<u>0</u>
<b>Cash flows from capital and related financing activities</b>			
Principal payments on long-term debt	(34,400)	(5,600)	(70,000)
Interest payments	(91,255)	(14,857)	(174,919)
Proceeds from capital grants	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(125,655)</u>	<u>(20,457)</u>	<u>(244,919)</u>
<b>Cash flows from investing activities</b>			
Interest received		1	47
Change in investments	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net cash provided (used) by investing activities</b>	<u>0</u>	<u>1</u>	<u>47</u>
Net increase (decrease) in cash and cash equivalents	7,511	3,314	(14,934)
<b>Cash and cash equivalents, beginning of year</b>	<u>379,707</u>	<u>73,869</u>	<u>411,468</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 387,218</u>	<u>\$ 77,183</u>	<u>\$ 396,534</u>

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2012**

**Exhibit A-3**

<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Totals</u>
\$ 39,805	\$ 142,079	\$ 289,622	\$ 57,067	\$ 935,871	\$ 2,735,778
(19,405)	(128,026)	(147,144)		(702,334)	(1,233,985)
(69,353)	(479,942)	(329,177)	(628,716)	(302,986)	(2,853,419)
<u>18,747</u>	<u>12,549</u>	<u>125,910</u>		<u>(70,301)</u>	<u>1</u>
<u>(30,206)</u>	<u>(453,340)</u>	<u>(60,789)</u>	<u>(571,649)</u>	<u>(139,750)</u>	<u>(1,351,625)</u>
			(4,977,746)		(4,977,746)
26,204	266,280		4,145,214		4,836,639
				(83,824)	0
<u>26,204</u>	<u>266,280</u>	<u>0</u>	<u>(832,532)</u>	<u>(83,824)</u>	<u>(141,107)</u>
(4,307)	(39,690)			245,569	91,572
(284)	(9,983)			(12,941)	(304,239)
	<u>325,151</u>				<u>325,151</u>
(4,591)	275,478			232,628	112,484
	53	1			102
	<u>(43)</u>				<u>(43)</u>
<u>0</u>	<u>10</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>59</u>
(8,593)	88,428	(60,788)	(1,404,181)	9,054	(1,380,189)
<u>80,449</u>	<u>104,986</u>	<u>93,039</u>	<u>2,838,442</u>	<u>1,220</u>	<u>3,983,180</u>
<u>\$ 71,856</u>	<u>\$ 193,414</u>	<u>\$ 32,251</u>	<u>\$ 1,434,261</u>	<u>\$ 10,274</u>	<u>\$ 2,602,991</u>

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Cash Flows - Proprietary Funds - Continued**  
**Year Ended June 30, 2012**

**Exhibit A-3**

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>
<b>Reconciliation of net operating income to net cash provided (used) by operating activities</b>			
Net operating income	\$ (321,064)	\$ (69,592)	\$ 239,012
Adjustments to reconcile net operating income to net cash provided (used) by operating activities			
Depreciation and amortization	36,139	4,728	96,740
Changes in working capital components:			
(Increase) decrease in accounts receivable	2,520	1,056	(6,570)
(Increase) decrease in due from other funds	(7,300)		(95,469)
Increase (decrease) in accounts payable	16,870	(155)	53
Increase (decrease) in accrued liabilities	(99)	(669)	(824)
Increase (decrease) in due to other funds	25,852	(9,987)	
Increase (decrease) in deferred revenue	237	(732)	(2,574)
Increase (decrease) in tenant deposits	(2,370)	327	550
Increase (decrease) in escrow funds held by others			
Increase (decrease) in compensated absences	<u>(1,340)</u>	<u>(250)</u>	<u>(980)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (250,555)</u>	<u>\$ (75,274)</u>	<u>\$ 229,938</u>

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



**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Statement of Cash Flows - Proprietary Funds - Continued**  
**Year Ended June 30, 2012**

**Exhibit A-3**

<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Totals</u>
\$ (61,864)	\$ (607,664)	\$ (218,786)	\$ (578,911)	\$ (91,080)	\$ (1,709,949)
15,140	134,553	36,319		33,414	357,033
(3)	(2,314)	(7,992)			(13,303)
	(638)			(193,722)	(297,129)
(2,285)	11,340	1,619		(9,176)	18,266
420	(328)	1,092		3,583	3,175
18,747	13,187	125,910		123,419	297,128
(364)	345	1,125			(1,963)
(108)	(522)	824			(1,299)
			7,262		7,262
<u>111</u>	<u>(1,299)</u>	<u>(900)</u>		<u>(6,188)</u>	<u>(10,846)</u>
<u>\$ (30,206)</u>	<u>\$ (453,340)</u>	<u>\$ (60,789)</u>	<u>\$ (571,649)</u>	<u>\$ (139,750)</u>	<u>\$ (1,351,625)</u>

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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 Authorities of Region VI had been the fiscal agent for Region IV Housing Authority since May 8, 2008 through June 30, 2009.

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 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.

The GASB has issued Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for the year ended June 30, 2013. This standard codifies the relevant FASB and other pronouncements into GASB standards. The Authority does not expect any significant changes to the financial statements as a result of implementing this standard.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

*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.
- 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 104 rental units in Roswell, Captain, Vaughn, 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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

A. Financial Reporting Entity (continued)

- 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, 2012.
- 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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

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

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 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.

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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

*C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

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.

**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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

*D. Assets, Liabilities, and Net Assets*

**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."

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.

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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

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

**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 materiality 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 \$411,621. 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:



**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

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

**Capital Assets (continued)**

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

**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 8 regarding the deferred loss on advance refunding.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

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

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

**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.

**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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**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, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**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 non interest-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, 2012, \$0 of the Authority's deposits totaling \$2,669,211 were exposed to custodial credit risk. \$0 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**  
**Year Ended June 30, 2012**

**Note 3. DEPOSITS AND INVESTMENTS (continued)**

	Well Fargo Bank	New Mexico Bank & Trust	Wells Fargo Investment	Total
Total amounts of deposits	\$ 1,885,444	\$ 263	\$ 783,504	\$ 2,669,211
FDIC/SIPC coverage	<u>(1,885,444)</u>	<u>(263)</u>	<u>(783,504)</u>	<u>(2,669,211)</u>
Total uninsured public funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Housing Authority's name	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Uninsured and uncollateralized	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Collateral requirement (50% of uninsured funds)	0	0	0	0
Pledged Collateral	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Over (Under) collateralized	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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	\$ 1,640,601
Restricted cash per Exhibit A-1	<u>962,390</u>
Total cash and cash equivalents per Exhibit A-1	<u>2,602,991</u>
Add: outstanding checks and other reconciling items	68,206
Less: petty cash	<u>(1,986)</u>
Reconciled balance of deposits	<u>\$ 2,669,211</u>

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 4. ACCOUNTS RECEIVABLE**

The Authority's accounts receivable at June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Interest Receivable</u>	<u>Tenant Accounts Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Project- Based Housing Units	\$ <u>9,010</u>	\$ <u>63,194</u>	\$ <u>(8,266)</u>	\$ <u>63,938</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. Interfund balances are expected to be repaid within one year from the date of the financial statements. The composition of interfund balances as of June 30, 2012 is as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
Administrative Service	Colonial Hillcrest	\$ 42,852
Administrative Service	Rio Felix	55,182
Administrative Service	Low Rent	13,816
Administrative Service	Casa Hermosa	705,802
Colonial Hillcrest	La Posada	12,500
Colonial Hillcrest	Casa Hermosa	53,504
Woodleaf	Casa Hermosa	132,417
Woodleaf	Colonial Hillcrest	3,000
Woodleaf	Administrative Services	<u>561,594</u>
		<u>\$ 1,580,667</u>

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
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	<u>30,104</u>			<u>30,104</u>
Total land	<u>916,622</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>916,622</u>
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	4,938,649			4,938,649
Administrative services development	<u>206,154</u>			<u>206,154</u>
Total buildings	<u>11,736,855</u>	<u>0</u>	<u>0</u>	<u>11,736,855</u>
Equipment:				
Woodleaf development	62,791			62,791
Colonial hillcrest development	23,651			23,651
La posada development	10,937			10,937
Casa hermosa development	22,280			22,280
Rio felix FmHA development	10,008			10,008
Low rent public housing	104,485			104,485
Administrative services development	<u>392,076</u>			<u>392,076</u>
Total equipment	<u>626,228</u>	<u>0</u>	<u>0</u>	<u>626,228</u>
Total property and equipment	<u>13,279,705</u>	<u>0</u>	<u>0</u>	<u>13,279,705</u>
Less accumulated depreciation:				
Woodleaf development	(2,006,579)	(86,960)		(2,093,539)
Colonial hillcrest development	(880,712)	(28,099)		(908,811)
La posada development	(191,330)	(3,419)		(194,749)
Casa hermosa development	(672,285)	(28,234)		(700,519)
Rio felix FmHA development	(402,052)	(15,141)		(417,193)
Low rent public housing	(2,892,317)	(134,553)		(3,026,870)
Administrative services development	<u>(363,787)</u>	<u>(33,415)</u>		<u>(397,202)</u>
Total accumulated depreciated	<u>(7,409,062)</u>	<u>(329,821)</u>	<u>0</u>	<u>(7,738,883)</u>
Total capital assets, net of depreciation	<u>\$ 5,870,643</u>	<u>\$ (329,821)</u>	<u>\$ 0</u>	<u>\$ 5,540,822</u>

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**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 Wildwood apartments, a 60 unit multifamily housing complex located in Roswell, New Mexico for rental to elderly and handicapped persons. 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 the conduit debt obligation outstanding as of June 30, 2012 was \$2,265,000.

During the year ended July 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, 2012 was \$1,770,000.

**Note 8. LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2012:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2012</u>	Due within <u>one year</u>
Woodleaf development	\$ 2,490,000		\$ (70,000)	\$ 2,420,000	\$ 75,000
Colonial Hillcrest development	1,255,600		(34,400)	1,221,200	38,700
La posada development	204,400		(5,600)	198,800	6,300
Casa hermosa development	1,530,000			1,530,000	125,000
Rio felix FmHA development	30,677		(4,307)	26,370	4,348
Low rent public housing	170,750		(39,690)	131,060	42,348
Line of Credit	0	\$ 273,327		273,327	273,327
Administrative services development	29,028		(24,773)	4,255	4,255
Administrative services development - RIII	95,258			95,258	95,258
Administrative services development - Canon copier	8,356		(2,986)	5,370	3,449
Totals	<u>\$ 5,814,069</u>	<u>\$ 273,327</u>	<u>\$ (181,756)</u>	<u>\$ 5,905,640</u>	<u>\$ 667,985</u>



**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 8. 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
2013	\$ 667,985	\$ 678,362	\$ 1,346,347
2014	226,495	368,747	595,242
2015	237,965	352,414	590,379
2016	209,480	336,686	546,166
2017	224,522	321,289	545,811
2018 - 2022	1,369,193	1,333,181	2,702,374
2023 - 2027	1,935,000	742,741	2,677,741
2028	<u>1,035,000</u>	<u>37,401</u>	<u>1,072,401</u>
Total	<u>\$ 5,905,640</u>	<u>\$ 4,170,821</u>	<u>\$ 10,076,461</u>

Long-term debt and bonds payable of the Authority's respective programs at June 30, 2012 are summarized as follows:

**Woodleaf Development**

Revenue bonds payable – Series 1997A, 7.125% interest rate. Principal maturities of \$35,000 to \$4,700,000 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, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	100,000	144,638	244,638
2018 - 2022	625,000	599,747	1,224,747
2023 - 2027	885,000	333,272	1,218,272
2028	<u>470,000</u>	<u>16,744</u>	<u>486,744</u>
Total	<u>\$ 2,420,000</u>	<u>\$ 1,738,144</u>	<u>\$ 4,158,144</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**  
**Year Ended June 30, 2012**

**Note 8. LONG-TERM LIABILITIES (continued)**

Annual requirements to amortize Colonial Hillcrest Development revenue bonds as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	51,600	75,793	127,393
2018-2022	313,900	315,064	628,964
2023-2027	447,200	176,004	623,204
2028	240,800	8,880	249,680
Total	<u>\$ 1,221,200</u>	<u>\$ 912,345</u>	<u>\$ 2,133,545</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, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	8,400	12,338	20,738
2018-2022	51,100	51,289	102,389
2023-2027	72,800	28,652	101,452
2028	39,200	1,446	40,646
Total	<u>\$ 198,800</u>	<u>\$ 148,521</u>	<u>\$ 347,321</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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 8. LONG-TERM LIABILITIES (continued)**

Annual requirements to amortize Casa Hermosa Development revenue bonds as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 125,000	\$ 388,359	\$ 513,359
2014	50,000	100,050	150,050
2015	50,000	96,425	146,425
2016	55,000	92,619	147,619
2017	60,000	88,450	148,450
2018-2022	375,000	367,031	742,031
2023-2027	530,000	204,813	734,813
2028	285,000	10,331	295,331
Total	<u>\$ 1,530,000</u>	<u>\$ 1,348,078</u>	<u>\$ 2,878,078</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, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,490	40	2,530
2018-2019	2,310	30	2,340
Total	<u>\$ 14,526</u>	<u>\$ 461</u>	<u>\$ 14,987</u>

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 8. LONG-TERM LIABILITIES (continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,032	30	2,062
2018-2019	<u>1,883</u>	<u>20</u>	<u>1,903</u>
Total	<u>\$ 11,844</u>	<u>\$ 369</u>	<u>\$ 12,213</u>

**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, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 42,348	\$ 7,272	\$ 49,620
2014	45,183	4,437	49,620
2015	<u>43,529</u>	<u>1,414</u>	<u>44,943</u>
Total	<u>\$ 131,060</u>	<u>\$ 13,123</u>	<u>\$ 144,183</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 Canon, 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.

Line of credit with Wells Fargo, interest at prime plus 1.75%, due on May 1, 2013. This debt is unsecured with no monthly payments required.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 8. LONG-TERM LIABILITIES (continued)**

Wells Fargo - Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ <u>4,255</u>	\$ <u>32</u>	\$ <u>4,287</u>
Total	\$ <u><u>4,255</u></u>	\$ <u><u>32</u></u>	\$ <u><u>4,287</u></u>

Cannon - Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 3,449	\$ 555	\$ 4,004
2014	<u>1,921</u>	<u>82</u>	<u>2,003</u>
Total	\$ <u><u>5,370</u></u>	\$ <u><u>637</u></u>	\$ <u><u>6,007</u></u>

Region III - Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ <u>95,258</u>	\$ _____	\$ <u>95,258</u>
Total	\$ <u><u>95,258</u></u>	\$ <u><u>0</u></u>	\$ <u><u>95,258</u></u>

Wells Fargo Line of Credit - Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ <u>273,327</u>	\$ <u>9,111</u>	\$ <u>282,438</u>
Total	\$ <u><u>273,327</u></u>	\$ <u><u>9,111</u></u>	\$ <u><u>282,438</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, 2012, 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, 2012 the unamortized deferred loss is \$90,530 and the amortization of \$6,726 was reported as interest expense.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 8. LONG-TERM LIABILITIES (continued)**

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, 2012 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, 2012, 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, 2012 was \$87,082, 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 \$186,777 (including \$9,071 of accrued interest) was outstanding at June 30, 2012. \$103,104 in payments were made by the Administrative Services Department to Colonial Hillcrest and La Posada development during the year ended June 30, 2012.

During the year ended June 30, 2012, the Authority entered into agreements to sell the Casa Hermosa, Colonial Hillcrest, and La Posada properties and liquidate the bonds. As of the audit report date of September 20, 2012, the sale of all three agreements is scheduled to close prior to December 31, 2012.

**Note 9. 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, 2011	Additions	Retirements	Balance June 30, 2012	Due within one year
Compensated Absences	\$ 12,109	\$ 26,203	\$ (37,048)	\$ 1,264	\$ 1,264

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 10. 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 11. 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](http://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, 2012, 2011, and 2010 were \$55,441, \$65,162, and \$77,745, respectively. All amounts expended were equal to the amount of the required contributions for each year.

**Note 12. 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, 2012.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2012**

**Note 13. 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.

**Note 14. 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, 2012:

Rio Felix FmHA Development Fund	\$	5,926
Low Rent Public Housing Program	\$	230,180
Administrative Services Department	\$	25,439

B. Deficit net assets of individual funds. Four funds reflected a deficit net assets as of June 30, 2012.

Colonial Hillcrest Development	\$	117,494
La Posada Development	\$	68,935
Casa Hermosa Development	\$	1,899,329
Administrative Services Department	\$	93,790



## **SUPPLEMENTARY INFORMATION**

## STATE OF NEW MEXICO

Statement A-1

## Eastern Regional Housing Authority

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual Woodleaf Development Fund  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 1,033,303	\$ 1,064,302	\$ 1,064,557	\$ 255
Other tenant revenue	<u>24,781</u>	<u>25,355</u>	<u>20,837</u>	<u>(4,518)</u>
<i>Total operating revenues</i>	<u>1,058,084</u>	<u>1,089,657</u>	<u>1,085,394</u>	<u>(4,263)</u>
<i>Operating expenses:</i>				
Personnel expenses	217,782	126,638	119,381	7,257
Contractual services	58,229	38,058	35,724	2,334
Other operating expenses	56,846	35,332	36,768	(1,436)
Repairs and maintenance	87,462	265,075	267,039	(1,964)
Supplies and materials	42,788	40,063	40,699	(636)
Utilities	137,581	179,254	177,689	1,565
Management and administrative fees	<u>71,379</u>	<u>72,342</u>	<u>72,342</u>	
<i>Total operating expenses</i>	<u>672,067</u>	<u>756,762</u>	<u>749,642</u>	<u>7,120</u>
<i>Operating income (loss)</i>	<u>386,017</u>	<u>332,895</u>	<u>335,752</u>	<u>(11,383)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	55	47	47	
Interest expense	<u>(174,919)</u>	<u>(174,919)</u>	<u>(174,919)</u>	
<i>Total non-operating revenues (expenses)</i>	<u>(174,864)</u>	<u>(174,872)</u>	<u>(174,872)</u>	<u>0</u>
<i>Change in net assets</i>	211,153	158,023	160,880	(11,383)
<i>Net assets, beginning of year</i>			213,509	
<i>Net assets, end of year</i>	<u>\$ 211,153</u>	<u>\$ 158,023</u>	<u>374,389</u>	<u>\$ (11,383)</u>
Change in net assets (above)			160,880	
Adjustments for depreciation and amortization			<u>(96,740)</u>	
Change in net assets (Exhibit A-2)			<u>\$ 64,140</u>	

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

## STATE OF NEW MEXICO

Statement A-2

## Eastern Regional Housing Authority

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual Colonial Hillcrest Development Fund  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 114,394	\$ 142,252	\$ 143,684	\$ 1,432
Other tenant revenue	<u>8,840</u>	<u>15,538</u>	<u>16,237</u>	<u>699</u>
<i>Total operating revenues</i>	<u>123,234</u>	<u>157,790</u>	<u>159,921</u>	<u>2,131</u>
<i>Operating expenses:</i>				
Personnel expenses	173,733	137,922	137,932	(10)
Contractual services	61,696	45,728	44,477	1,251
Management and administrative fees	46,167	44,116	44,116	
Other operating expenses	31,465	26,123	26,070	53
Repairs and maintenance	39,107	52,251	51,328	923
Supplies and materials	32,833	22,140	23,177	(1,037)
Utilities	<u>126,563</u>	<u>118,907</u>	<u>117,746</u>	<u>1,161</u>
<i>Total operating expenses</i>	<u>511,564</u>	<u>447,187</u>	<u>444,846</u>	<u>2,341</u>
<i>Operating income (loss)</i>	<u>(388,330)</u>	<u>(289,397)</u>	<u>(284,925)</u>	<u>(210)</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	471,050	338,141	338,141	
Interest expense	<u>(91,254)</u>	<u>(91,257)</u>	<u>(91,255)</u>	<u>(2)</u>
<i>Total non-operating revenues (expenses)</i>	<u>379,796</u>	<u>246,884</u>	<u>246,886</u>	<u>(2)</u>
<i>Change in net assets</i>	(8,534)	(42,513)	(38,039)	(212)
<i>Net assets, beginning of year</i>	<u>                    </u>	<u>                    </u>	<u>(43,316)</u>	<u>                    </u>
<i>Net assets, end of year</i>	<u><u>\$ (8,534)</u></u>	<u><u>\$ (42,513)</u></u>	<u><u>(81,355)</u></u>	<u><u>\$ (212)</u></u>
Change in net assets (above)			(38,039)	
Adjustments for depreciation and amortization			<u>(36,139)</u>	
Change in net assets (Exhibit A-2)			<u><u>\$ (74,178)</u></u>	

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

## STATE OF NEW MEXICO

Statement A-3

## Eastern Regional Housing Authority

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual La Posada Development Fund  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 23,014	\$ 30,705	\$ 30,705	\$
Other tenant revenue	<u>960</u>	<u>2,759</u>	<u>2,870</u>	<u>111</u>
<i>Total operating revenues</i>	<u>23,974</u>	<u>33,464</u>	<u>33,575</u>	<u>111</u>
<i>Operating expenses:</i>				
Personnel expenses	15,613	31,617	31,617	
Contractual services	10,731	25,884	25,976	(92)
Management and administrative fees	8,806	8,164	8,164	
Other operating expenses	3,434	5,601	5,601	
Repairs and maintenance	12,543	19,688	6,409	13,279
Supplies and materials	8,627	4,255	4,400	(145)
Utilities	<u>22,030</u>	<u>16,026</u>	<u>16,272</u>	<u>(246)</u>
<i>Total operating expenses</i>	<u>81,784</u>	<u>111,235</u>	<u>98,439</u>	<u>12,796</u>
<i>Operating income (loss)</i>	<u>(57,810)</u>	<u>(77,771)</u>	<u>(64,864)</u>	<u>(12,685)</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	75,000	60,800	60,800	
Interest income	1	1	1	
Interest expense	<u>(14,857)</u>	<u>(14,857)</u>	<u>(14,857)</u>	
<i>Total non-operating revenues (expenses)</i>	<u>60,144</u>	<u>45,944</u>	<u>45,944</u>	<u>0</u>
<i>Change in net assets</i>	2,334	(31,827)	(18,920)	(12,685)
<i>Net assets, beginning of year</i>			<u>(45,287)</u>	
<i>Net assets, end of year</i>	<u>\$ 2,334</u>	<u>\$ (31,827)</u>	<u>(64,207)</u>	<u>\$ (12,685)</u>
Change in net assets (above)			(18,920)	
Adjustments for depreciation and amortization			<u>(4,728)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (23,648)</u>	

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

## STATE OF NEW MEXICO

Statement A-4

## Eastern Regional Housing Authority

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual Casa Hermosa Development Fund  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 330,017	\$ 283,088	\$ 283,338	\$ 250
Other tenant revenue	<u>12,093</u>	<u>10,813</u>	<u>12,327</u>	<u>1,514</u>
<i>Total operating revenues</i>	<u>342,110</u>	<u>293,901</u>	<u>295,665</u>	<u>1,764</u>
<i>Operating expenses:</i>				
Personnel expenses	137,369	168,917	168,986	(69)
Contractual services	42,127	182,271	35,708	146,563
Management and administrative fees		22,187	22,186	1
Other operating expenses	25,103	64,797	75,926	(11,129)
Repairs and maintenance	25,090	23,027	23,047	(20)
Supplies and materials	33,883	11,790	11,789	1
Utilities	<u>166,318</u>	<u>138,863</u>	<u>140,490</u>	<u>(1,627)</u>
<i>Total operating expenses</i>	<u>429,890</u>	<u>611,852</u>	<u>478,132</u>	<u>133,720</u>
<i>Operating income (loss)</i>	<u>(87,780)</u>	<u>(317,951)</u>	<u>(182,467)</u>	<u>(131,956)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	4	1	1	
Interest expense	<u>          </u>	<u>          </u>	<u>(117,651)</u>	<u>117,651</u>
<i>Total non-operating revenues (expenses)</i>	<u>4</u>	<u>1</u>	<u>(117,650)</u>	<u>117,651</u>
<i>Change in net assets</i>	<u>(87,776)</u>	<u>(317,950)</u>	<u>(300,117)</u>	<u>(14,305)</u>
<i>Net assets, beginning of year</i>	<u>          </u>	<u>          </u>	<u>(1,562,894)</u>	<u>          </u>
<i>Net assets, end of year</i>	<u>\$ (87,776)</u>	<u>\$ (317,950)</u>	<u>(1,863,011)</u>	<u>\$ (14,305)</u>
Change in net assets (above)			(300,117)	
Adjustments for depreciation and amortization			<u>(36,319)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (336,436)</u>	

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

## STATE OF NEW MEXICO

Statement A-5

## 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  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 35,035	\$ 38,187	\$ 38,187	\$
Other tenant revenue	<u>2,929</u>	<u>2,034</u>	<u>2,093</u>	<u>59</u>
<i>Total operating revenues</i>	<u>37,964</u>	<u>40,221</u>	<u>40,280</u>	<u>59</u>
<i>Operating expenses:</i>				
Personnel expenses	23,509	22,713	22,713	
Contractual services	7,628	7,670	7,244	426
Management and Administrative fees	5,400	5,400	5,400	
Other operating expenses	5,378	2,135	2,233	(98)
Repairs and maintenance	5,031	15,452	21,947	(6,495)
Supplies and materials	3,848	5,158	5,075	83
Utilities	<u>20,533</u>	<u>22,550</u>	<u>22,392</u>	<u>158</u>
<i>Total operating expenses</i>	<u>71,327</u>	<u>81,078</u>	<u>87,004</u>	<u>(5,926)</u>
<i>Operating income (loss)</i>	<u>(33,363)</u>	<u>(40,857)</u>	<u>(46,724)</u>	<u>5,985</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	33,793	26,204	26,204	
Interest expense	<u>(351)</u>	<u>(272)</u>	<u>(284)</u>	<u>12</u>
<i>Total non-operating revenues (expenses)</i>	<u>33,442</u>	<u>25,932</u>	<u>25,920</u>	<u>12</u>
<i>Change in net assets</i>	79	(14,925)	(20,804)	5,997
<i>Net assets, beginning of year</i>	<u>          </u>	<u>          </u>	<u>403,610</u>	<u>          </u>
<i>Net assets, end of year</i>	<u>\$ 79</u>	<u>\$ (14,925)</u>	<u>382,806</u>	<u>\$ 5,997</u>
Change in net assets (above)			(20,804)	
Adjustments for depreciation and amortization			<u>(15,140)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (35,944)</u>	

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

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**

Statement A-6

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual Low Rent Public Housing Program Fund**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<i>Operating revenues:</i>				
Tenant charges	\$ 122,530	\$ 132,795	\$ 133,783	\$ 988
Other tenant revenue	<u>6,548</u>	<u>8,110</u>	<u>10,787</u>	<u>2,677</u>
<i>Total operating revenues</i>	<u>129,078</u>	<u>140,905</u>	<u>144,570</u>	<u>3,665</u>
<i>Operating expenses:</i>				
Personnel expenses	197,576	135,087	138,413	(3,326)
Contractual services	54,111	25,123	25,807	(684)
Management and Administrative fees	78,540	60,900	60,900	
Other operating expenses	26,840	16,073	105,312	(89,239)
Repairs and maintenance	23,164	40,305	39,361	944
Supplies and materials	38,972	18,489	157,966	(139,477)
Utilities	<u>66,948</u>	<u>91,524</u>	<u>89,922</u>	<u>1,602</u>
<i>Total operating expenses</i>	<u>486,151</u>	<u>387,501</u>	<u>617,681</u>	<u>(230,180)</u>
<i>Operating income (loss)</i>	<u>(357,073)</u>	<u>(246,596)</u>	<u>(473,111)</u>	<u>233,845</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	335,616	266,280	266,280	
Interest income	5,851	53	53	
Interest expense	<u>(9,930)</u>	<u>(9,978)</u>	<u>(9,983)</u>	<u>5</u>
<i>Total non-operating revenues (expenses)</i>	<u>331,537</u>	<u>256,355</u>	<u>256,350</u>	<u>5</u>
<i>Income (loss) before capital grants</i>	(25,536)	9,759	(216,761)	233,850
<i>Capital Grants</i>	123,563	91,690	325,151	233,850
<i>Change in net assets</i>	98,027	101,449	108,390	467,700
<i>Net assets, beginning of year</i>	<u>                    </u>	<u>                    </u>	<u>2,488,359</u>	<u>                    </u>
<i>Net assets, end of year</i>	<u>\$ 98,027</u>	<u>\$ 101,449</u>	<u>2,596,749</u>	<u>\$ 467,700</u>
Change in net assets (above)			108,390	
Adjustments for depreciation and amortization			<u>(134,553)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (26,163)</u>	

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  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Other tenant revenue	\$ <u>106,697</u>	\$ <u>57,016</u>	\$ <u>57,067</u>	\$ <u>51</u>
<i>Total operating revenues</i>	<u>106,697</u>	<u>57,016</u>	<u>57,067</u>	<u>51</u>
<i>Operating expenses:</i>				
Management and administration fees	<u>796,440</u>	<u>635,978</u>	<u>635,978</u>	<u>          </u>
<i>Total operating expenses</i>	<u>796,440</u>	<u>635,978</u>	<u>635,978</u>	<u>0</u>
<i>Operating income (loss)</i>	<u>(689,743)</u>	<u>(578,962)</u>	<u>(578,911)</u>	<u>51</u>
<i>Non-operating revenues (expenses):</i>				
HUD operating subsidy	6,679,512	3,893,854	4,145,214	251,360
Housing assistance payments	(5,203,848)	(4,723,143)	(4,977,746)	(254,603)
Other non-operating revenue	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total non-operating revenues (expenses)</i>	<u>1,475,664</u>	<u>(829,289)</u>	<u>(832,532)</u>	<u>(3,243)</u>
<i>Change in net assets</i>	785,921	(1,408,251)	(1,411,443)	(3,192)
<i>Net assets, beginning of year Restatement (note 15)</i>	<u>          </u>	<u>          </u>	2,758,622	<u>          </u>
<i>Net assets, as restated</i>	<u>785,921</u>	<u>(1,408,251)</u>	<u>1,347,179</u>	<u>(3,192)</u>
<i>Net assets, end of year</i>	\$ <u><u>785,921</u></u>	\$ <u><u>(1,408,251)</u></u>	\$ <u><u>1,347,179</u></u>	\$ <u><u>(3,192)</u></u>
Change in net assets (above)			(1,411,443)	
Change in net assets (Exhibit A-2)			<u><u>(1,411,443)</u></u>	

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



## STATE OF NEW MEXICO

Statement A-8

## Eastern Regional Housing Authority

**Statement of Revenues, Expenses and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual Administrative Services Department Fund  
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Operating revenues:</i>				
Tenant charges	\$ 5,031	\$ 9,042	\$ 9,042	\$
Management and administration fees	1,042,596	849,086	849,086	
Other tenant revenue	<u>42,720</u>	<u>83,342</u>	<u>77,743</u>	<u>(5,599)</u>
<i>Total operating revenues</i>	<u>1,090,347</u>	<u>941,470</u>	<u>935,871</u>	<u>(5,599)</u>
<i>Operating expenses:</i>				
Personnel expenses	715,060	735,822	752,724	(16,902)
Contractual services	53,002	85,284	95,201	(9,917)
Other operating expenses	72,035	76,065	77,545	(1,480)
Repairs and maintenance	16,648	31,676	31,983	(307)
Supplies and materials	24,754	20,012	22,504	(2,492)
Utilities	<u>20,066</u>	<u>19,239</u>	<u>13,580</u>	<u>5,659</u>
<i>Total operating expenses</i>	<u>901,565</u>	<u>968,098</u>	<u>993,537</u>	<u>(25,439)</u>
<i>Operating income (loss)</i>	<u>188,782</u>	<u>(26,628)</u>	<u>(57,666)</u>	<u>19,840</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	<u>(4,174)</u>	<u>(2,414)</u>	<u>(2,672)</u>	<u>258</u>
<i>Total non-operating revenues (expenses)</i>	<u>(4,174)</u>	<u>(2,414)</u>	<u>(2,672)</u>	<u>258</u>
<i>Change in net assets</i>	184,608	(29,042)	(60,338)	20,098
<i>Net assets, beginning of year</i>	<u>                    </u>	<u>                    </u>	<u>(38)</u>	<u>                    </u>
<i>Net assets, end of year</i>	<u>\$ 184,608</u>	<u>\$ (29,042)</u>	<u>(60,376)</u>	<u>\$ 20,098</u>
Change in net assets (above)			(60,338)	
Adjustments for depreciation and amortization			<u>(33,414)</u>	
Change in net assets (Exhibit A-2)			<u>\$ (93,752)</u>	

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

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Collateral Pledged by Depository for Public Funds**  
**Year Ended June 30, 2012**

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>
Pledged by Wells Fargo Bank, N.A.:	None

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Schedule of Deposit and Investment Accounts**  
**Year Ended June 30, 2012**

Schedule II

Account Name	Account Type	Deposits			Investments		Total
		Wells Fargo Bank	Everyone's Federal Credit Union	Wells Fargo Investment	Wells Fargo Bank		
Clovis Security Deposits	Checking	\$ 250	\$	\$	\$	\$ 250	
Administrative Services General	Checking	39,522				39,522	
Colonial General	Checking	12,554				12,554	
Colonial Tenant Deposits	Checking	9,756				9,756	
La Posada General	Checking	444				444	
La Posada Security Deposits	Checking	2,275				2,275	
Woodleaf Development General	Checking	26,678				26,678	
Woodleaf Security Deposits	Checking	49,291				49,291	
Rio Felix General	Checking	761				761	
Rio Felix Security Deposits	Checking	3,469				3,469	
Rio Felix Tax and Insurance	Checking	547				547	
Rio Felix Reserve	Checking	73,734				73,734	
SSM General	Checking	179,112				179,112	
SSM Security Deposits	Checking	14,824				14,824	
Vaughn General	Checking	2,041				2,041	
Vaughn Security Deposits	Checking	1,539				1,539	
Casa General	Checking	8,725				8,725	
Casa Security Deposits	Checking	10,399				10,399	
Section 8 Housing Vouchers	Checking	1,361,120				1,361,120	
Section 8	Checking	88,403				88,403	
CHA Revenue Fund	Money Market			1		1	
CHA and LPA Bond Fund	Money Market			72,390		72,390	
CHA and LPA Repair Fund	Money Market			88,521		88,521	
CHA and LPA Debt Service Fund	Money Market			150,406		150,406	
CHA and LPA Expense Fund	Money Market			5,914		5,914	
CHA and LPA Rehab Fund	Money Market			7,528		7,528	
CHA and LPA Surplus Fund	Money Market			118,200		118,200	
Casa Revenue Fund	Money Market			99		99	
Casa Bond Fund	Money Market			14,534		14,534	
Casa Repair Fund	Money Market			163		163	
Woodleaf Repair Fund	Money Market			28,790		28,790	
Woodleaf Debt Service Fund	Money Market			251,544		251,544	
Woodleaf Expense Fund	Money Market			1,441		1,441	
Woodleaf Surplus Fund	Money Market			5,224		5,224	
Woodleaf Bond Fund	Money Market			38,749		38,749	
Certificate of Deposit - Sandstone	Certificate of deposit				96,304	96,304	
Vaughn Rent	Checking		263			263	
Total amount of deposit in bank		<u>1,885,444</u>	<u>263</u>	<u>783,504</u>	<u>96,304</u>	<u>2,765,515</u>	
Reconciling items:							
Less: outstanding checks per bank reconciliation		(68,550)				(68,550)	
Plus: deposits in transit per bank reconciliation		<u>344</u>				<u>344</u>	
Total reconciling items		<u>(68,206)</u>				<u>(68,206)</u>	
Reconciled balance		<u>\$ 1,817,238</u>	<u>\$ 263</u>	<u>\$ 783,504</u>	<u>\$ 96,304</u>	<u>2,697,309</u>	
Plus: petty cash						1,986	
Less: restricted cash and cash equivalents per Exhibit A-1						(96,304)	
Less: investments per Exhibit A-1						<u>(962,390)</u>	
Cash and cash equivalents per Exhibit A-1						<u>\$ 1,640,601</u>	

**STATE OF NEW MEXICO  
Eastern Regional Housing Authority**

Schedule III

**Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio  
RHA Housing Development Corporation (Woodleaf Development)  
Year Ended June 30, 2012**

*Debt Service Ratio Calculation*

Net revenue available for debt service	\$ 335,799
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	244,753
Debt Service Ratio	<u>1.37</u>
Debt Service Ratio required by bond indenture	<u>1.25</u>

*Calculation of Net Revenues Available for Debt Service on the Bonds*

Total gross revenues	\$ 1,085,441
Total operating expenses and interest expense	(1,021,301)
Plus: Recorded bond amortization and depreciation expense	96,740
Interest expense related to 1997A Series bonds	<u>174,919</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>\$ 335,799</u>

*Debt Service for the year ended June 30, 2013:*

Principal reduction on 1997A Series bonds during the year ended June 30, 2013	\$ 75,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2013	<u>169,753</u>
<i>Maximum Annual Debt Service as defined in the bond indenture</i>	<u>\$ 244,753</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2012, ("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**

Schedule III

**Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio**  
**Carlsbad Housing Corporation (Colonial Hillcrest and La Posada Developments)**  
**Year Ended June 30, 2012**

<i>Debt Service Ratio Calculation</i>	<u>Colonial Hillcrest</u>	<u>La Posada</u>	<u>Total</u>
Net revenue available for debt service	\$ 53,216	\$ (4,063)	\$ 49,153
Divided by			
Maximum Annual Debt Service as defined in the bond trust indenture	<u>127,312</u>	<u>20,725</u>	<u>148,037</u>
Debt Service Ratio	<u>0.42</u>	<u>(0.20)</u>	<u>0.22</u>
Debt Service Ratio required by bond indenture	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
 <i>Calculation of Net Revenues Available for Debt Service on the Bonds</i>			
Total gross revenues	\$ 498,062	\$ 94,376	\$ 592,438
Total operating expenses and interest expense	(572,240)	(118,024)	(690,264)
Plus: Recorded bond amortization and depreciation expense	36,139	4,728	40,867
Interest expense related to 1997A Series bonds	<u>91,255</u>	<u>14,857</u>	<u>106,112</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>53,216</u>	<u>(4,063)</u>	<u>49,153</u>
 <i>Debt Service for the year ended June 30, 2013:</i>			
Principal reduction on 1997A Series bonds during the year ended June 30, 2013	\$ 38,700	\$ 6,300	\$ 45,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2013	<u>88,612</u>	<u>14,425</u>	<u>103,037</u>
 <i>Maximum Annual Debt Service as defined in the bond indenture</i>	 <u>\$ 127,312</u>	 <u>\$ 20,725</u>	 <u>\$ 148,037</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2012, ("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.

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**

Schedule III

**Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio**  
**Southwestern New Mexico Affordable Housing Corporation (Casa Hermosa Development)**  
**Year Ended June 30, 2012**

*Debt Service Ratio Calculation*

Net revenue available for debt service	\$ (182,466)
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>513,359</u>
Debt Service Ratio	<u><u>(0.36)</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	\$ 295,666
Total operating expenses and interest expense	(632,102)
Plus: Recorded bond amortization and depreciation expense	36,319
Interest expense related to 1997A Series bonds	<u>117,651</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u><u>\$ (182,466)</u></u>

*Debt Service for the year ended June 30, 2013:*

Principal reduction on 1997A Series bonds during the year ended June 30, 2013	\$ 125,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2013	<u>388,359</u>
<i>Maximum Annual Debt Service as defined in the bond indenture</i>	<u><u>\$ 513,359</u></u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2012, ("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**  
**Year Ended June 30, 2012**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
111	Cash - Unrestricted	\$ 177,051	\$
114	Cash - Tenant Security Deposits	16,363	
	Cash - Replacement Reserve/Escrow Deposits		
100	Total Cash	<u>193,414</u>	<u>0</u>
126	Accounts Receivable - Tenants - Dwelling Rents	19,110	
126	Allowance for Doubtful Accounts - Dwelling Rents	(126)	
129	Accrued interest receivable		
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>18,984</u>	<u>0</u>
131	Investments - unrestricted	96,304	
132	Investments - restricted		
144	Interprogram - due from	638	
130	Total Investments	<u>96,942</u>	<u>0</u>
150	Total Current Assets	<u>309,340</u>	<u>0</u>
161	Land	335,734	
162	Buildings	4,938,649	
163	Furniture, Equipment & Machinery - Dwellings	104,485	
166	Accumulated Depreciation	<u>(3,026,870)</u>	
160	Total Fixed Assets, Net of Accumulated Depreciation	2,351,998	0
171	Notes, Loans and Mortgages Receivable - non-current		
174	Other Assets		
180	Total Non Current Assets	<u>2,351,998</u>	<u>0</u>
190	Total Assets	<u>\$ 2,661,338</u>	<u>\$ 0</u>

See independent auditors' report



**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Financial Data Schedule**  
**Year Ended June 30, 2012**

Schedule IV

Section 8 Housing Choice Voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$ 1,347,179	\$ 16,466	\$ 68,387	\$ 21,494	\$ 10,024	\$ 1,640,601
	22,431	3,469	49,291	250	91,804
<u>87,082</u>					<u>87,082</u>
<u>1,434,261</u>	<u>38,897</u>	<u>71,856</u>	<u>70,785</u>	<u>10,274</u>	<u>1,819,487</u>
	31,985	1,700	10,399		63,194
	(4,311)		(3,829)		(8,266)
	<u>9,011</u>				<u>9,011</u>
<u>0</u>	<u>36,685</u>	<u>1,700</u>	<u>6,570</u>	<u>0</u>	<u>63,939</u>
	457,755		325,749		96,304
	<u>66,004</u>		<u>697,011</u>	<u>817,652</u>	<u>783,504</u>
<u>0</u>	<u>523,759</u>	<u>0</u>	<u>1,022,760</u>	<u>817,652</u>	<u>1,581,305</u>
<u>1,434,261</u>	<u>599,341</u>	<u>73,556</u>	<u>1,100,115</u>	<u>827,926</u>	<u>4,344,539</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>(1,804,081)</u>	<u>(417,193)</u>	<u>(2,093,539)</u>	<u>(397,202)</u>	<u>(7,738,885)</u>
<u>0</u>	<u>1,051,741</u>	<u>380,113</u>	<u>1,525,837</u>	<u>231,132</u>	<u>5,540,821</u>
	186,777				186,777
	<u>355,520</u>		<u>151,162</u>		<u>506,682</u>
<u>0</u>	<u>1,594,038</u>	<u>380,113</u>	<u>1,676,999</u>	<u>231,132</u>	<u>6,234,280</u>
<u>\$ 1,434,261</u>	<u>\$ 2,193,379</u>	<u>\$ 453,669</u>	<u>\$ 2,777,114</u>	<u>\$ 1,059,058</u>	<u>\$ 10,578,819</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Financial Data Schedule**  
**Year Ended June 30, 2012**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
312	Accounts Payable <= 90 Days	\$ 17,027	\$
321	Accrued Wage/Payroll Taxes Payable	1,608	
322	Accrued Compensated Absences - Current Portion	214	
325	Accrued Interest Payable		
341	Tenant Security Deposits	16,363	
342	Deferred Revenues	18,416	
343	Current portion of long-term debt - Capital Projects	42,348	
344	Current portion of long-term debt - Operating Borrowings		
345	Other Current Liabilities		
347	Interprogram Due To	<u>14,454</u>	
310	Total Current Liabilities	<u>110,430</u>	<u>0</u>
351	Long-Term Debt, Net of Current - Capital Projects	88,712	
352	Long-Term Debt, Net of Current - Operating Borrowings		
353	Noncurrent Liabilities - Other		
350	Total Noncurrent Liabilities	<u>88,712</u>	<u>0</u>
300	Total Liabilities	<u>199,142</u>	<u>0</u>
508.1	Invested in Capital Assets, Net of Related Debt	2,132,226	
512.1	Unrestricted	<u>329,970</u>	
513	Total Equity/Net Assets	<u>2,462,196</u>	<u>0</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 2,661,338</u>	<u>\$ 0</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Financial Data Schedule**  
**Year Ended June 30, 2012**

Schedule IV

Section 8 Housing Choice Voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
\$	\$ 23,227	\$ 242	\$ 4,897	\$ 5,666	\$ 51,059
	4,422	420	760	10,831	18,041
	103	111	77	758	1,263
	325,203		7,392	9,011	341,606
	21,763	3,469	49,291		90,886
	4,345	209	17,048		40,018
	170,000	4,348	75,000		291,696
				376,289	376,289
633					633
	<u>950,074</u>	<u>55,182</u>		<u>561,595</u>	<u>1,581,306</u>
<u>633</u>	<u>1,499,137</u>	<u>63,981</u>	<u>154,465</u>	<u>964,150</u>	<u>2,792,797</u>
	2,780,000	22,022	2,345,000		5,235,734
				1,921	1,921
<u>86,449</u>				<u>186,777</u>	<u>273,226</u>
<u>86,449</u>	<u>2,780,000</u>	<u>22,022</u>	<u>2,345,000</u>	<u>188,698</u>	<u>5,510,881</u>
<u>87,082</u>	<u>4,279,137</u>	<u>86,003</u>	<u>2,499,465</u>	<u>1,152,848</u>	<u>8,303,677</u>
	(4,678,259)	331,721	(3,239,163)	128,170	(5,325,305)
<u>1,347,179</u>	<u>2,592,501</u>	<u>35,945</u>	<u>3,516,812</u>	<u>(221,960)</u>	<u>7,600,447</u>
<u>1,347,179</u>	<u>(2,085,758)</u>	<u>367,666</u>	<u>277,649</u>	<u>(93,790)</u>	<u>2,275,142</u>
<u>\$ 1,434,261</u>	<u>\$ 2,193,379</u>	<u>\$ 453,669</u>	<u>\$ 2,777,114</u>	<u>\$ 1,059,058</u>	<u>\$ 10,578,819</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Financial Data Schedule**  
**Year Ended June 30, 2012**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
703	Net Tenant Rental Revenue	\$ 133,783	
704	Tenant Revenue - Other	8,245	
705	Total Tenant Revenue	<u>142,028</u>	\$ <u>0</u>
706	HUD PHA Operating Grants	266,280	
706.1	Capital Grants	106,959	218,192
708	Other Governmental Grants		
711	Investment Income - Unrestricted	53	
714	Fraud Recovery		
715	Other Revenue	2,542	
700	Total Revenue	<u>517,862</u>	<u>218,192</u>
911	Administrative Salaries	23,983	
912	Auditing Fees	5,441	1,822
913	Outside Management Fees	60,900	
914	Compensated Absences	3,271	
915	Employee Benefit Contributions - Administrative	33,860	
916	Other Operating - Administrative	1,881	3,492
	Subtotal	<u>129,336</u>	<u>5,314</u>
931	Water	11,438	
932	Electricity	11,226	
933	Gas	27,915	
938	Telephone	10,421	
	Subtotal	<u>61,000</u>	<u>0</u>
941	Ordinary Maintenance & Operation - Labor	65,679	
942	Ordinary Maintenance & Operation - Materials & Other	79,340	212,878
	Subtotal	<u>145,019</u>	<u>212,878</u>
961	Insurance Premiums	17,291	
962	Other General Expenses	46,843	
967	Interest expense	9,983	
	Subtotal	<u>74,117</u>	
969	Total Operating Expenses	<u>409,472</u>	<u>218,192</u>
970	Excess Operating Revenue Over Operating Expenses	<u>108,390</u>	
973	Housing Assistance Payments		
974	Depreciation Expense	134,553	
900	Total Expenses	<u>544,025</u>	<u>218,192</u>
	Excess (Deficiency) of Operating Revenue Over (Under)		
1000	Expenses	<u>(26,163)</u>	<u>0</u>
1103	Beginning Equity	<u>2,488,359</u>	<u>0</u>
	Ending Equity (deficit)	<u>\$ 2,462,196</u>	<u>\$ 0</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Financial Data Schedule**  
**Year Ended June 30, 2012**

Schedule IV

Section 8 Housing Choice Voucher 14,871	Colonial/La Posada/Casa Hermosa Housing Assistance 14,195	Rio Felix FmHA Program 10,405	State and Local Woodleaf	Business ASA	Total
\$	457,727	\$ 38,187	\$ 1,064,557	\$ 9,042	\$ 1,703,296
	31,434	2,093	20,836		62,608
\$ 0	489,161	40,280	1,085,393	9,042	1,765,904
4,145,214	398,941				4,810,435
		26,204			325,151
			47		26,204
7,067				6,380	100
50,000			1	920,449	13,447
4,202,281	888,102	66,484	1,085,441	935,871	972,992
	101,854	420	1,235	492,253	7,914,233
	12,290	1,397	10,614	13,966	619,745
635,978	74,467	5,400	72,342		45,530
	5,929	195	2,249	25,404	849,087
	70,986	7,398	21,413	191,874	37,048
	61,208	2,103	861	29,977	325,531
635,978	326,734	16,913	108,714	753,474	99,522
	133,711	15,302	43,361	1,947	1,976,463
	49,247	1,817	22,849	10,749	205,759
	40,731	596	11,237		95,888
	12,967	1,381	22,207	41,617	80,479
0	236,656	19,096	99,654	54,313	88,593
	120,326	12,821	62,153		470,719
	214,780	27,874	322,299	88,755	260,979
	335,106	40,695	384,452	88,755	945,926
	35,171	4,311	24,375	52,918	1,206,905
	87,747	5,989	132,447	44,077	134,066
	223,763	284	174,919	2,672	317,103
	346,681	10,584	331,741	99,667	411,621
635,978	1,245,177	87,288	924,561	996,209	862,790
3,566,303	(357,075)	(20,804)	160,880	(60,338)	4,516,877
4,977,746					3,397,356
	77,186	15,140	96,740	33,414	4,977,746
5,613,724	1,322,363	102,428	1,021,301	1,029,623	357,033
	(1,411,443)	(35,944)	64,140	(93,752)	9,851,656
2,758,622	(1,651,497)	403,610	213,509	(38)	(1,937,423)
\$ 1,347,179	\$ (2,085,758)	\$ 367,666	\$ 277,649	\$ (93,790)	\$ 4,212,565

See independent auditors' report

## **COMPLIANCE SECTION**

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

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, 2012, which collectively comprise the Eastern Regional Housing Authority’s basic financial statements and have issued our report thereon dated September 20, 2012. We have also audited the budgetary comparisons for the year ended June 30, 2012 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 as items 2007-2, 2007-4, 2008-4, 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.

**HARSHWAL & COMPANY LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**September 20, 2012**



**FEDERAL FINANCIAL ASSISTANCE**

**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, 2012. 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.

In our opinion, 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, 2012.

## **Internal Control over Compliance**

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

**HARSHWAL & COMPANY LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**September 20, 2012**

**STATE OF NEW MEXICO**  
**Eastern Regional Housing Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Schedule V

<b>Federal Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Housing and Urban Development:</u>		
Direct Programs:		
Public and Indian Housing	14.850	\$ 266,280
Section 8 Housing Choice Vouchers	14.871	5,362,364
Section 8 Housing Assistance Payment Program - Special Allocations:		
Colonial Hillcrest Development	14.195	338,141
La Posada Development	14.195	<u>60,800</u>
Subtotal Section 8 Housing Assistance Payment Program		<u>398,941</u>
Public Housing Capital Fund	14.872	<u>144,725</u>
Total U.S. Department of Housing and Urban Development		<u>6,172,310</u>
<u>U.S. Department of Agriculture:</u>		
Direct programs:		
Farm Labor Housing Loans and Grants	10.405	<u>26,204</u>
Total U.S. Department of Agriculture		<u>26,204</u>
Total Expenditures of Federal Awards		<u>\$ 6,198,514</u>

**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.

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**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?  | No          |
| 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:  |             |

CFDA Number	Federal Program
14.195	Housing Assistance Payment Program
14.871	Section 8 Housing Choice Vouchers

- |   |            |
|---|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No         |

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

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

**Criteria:**

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

**Condition:**

The Authority's ratio is .42 for Colonial Hillcrest Development, (.20) for La Posada Development, and (.36) 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.

**Cause:**

The primary cause of this noncompliance is that the subsequent year's debt service requirements were too high in relation to the current year revenues.

**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.

**Recommendation:**

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

**Management's Response:**

Both Casa Hermosa, and Colonial Hillcrest/LaPosada Apartments are under contract for sale and should close before December 31st, 2012.

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

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

**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.

**Condition:**

The following funds exceeded approved budgetary Authority for the year ended June 30, 2012:

Rio Felix FmHA Development Fund	\$	5,926
Low Rent Public Housing Program	\$	230,180
Administrative Services Department	\$	25,439

**Cause:**

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

**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.

**Recommendation:**

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

**Management'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.

Further, the Low Rent Public Housing Program excess amount was due to the Capital Fund Dollars not being included as a Part of the annual Budget and instead being budgeted on a multiyear separate budget.

We have initiated the process to amend the current budget to include the Capital Fund Program funds.

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

**2008-4 (Significant Deficiency): Deficit Budgeting**

**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.

**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, 2012:

- Colonial Hillcrest Development budgeted expenditures in excess of revenues for the year of \$42,513, but only had unrestricted cash and accounts receivable from the prior year of \$23,087.
- La Posada Development budgeted expenditures in excess of revenues for the year of \$31,827, but only had unrestricted cash and accounts receivable from the prior year of \$4,823.
- Casa Hermosa Development budgeted expenditures in excess of revenues for the year of \$317,950, but only had unrestricted cash and accounts receivable from the prior year of \$7,306.

**Cause:**

Prior year ending available cash and accounts receivable were not carefully monitored to determine adequacy for FY 2012 budgeting purposes.

**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.

**Recommendation:**

We recommend improved monitoring of the budget.

**Management's Response:**

The Authority fully recognizes the deficient revenues these projects incur, and have tried to minimize cost while still meeting our obligations. It should be noted that the properties cited are under contract of sale and should close by December 31st, 2012.



**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

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

**Criteria:**

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

**Condition:**

The restricted tenant deposits accounts do not match the liability accounts for the deposits. The cash account for Casa Hermosa is overfunded by \$550 and Colonial Hillcrest by \$118. 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.

**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.

**Effect:**

Failure to properly reconcile tenant deposit liability accounts, results in an overstatement or understatement of restricted cash on the financial's.

**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.

**Management's Response:**

Reconciliation will occur monthly and a final annual reconciliation will be completed at year end.

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

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

**2011-05 (Significant Deficiency): Budget Submission**

**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.

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Auditors' Recommendation:**

We recommend that the Authority file their proposed budgets as required by state statutes.

**Management's Response:**

Budgets will be delivered for 2014 by June 1 of 2013 to the Department of Finance and Administration.

**Eastern Regional Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No Findings related to Federal Awards noted.

**STATE OF NEW MEXICO  
Eastern Regional Housing Authority  
Prior Year Audit Findings  
Year Ended June 30, 2012**

**Exhibit A-3**

The following summarizes the prior year audit findings:

**Finding 2007-2** Violation of Debt Covenant - **Not Implemented**

See finding 2007-2 for corrective actions planned

**Finding 2007-4** Expenditures in Excess of Budget Amounts - **Not Implemented**

See finding 2007-4 for corrective actions planned

**Finding 2008-4** Deficit Budgeting - **Not Implemented**

See finding 2008-4 for corrective actions planned

**Finding 2011-01** Controls over Checks - **Implemented**

**Finding 2011-02** Segregation of Duties over Bank Reconciliation's - **Implemented**

**Finding 2011-03** Internal Controls over Deposits - **Implemented**

**Finding 2011-04** Reconciliation of Tenant Deposits - **Not Implemented**

See finding 2011-04 for corrective actions planned

**Finding 2011-05** Budget Submission - **Not Implemented**

See finding 2011-05 for corrective actions planned

**Finding 2011-06** Lack of Proper Documentation in Tenant Files - **Implemented**

**STATE OF NEW MEXICO**  
Eastern Regional Housing Authority  
Exit Conference  
June 30, 2012

**Auditor Prepared Financials**

Although it would be preferred and desirable for the Authority to prepare its own financial statements, the Authority's personnel did not have the time to prepare them. Harshwal & Company LLP prepared the financial statements of Eastern Regional Housing Authority from the original books and records provided to them by the management of the Authority.

**Exit Conference**

The contents of this report were discussed with the Eastern Regional Housing Authority on July 27, 2012. The following individuals were in attendance.

**Representing Eastern Regional Housing Authority**

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

**Representing Harshwal & Company, LLP**

Kristofer Nixon	Senior Manager
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