

**EASTERN REGIONAL
HOUSING AUTHORITY
Roswell, NM**

**Basic Financial Statements and Supplementary Information
For the year ended June 30, 2013
and Independent Auditor's Report**

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

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

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

**OFFICIAL ROSTER
JUNE 30, 2013**

Board of Commissioners

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

Chairperson
Vice-Chairperson
Secretary
Treasurer
Commissioner
Commissioner
Commissioner

Executive Staff

Chris Herbert
Irene Andazola
Olivia Cruz
Carol Cheadle

Executive Director
Deputy Director
Finance Director
Section 8 Supervisor



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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, New Mexico State Auditor
and the Board of Commissioners of the
Eastern Regional Housing Authority
Roswell, New Mexico

Report on Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Authority's individual enterprise funds, including budgetary comparisons, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the individual enterprise funds and budgetary comparisons of the Authority for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic 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 schedule of expenditures of federal awards and the supporting schedules I, II, III, and IV are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supporting schedules I, II, III, and IV are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Strickler & Prieto, LLP

September 13, 2013

BASIC FINANCIAL STATEMENTS

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

Exhibit A-1

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013**

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development	Rio Felix FmHA Program	Low Rent Public Housing
ASSETS					
Cash and cash equivalents	\$ 8,140	\$ 60	\$ 56,354	\$ 39,781	\$ 17,120
Investments	-	-	-	-	96,353
Accounts receivable	-	-	708	743	9,368
Due from other funds	-	-	609,410	-	22
Total current assets	8,140	60	666,472	40,524	122,863
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	392,157	3,092	19,250
Nondepreciable capital assets	-	-	259,919	169,050	335,734
Depreciable capital assets, net	-	-	1,178,957	195,968	1,943,705
Unamortized debt issue costs	-	-	141,383	-	-
Total noncurrent assets	-	-	1,972,416	368,110	2,298,689
Total assets	\$ 8,140	\$ 60	\$ 2,638,888	\$ 408,634	\$ 2,421,552
LIABILITIES AND NET POSITION					
Accounts payable	\$ -	\$ -	\$ 1,432	\$ 448	\$ 3,381
Accrued liabilities	-	-	4,571	536	3,638
Accrued interest	-	-	7,392	-	-
Due to other funds	-	-	-	80,498	22
Compensated absences	-	-	165	22	121
Unearned revenues	-	-	12,254	425	2,014
Current portion of long term debt	-	-	80,000	4,392	-
Current portion of escrow funds held for others	-	-	-	-	-
Total current liabilities (payable from current assets)	-	-	105,814	86,321	9,176
CURRENT LIABILITIES (payable from restricted assets)					
Tenant deposits	-	-	46,991	3,091	19,251
Total current liabilities (payable from restricted assets)	-	-	46,991	3,091	19,251
NONCURRENT LIABILITIES					
Other noncurrent liabilities	-	-	-	-	-
Escrow funds held for others, long-term	-	-	-	-	-
Notes payable, net of current portion	-	-	2,265,000	17,634	-
Deferred loss on advance refunding	-	-	-	-	-
Total noncurrent liabilities	-	-	2,265,000	17,634	-
Total liabilities	-	-	2,417,805	107,046	28,427
NET POSITION					
Net investment in capital assets	-	-	(906,124)	342,992	2,279,439
Restricted (HUD reserves)	-	-	345,166	-	-
Unrestricted	8,140	60	782,041	(41,404)	113,686
Total net position	8,140	60	221,083	301,588	2,393,125
Total liabilities and net position	\$ 8,140	\$ 60	\$ 2,638,888	\$ 408,634	\$ 2,421,552

Continued

See accompanying notes to financial statements.

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

Exhibit A-1

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013**

	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Department	Intercompany Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 270,152	\$ 134,901	\$ -	\$ 526,508
Investments	-	-	-	-	96,353
Accounts receivable	-	-	-	-	10,819
Due from other funds	-	-	80,498	(689,930)	-
Total current assets	-	270,152	215,399	(689,930)	633,680
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	79,782	250	-	494,531
Nondepreciable capital assets	-	-	30,104	-	794,807
Depreciable capital assets, net	-	-	221,132	-	3,539,762
Unamortized debt issue costs	-	-	-	-	141,383
Total noncurrent assets	-	79,782	251,486	-	4,970,483
Total assets	\$ -	\$ 349,934	\$ 466,885	\$ (689,930)	\$ 5,604,163
LIABILITIES AND NET POSITION					
Accounts payable	\$ -	\$ -	\$ 4,326	\$ -	\$ 9,587
Accrued liabilities	-	-	15,027	-	23,772
Accrued interest	-	-	-	-	7,392
Due to other funds	-	-	609,410	(689,930)	-
Compensated absences	-	-	740	-	1,048
Unearned revenues	-	270,152	-	-	284,845
Current portion of long term debt	-	-	97,179	-	181,571
Current portion of escrow funds held for others	-	633	-	-	633
Total current liabilities (payable from current assets)	-	270,785	726,682	(689,930)	508,848
CURRENT LIABILITIES (payable from restricted assets)					
Tenant deposits	-	-	-	-	69,333
Total current liabilities (payable from restricted assets)	-	-	-	-	69,333
NONCURRENT LIABILITIES					
Other noncurrent liabilities	-	-	-	-	-
Escrow funds held for others, long term	-	79,149	-	-	79,149
Notes payable, net of current portion	-	-	-	-	2,282,634
Deferred loss on advance refunding	-	-	-	-	-
Total noncurrent liabilities	-	79,149	-	-	2,361,783
Total liabilities	-	349,934	726,682	(689,930)	2,939,964
NET POSITION					
Net investment in capital assets	-	-	251,236	-	1,967,543
Restricted (HUD reserves)	-	-	250	-	345,416
Unrestricted	-	-	(511,283)	-	351,240
Total net position	-	-	(259,797)	-	2,664,199
Total liabilities and net position	\$ -	\$ 349,934	\$ 466,885	\$ (689,930)	\$ 5,604,163

Concluded

See accompanying notes to financial statements.

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development	Rio Felix FmHA Program	Low Rent Public Housing
Operating revenues:					
Tenant charges	\$ 116,713	\$ 17,942	\$ 1,102,896	\$ 33,903	\$ 133,553
Management and administrative fees	-	-	-	-	-
Miscellaneous income	10,431	1,429	19,225	2,282	24,182
Total operating revenues	127,144	19,371	1,122,121	36,185	157,735
Operating expenses:					
Contractual services	25,931	22,107	38,111	11,800	29,154
Personnel expenses	113,716	11,687	216,428	35,691	174,178
Repairs and maintenance	38,814	3,330	216,736	4,215	43,524
Supplies and materials	21,243	3,464	40,015	4,507	188,111
Utilities	115,886	13,840	185,758	63,670	57,730
Ordinary maintenance and operations	95,747	(17,790)	190,741	2,099	33,946
Management and administrative fees	41,995	7,225	74,412	5,400	59,515
Depreciation and amortization	32,775	4,158	96,740	15,095	127,552
Total operating expenses	486,107	48,021	1,058,941	142,477	713,710
Operating income (loss)	(358,963)	(28,650)	63,180	(106,292)	(555,975)
Non-operating revenues (expenses):					
Government subsidies	371,532	61,955	-	34,982	241,627
Interest income	-	2	7	-	50
Housing assistance payments	-	-	-	-	-
Interest expense	(88,605)	(14,425)	(169,753)	(248)	(7,468)
Gain sale of assets	201,670	50,113	-	-	-
Total non-operating revenues (expenses)	484,597	97,645	(169,746)	34,734	234,209
Income (loss) before capital grants and transfers:	125,634	68,995	(106,566)	(71,558)	(321,766)
Capital grants	-	-	-	-	252,695
Transfers in	-	-	50,000	5,480	26,018
Transfers out	-	-	-	-	(26,018)
Change in net position	125,634	68,995	(56,566)	(66,078)	(69,071)
Net position - beginning of year, as previously reported	(117,494)	(68,935)	277,649	367,666	2,462,196
Net position - restatement	-	-	-	-	-
Net position - beginning of year, as restated	(117,494)	(68,935)	277,649	367,666	2,462,196
Net position - end of year	\$ 8,140	\$ 60	\$ 221,083	\$ 301,588	\$ 2,393,125

Continued

See accompanying notes to financial statements,

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Development	Intercompany Eliminations	Totals
Operating revenues:					
Tenant charges	\$ 134,682	\$ -	\$ 3,507	\$ -	\$ 1,543,196
Management and administrative fees	-	-	819,262	(819,262)	-
Miscellaneous income	3,683	8,424	103,858	-	173,514
Total operating revenue	138,365	8,424	926,627	(819,262)	1,716,710
Operating expenses:					
Contractual services	30,860	-	85,073	-	243,036
Personnel expenses	95,552	-	824,483	-	1,471,735
Repairs and maintenance	9,465	-	29,920	-	346,004
Supplies and materials	2,292	-	24,824	-	284,456
Utilities	73,568	-	12,933	-	523,385
Ordinary maintenance and operations	49,552	300	847,907	-	1,202,502
Management and administrative fees	10,870	619,845	-	(819,262)	-
Depreciation and amortization	15,133	-	27,192	-	318,645
Total operating expenses	287,292	620,145	1,852,332	(819,262)	4,389,763
Operating income (loss)	(148,927)	(611,721)	(925,705)	-	(2,673,053)
Non-operating revenues (expenses):					
Government subsidies	-	5,364,018	-	-	6,074,114
Interest income	-	-	-	-	59
Housing assistance	-	(4,744,173)	-	-	(4,744,173)
Interest expense	-	-	(16,131)	-	(296,630)
Gain on sale of assets	2,048,256	-	831,309	-	3,131,348
Total non-operating revenues (expenses)	2,048,256	619,845	815,178	-	4,164,718
Income (loss) before capital grants and transfers:	1,899,329	8,124	(110,527)	-	1,491,665
Capital grants	-	-	-	-	252,695
Transfers in	-	-	-	-	81,498
Transfers out	-	-	(55,480)	-	(81,498)
Change in net position	1,899,329	8,124	(166,007)	-	1,744,360
Net position - beginning of year, as previously reported	(1,899,329)	1,347,179	(93,790)	-	2,275,142
Net position - restatement	-	(1,355,303)	-	-	(1,355,303)
Net position - beginning of year, as restated	(1,899,329)	(8,124)	(93,790)	-	919,839
Net position - end of year	\$ -	\$ -	\$ (259,797)	\$ -	\$ 2,664,199

Concluded

See accompanying notes to financial statements.

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

Exhibit A-3

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development	Rio Felix FmHA Program
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 134,889	\$ 19,974	\$ 1,120,889	\$ 36,980
Payments to employees for services	(139,850)	(11,687)	(212,529)	(35,664)
Payments to suppliers and contractors	(336,243)	(32,940)	(749,238)	(91,485)
Payments to (from) other funds	20,152	(12,500)	137,601	30,796
Net cash provided by (used in) operating activities	(321,052)	(37,153)	296,723	(59,373)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Housing assistance payments	-	-	-	-
Receipts from intergovernmental HUD subsidy	371,532	61,955	-	34,982
Long-term receivable	102,754	-	-	-
Net cash provided by (used in) non-capital and related financing activities	474,286	61,955	-	34,982
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on debt	(1,221,200)	(198,800)	(75,000)	(4,344)
Interest payments	(123,303)	(20,070)	(169,753)	(248)
Purchase of capital assets	-	-	-	-
Proceeds from capital assets	812,184	116,945	-	-
Net cash provided by (used in) capital financing activities	(532,319)	(101,925)	(244,753)	(4,592)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	-	7	-
Change in investments	7	-	-	-
Net cash provided by (used in) investing activities	7	-	7	-
Net increase (decrease) in cash	(379,078)	(77,123)	51,977	(28,983)
Cash and cash equivalents, beginning of year	387,218	77,183	396,534	71,856
Cash and cash equivalents, end of year	\$ 8,140	\$ 60	\$ 448,511	\$ 42,873
Displayed as:				
Cash	\$ 8,140	\$ 60	\$ 56,354	\$ 39,781
Restricted Cash	-	-	392,157	3,092
	\$ 8,140	\$ 60	\$ 448,511	\$ 42,873
RECONCILIATION OF NET OPERATING INCOME TO NET CASH:				
Provided by (used in) operating activities:				
Net operating income (loss)	\$ (358,963)	\$ (28,650)	\$ 63,180	\$ (106,292)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	32,775	4,158	96,740	15,095
Changes in assets and liabilities:				
Receivables	18,572	3,301	5,864	957
Due from other funds	66,004	-	137,601	5,480
Accounts payable	(20,843)	(764)	(3,467)	206
Accrued liabilities	(1,820)	-	3,811	116
Due to other funds	(45,852)	(12,500)	-	25,316
Deferred revenue	(1,189)	(423)	(4,794)	216
Tenant deposits	(9,638)	(2,275)	(2,300)	(378)
Escrow funds held by others	-	-	-	-
Compensated absences	(98)	-	88	(89)
Net cash provided by (used in) operating activities	\$ (321,052)	\$ (37,153)	\$ 296,723	\$ (59,373)

See accompanying notes to financial statements.

Continued

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

Exhibit A-3

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Low Rent Public Housing	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 153,837	\$ 231,123	\$ 1,124	\$ 926,627	\$ 2,625,443
Payments to employees for services	(172,241)	(98,159)	-	(820,305)	(1,490,435)
Payments to suppliers and contractors	(586,290)	(178,225)	(620,145)	(1,001,997)	(3,596,563)
Payments to (from) other funds	66,516	(891,722)	-	(44,954)	(694,111)
Net cash provided by (used in) operating activities	<u>(538,178)</u>	<u>(936,983)</u>	<u>(619,021)</u>	<u>(940,629)</u>	<u>(3,155,666)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Housing assistance payments	-	-	(4,744,173)	-	(4,744,173)
Receipts from intergovernmental HUD subsidy	574,654	-	4,278,867	-	5,321,990
Long-term receivable	-	-	-	-	102,754
Net cash provided by (used in) non-capital and related financing activities	<u>574,654</u>	<u>-</u>	<u>(465,306)</u>	<u>-</u>	<u>680,571</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Principal payments on debt	(131,060)	(1,530,000)	-	(384,441)	(3,544,845)
Interest payments	(7,418)	-	-	(25,142)	(345,934)
Purchase of capital assets	(54,993)	-	-	(47,296)	(102,289)
Proceeds from capital assets	-	2,434,732	-	1,522,385	4,886,246
Net cash provided by (used in) capital financing activities	<u>(193,471)</u>	<u>904,732</u>	<u>-</u>	<u>1,065,506</u>	<u>893,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	-	-	-	-	7
Change in investments	(49)	-	-	-	(42)
Net cash provided by (used in) investing activities	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Net increase (decrease) in cash	(157,044)	(32,251)	(1,084,327)	124,877	(1,581,952)
Cash and cash equivalents, beginning of year	193,414	32,251	1,434,261	10,274	2,602,991
Cash and cash equivalents, end of year	<u>\$ 36,370</u>	<u>\$ -</u>	<u>\$ 349,934</u>	<u>\$ 135,151</u>	<u>\$ 1,021,039</u>
Displayed as:					
Cash	\$ 17,120	\$ -	\$ 270,152	\$ 134,901	\$ 526,508
Restricted cash	19,250	-	79,782	250	494,531
	<u>\$ 36,370</u>	<u>\$ -</u>	<u>\$ 349,934</u>	<u>\$ 135,151</u>	<u>\$ 1,021,039</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH:					
Provided by (used in) operating activities:					
Net operating income (loss)	\$ (555,975)	\$ (148,927)	\$ (611,721)	\$ (925,705)	\$ (2,673,053)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	127,552	15,133	-	27,192	318,645
Changes in assets and liabilities:					
Receivables	9,616	14,811	-	-	53,121
Due from other funds	(80,354)	-	-	(92,769)	35,962
Accounts payable	(13,646)	(1,618)	-	(1,340)	(41,472)
Accrued liabilities	2,030	(2,602)	-	4,196	5,731
Due to other funds	(13,794)	(891,722)	-	47,815	(890,737)
Deferred revenue	(16,402)	(2,733)	-	-	(25,325)
Tenant deposits	2,888	80,680	-	-	68,977
Escrow funds held by others	-	-	(7,300)	-	(7,300)
Compensated absences	(93)	(5)	-	(18)	(215)
Net cash provided by (used in) operating activities	<u>\$ (538,178)</u>	<u>\$ (936,983)</u>	<u>\$ (619,021)</u>	<u>\$ (940,629)</u>	<u>\$ (3,155,666)</u>

See accompanying notes to financial statements.

Concluded

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

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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 Authority 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 Authority has implemented Government Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the year ended June 30, 2013. 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.

The following is a summary of the Regional Housing Authority's accounting policies.

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. The complexes were sold during 2013.
- 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 84 rental units in Roswell, Capitan, and Carrizozo, New Mexico. The developments are owned and managed by the Authority. Participants in this program pay rent equal to 30% of their adjusted income. HUD, through the Authority, pays the balance of the rent.
- Casa Hermosa Development (Enterprise Fund) - An 88 unit multi-family rental housing project for low and moderate income persons located in Hobbs, New Mexico, owned by Southeastern New Mexico Affordable Housing Corporation and operated by the Authority. The complex was sold during 2013.
- 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.
- 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.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement focus, Basis of Accounting, and Financial Statement Presentation—The government reports all proprietary funds as major funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for rent and Section 8 rent vouchers. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. Revenues are recognized as soon as they are both measurable and available.

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

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

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

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

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

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

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

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

Restricted Assets—Certain resources set aside for the repayment of security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. Assets held in replacement reserves and other escrows as required by bond indenture agreements are classified as restricted.

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

Capital Assets—Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, when received, are recorded at fair market value on the date received. State law sets a capitalization threshold of \$5,000 for acquisitions of capital assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB statement No. 34, the historical costs of infrastructure assets, (retroactive 1979) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.19 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or 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 \$296,637. No interest was included as part of the cost of capital assets under construction.

The following estimated useful lives are used in providing for depreciation of property and equipment.

Buildings	40 years
Buildings improvements	7-20 years
Equipment and office equipment	3 - 10 years

Analysis of impairment—Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2013.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

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

Unearned 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. As of June 30, 2013, unearned revenue consisted of prepaid rents from tenants of \$14,693 and grant revenues received but not yet earned of \$270,152.

Compensated Absences—Vested or accumulated vacation leave that is expecting to be liquidated with expendable available financial resources is reported as an expenditure 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 the provisions of Governmental Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Taxes—The Regional Housing Authority is exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

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 7 regarding the deferred loss on advance refunding.

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

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

Components of Net Position—Components of net position include the following:

- Net Investment in Capital Assets - 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.
- Restricted Net Position - Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the statement of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position - Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are not subject to restraints on their use.

Budget—Budget for Low Rent Public Housing is adopted and amended on a HUD-prescribed basis on an annual basis.

The Public Housing Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the US Department of Housing and Urban Development ("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 position. The Authority does not budget for depreciation expense.
2. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
3. The executive director submits the budget to the Public Housing Authority's board of commissioners for approval.
4. The board of commissioners approves the budget.

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 budget for the Low Rent Public Housing and Section 8 Housing program are approved by HUD.

New Government Accounting Standards—In March 2012, Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented for year ending June 30, 2014.

In March 2012, Statement No. 66 Technical Corrections 2012, an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, Statement No. 67 Financial Reporting for Pension Plans, an amendment of GASB Statements No. 25, which is effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, Statement No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statements No. 27, which is effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

Subsequent Events—Management has evaluated events through September 13, 2013, the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, 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, 2013.

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

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

Excess 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.

Custodial Credit Risk—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, 2013, \$789,734 of the Authority's deposits totaling \$1,289,734 were exposed to custodial credit risk.

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.

The schedule of pledged collateral to secure the deposits as of June 30, 2013 is as follows:

	Wells Fargo Bank	Wells Fargo Investment	Total
Total deposits in bank	\$ 944,564	\$ 345,166	\$ 1,289,730
FDIC/SPIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>\$ 694,564</u>	<u>\$ 95,166</u>	<u>\$ 789,730</u>
Pledged securities	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	<u>(347,282)</u>	<u>(47,583)</u>	<u>(394,865)</u>
Under collateralization	<u>\$ (347,282)</u>	<u>\$ (47,583)</u>	<u>\$ (394,865)</u>

Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from depositors' other accounts at the same FDIC-insured depository institutions (IDI). Instead, noninterest-bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount of \$250,000 per depositor, at each separately chartered IDI.

As of June 30, 2013 the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. Cash and cash equivalents consists of the following:

Cash and cash equivalents	\$ 526,508
Restricted cash	494,531
Investments	<u>96,353</u>
Total cash and cash equivalents	<u>1,117,392</u>
Add: outstanding checks and other reconciling items	173,825
Less: petty cash	<u>(1,487)</u>
Reconciled balance of deposits	<u>\$ 1,289,730</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

Charges for services	\$ 26,057
Less allowance for doubtful accounts	<u>(15,238)</u>
Net receivables	<u>\$ 10,819</u>

4. 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, 2013 is as follows:

Due from other funds	Due to other funds	Amount
Administrative Service	Rio Felix	\$ 80,498
Low Rent - Vaughn	Low Rent - Sandstone	22
Woodleaf	Administrative Service	<u>609,410</u>
		<u>\$ 689,930</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 916,622	\$ -	\$ (121,815)	\$ 794,807
Capital assets, being depreciated:				
Buildings	11,736,855	-	(2,677,139)	9,059,716
Equipment	626,228	102,288	(56,869)	671,647
Total capital assets, being depreciated	12,363,083	102,288	(2,734,008)	9,731,363
Less accumulated depreciation for:				
Buildings	\$ (7,184,879)	(263,333)	1,787,341	(5,660,871)
Equipment	(554,004)	(33,595)	56,869	(530,730)
Total accumulated depreciation	(7,738,883)	(296,928)	1,844,210	(6,191,601)
Total capital assets, being depreciated, net	4,624,200	(194,640)	(889,798)	3,539,762
Capital assets, net	\$ 5,540,822	\$ (194,640)	\$ (1,011,613)	\$ 4,334,569

Depreciation expense for the year ended June 30, 2013 was \$296,928.

6. 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. Repayments of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of the conduit debt obligation outstanding as of June 30, 2013 was \$2,203,000.

During the year ended June 30, 2004 the Authority issued \$3,300,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Washington Place Apartments, a 76 unit multifamily housing complex located in Hobbs, New Mexico. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. \$400,000 of these bonds were called for redemption on May 17, 2013 and \$2,900,000 on June 17, 2013.

7. **LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended June 30, 2013, were as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Woodleaf development	\$ 2,420,000	\$ -	\$ (75,000)	\$ 2,345,000	\$ 80,000
Colonial Hillcrest development	1,221,200	-	(1,221,200)	-	-
La Posada development	198,800	-	(198,800)	-	-
Casa Hermosa development	1,530,000	-	(1,530,000)	-	-
Rio Felix FmHA development	26,370	-	(4,344)	22,026	4,392
Low rent public housing	131,060	-	(131,060)	-	-
Line of Credit	273,327	-	(273,327)	-	-
Administrative services development	4,255	-	(4,255)	-	-
Administrative services development - RIII	95,258	-	-	95,258	95,258
Administrative services development - Canon copier	5,370	-	(3,449)	1,921	1,921
Totals	\$ 5,905,640	\$ -	\$(3,441,435)	\$ 2,464,205	\$ 181,571

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

Year Ended June 30,	Bond			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 80,000	\$ 164,231	\$ 244,231	101,571	200	101,771
2015	90,000	158,175	248,175	4,437	156	4,593
2016	95,000	151,584	246,584	4,481	111	4,592
2017	100,000	144,638	244,638	4,526	87	4,613
2018	110,000	137,156	247,156	4,190	42	4,232
2019 - 2023	670,000	553,613	1,223,613	-	-	-
2024 - 2028	1,200,000	258,994	1,458,994	-	-	-
Total	\$2,345,000	\$1,568,391	\$ 3,913,391	119,205	596	119,801

Below are the terms, amounts due, and maturity dates of the Authority's outstanding long term debt:

7.125% revenue bond payable, due in annual principal and semiannual interest installments of approximately \$245,000 with a maturity date of December 2027, secured by pledged revenues from the Woodleaf Development and assets held by the bond trustee as established by the bond indenture.	\$ 2,345,000
1% mortgage payable, due in monthly principal and interest installments of \$211 with a maturity date of May 2019, secured by real estate.	12,132
1% mortgage payable, due in monthly principal and interest installments of \$1,721 with a maturity date of May 2019, secured by real estate.	9,894
14.50% note payable, due in monthly principal and interest installments of \$317 with a maturity date of December 2013, secured by office equipment.	1,921
0% interest note payable due to Region III with no stated maturity. Debt was incurred in Region IV in prior years and absorbed by the Authority as part of the combination of the two offices. The Authority is currently awaiting guidance from the State on how to properly dispose of this debt.	<u>95,258</u>
	<u>\$ 2,464,205</u>

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above. As of June 30, 2013, 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 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, 2013 was \$79,782, of which \$633 is shown as short-term relating to the current year's graduates of the program.

8. COMPENSATED ABSENCES

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

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	<u>\$ 1,264</u>	<u>\$ 3,642</u>	<u>\$ (3,858)</u>	<u>\$ 1,048</u>	<u>\$ 1,048</u>

9. RESTRICTED NET POSITION

As of June 30, 2013, restricted net position consisted of \$345,416 in HUD reserves.

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers compensation; 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.

11. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy—Plan members are 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. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$57,017, \$55,441 and \$65,162, respectively, which equal the amount of required contributions for each fiscal year.

12. POST EMPLOYMENT HEALTH CARE BENEFITS

The Retiree Health Care Act (Chapter 10, Article 76 NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. The Public Housing Authority has elected not to participate in the post-employment health insurance plan and there is no required contributions for fiscal year ending June 30, 2013.

13. ECONOMIC DEPENDENCY

Substantially all revenues of the Public Housing Authority are received from programs directed by 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.

14. CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

15. 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, 2013:

Woodleaf Development	\$	5,998
Rio Felix FmHA Development Fund	\$	802
Low Rent Public Housing Program	\$	3,724
Administrative Services Department	\$	1,188

B. Deficit net position of individual funds. One fund reflected a deficit net position as of June 30, 2013:

Administrative Services Development	\$	259,797
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16. NET POSITION RESTATEMENT

The Authority's net position has been adjusted for an error in previously issued financial statements relating to the improper accounting for unearned grant proceeds. The adjustment to beginning net position for the Authority was \$1,355,303.

SUPPLEMENTARY INFORMATION

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

Statement A-1

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - WOODLEAF DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 1,060,976	\$ 1,102,628	\$ 1,102,896	\$ 268
Other tenant revenue	19,493	19,226	19,225	(1)
Total revenues	1,080,469	1,121,854	1,122,121	267
OPERATING EXPENSES:				
Personnel expenses	115,887	216,428	216,428	-
Contractual services	38,010	38,111	38,111	-
Other operating expenses	33,951	176,099	190,741	(14,642)
Repairs and maintenance	263,926	222,482	216,736	5,746
Supplies and materials	34,097	40,202	40,015	187
Utilities	173,207	189,285	185,758	3,527
Management and administrative fees	71,955	74,412	74,412	-
Depreciation and amortization	9,779	95,924	96,740	(816)
Total operating expenses	740,812	1,052,943	1,058,941	(5,998)
Operating income (loss)	339,657	68,911	63,180	(5,731)
Non-operating revenue (expenses):				
Interest income	47	7	7	-
Interest expense	(174,919)	(169,753)	(169,753)	-
Total non-operating revenues (expenses)	(174,872)	(169,746)	(169,746)	-
Income (loss) before transfers	164,785	(100,835)	(106,566)	(5,731)
Transfers in	-	50,000	50,000	-
Change in net position	164,785	(50,835)	(56,566)	(5,731)
NET POSITION, BEGINNING OF YEAR	277,649	277,649	277,649	-
NET POSITION, END OF YEAR	\$ 442,434	\$ 226,814	\$ 221,083	\$ (5,731)

See accompanying notes to financial statements.

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

Statement A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - COLONIAL HILLCREST
DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 142,720	\$ 116,713	\$ 116,713	\$ -
Other tenant revenue	13,470	10,431	10,431	-
Total revenues	156,190	127,144	127,144	-
OPERATING EXPENSES:				
Personnel expenses	134,844	113,716	113,716	-
Contractual services	48,864	26,135	25,931	204
Other operating expenses	26,117	95,982	95,747	235
Repairs and maintenance	35,675	39,087	38,814	273
Supplies and materials	21,866	21,765	21,243	522
Utilities	117,145	115,886	115,886	-
Management and administrative fees	44,569	41,995	41,995	-
Depreciation and amortization	8,040	32,775	32,775	-
Total operating expenses	437,120	487,341	486,107	1,234
Operating income (loss)	(280,930)	(360,197)	(358,963)	1,234
Non-operating revenue (expenses):				
HUD operating subsidy	350,515	371,532	371,532	-
Interest expense	(91,257)	(88,605)	(88,605)	-
Gain/loss sale of assets	-	201,670	201,670	-
Total non-operating revenues (expenses)	259,258	484,597	484,597	-
Change in net position	(21,672)	124,400	125,634	1,234
NET POSITION, BEGINNING OF YEAR	(117,494)	(117,494)	(117,494)	-
NET POSITION, END OF YEAR	\$ (139,166)	\$ 6,906	\$ 8,140	\$ 1,234

See accompanying notes to financial statements.

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

Statement A-3

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - LA POSADA DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 31,041	\$ 17,942	\$ 17,942	\$ -
Other tenant revenue	2,798	1,429	1,429	-
Total revenues	33,839	19,371	19,371	-
OPERATING EXPENSES:				
Personnel expenses	31,617	11,687	11,687	-
Contractual services	25,810	22,107	22,107	-
Other operating expenses	5,659	(17,790)	(17,790)	-
Repairs and maintenance	5,845	3,330	3,330	-
Supplies and materials	4,414	3,464	3,464	-
Utilities	17,115	13,840	13,840	-
Management and administrative fees	8,211	7,225	7,225	-
Depreciation and amortization	1,309	4,158	4,158	-
Total operating expenses	99,980	48,021	48,021	-
Operating income (loss)	(66,141)	(28,650)	(28,650)	-
Non-operating revenue (expenses):				
HUD operating subsidy	61,374	61,955	61,955	-
Interest income	1	1	2	1
Interest expense	(14,857)	(14,425)	(14,425)	-
Gain/loss sale of assets	-	50,113	50,113	-
Total non-operating revenues (expenses)	46,518	97,644	97,645	1
Change in net position	(19,623)	68,994	68,995	1
NET POSITION, BEGINNING OF YEAR	(68,935)	(68,935)	(68,935)	-
NET POSITION, END OF YEAR	\$ (88,558)	\$ 59	\$ 60	\$ 1

See accompanying notes to financial statements.

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

Statement A-4

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - CASA HERMOSA DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 280,994	\$ 134,682	\$ 134,682	\$ -
Other tenant revenue	10,569	3,683	3,683	-
Total revenues	291,563	138,365	138,365	-
OPERATING EXPENSES:				
Personnel expenses	167,519	95,552	95,552	-
Contractual services	35,756	30,860	30,860	-
Other operating expenses	63,505	49,552	49,552	-
Repairs and maintenance	24,523	9,465	9,465	-
Supplies and materials	11,208	2,292	2,292	-
Utilities	138,743	73,568	73,568	-
Management and administrative fees	22,092	10,870	10,870	-
Depreciation and amortization	8,085	15,133	15,133	-
Total operating expenses	471,431	287,292	287,292	-
Operating income (loss)	(179,868)	(148,927)	(148,927)	-
Non-operating revenue (expenses):				
Interest income	1	-	-	-
Gain/loss sale of assets	-	2,048,256	2,048,256	-
Total non-operating revenues (expenses)	1	2,048,256	2,048,256	-
Change in net position	(179,867)	1,899,329	1,899,329	-
NET POSITION, BEGINNING OF YEAR	(1,899,329)	(1,899,329)	(1,899,329)	-
NET POSITION, END OF YEAR	\$ (2,079,196)	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

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

Statement A-5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - RIO FELIX FmHA DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 37,885	\$ 33,903	\$ 33,903	\$ -
Other tenant revenue	1,425	2,282	2,282	-
Total revenues	39,310	36,185	36,185	-
OPERATING EXPENSES:				
Personnel expenses	16,023	35,691	35,691	-
Contractual services	7,747	11,766	11,800	(34)
Other operating expenses	2,226	2,099	2,099	-
Repairs and maintenance	25,720	4,215	4,215	-
Supplies and materials	5,083	4,507	4,507	-
Utilities	22,373	62,902	63,670	(768)
Management and administrative fees	5,400	5,400	5,400	-
Depreciation and amortization	-	15,095	15,095	-
Total operating expenses	84,572	141,675	142,477	(802)
Operating income (loss)	(45,262)	(105,490)	(106,292)	(802)
Non-operating revenue (expenses):				
HUD operating subsidy	26,175	34,982	34,982	-
Interest expense	(285)	(248)	(248)	-
Total non-operating revenues (expenses)	25,890	34,734	34,734	-
Income (loss) before transfers:	(19,372)	(70,756)	(71,558)	(802)
Transfers in	-	5,480	5,480	-
Change in net position	(19,372)	(65,276)	(66,078)	(802)
NET POSITION, BEGINNING OF YEAR	367,666	367,666	367,666	-
NET POSITION, END OF YEAR	\$ 348,294	\$ 302,390	\$ 301,588	\$ (802)

See accompanying notes to financial statements.

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

Statement A-6

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - LOW RENT PUBLIC HOUSING
PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 132,969	\$ 133,626	\$ 133,553	\$ (73)
Other tenant revenue	7,765	5,321	24,182	18,861
Total revenues	140,734	138,947	157,735	18,788
OPERATING EXPENSES:				
Personnel expenses	158,493	174,440	174,178	262
Contractual services	27,152	29,171	29,154	17
Other operating expenses	89,387	33,659	33,946	(287)
Repairs and maintenance	35,842	41,662	43,524	(1,862)
Supplies and materials	119,399	188,297	188,111	186
Utilities	80,552	56,517	57,730	(1,213)
Management and administrative fees	60,900	59,515	59,515	-
Depreciation and amortization	-	126,725	127,552	(827)
Total operating expenses	571,725	709,986	713,710	(3,724)
Operating income (loss)	(430,991)	(571,039)	(555,975)	15,064
Non-operating revenue (expenses):				
HUD operating subsidy	266,278	241,627	241,627	-
Interest income	53	50	50	-
Interest expense	(10,014)	(7,468)	(7,468)	-
Total non-operating revenues (expenses)	256,317	234,209	234,209	-
Income (loss) before capital grants	(174,674)	(336,830)	(321,766)	15,064
Capital grants	290,598	252,695	252,695	-
Change in net position	115,924	(84,135)	(69,071)	15,064
NET POSITION, BEGINNING OF YEAR	2,462,196	2,462,196	2,462,196	-
NET POSITION, END OF YEAR	\$ 2,578,120	\$ 2,378,061	\$ 2,393,125	\$ 15,064

See accompanying notes to financial statements.

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

Statement A-7

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - SECTION 8 HOUSING PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Other tenant revenue	\$ 56,562	\$ 8,424	\$ 8,424	\$ -
OPERATING EXPENSES:				
Other operating expenses	-	300	300	-
Management and administrative fees	620,332	619,845	619,845	-
Total operating expenses	620,332	620,145	620,145	-
Operating income (loss)	(563,770)	(611,721)	(611,721)	-
Non-operating revenue (expenses):				
HUD operating subsidy	4,130,607	4,175,366	5,364,018	1,188,652
Housing assistance	(4,990,249)	(4,645,939)	(4,744,173)	(98,234)
Total non-operating revenues (expenses)	(859,642)	(470,573)	619,845	1,090,418
Change in net position	(1,423,412)	(1,082,294)	8,124	1,090,418
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	1,347,179	1,347,179	1,347,179	-
NET POSITION, RESTATEMENT	(1,355,303)	(1,355,303)	(1,355,303)	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	(8,124)	(8,124)	(8,124)	-
NET POSITION, END OF YEAR	\$ (1,431,536)	\$ (1,090,418)	\$ -	\$ 1,090,418

See accompanying notes to financial statements.

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

Statement A-8

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - ADMINISTRATIVE SERVICES
DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Tenant charges	\$ 10,191	\$ 3,507	\$ 3,507	\$ -
Management and administrative fees	833,458	819,262	819,262	-
Other tenant revenue	46,652	103,858	103,858	-
Total revenues	890,301	926,627	926,627	-
OPERATING EXPENSES:				
Personnel expenses	659,542	825,517	824,483	1,034
Contractual services	87,035	83,346	85,073	(1,727)
Other operating expenses	75,963	846,347	847,907	(1,560)
Repairs and maintenance	30,494	30,818	29,920	898
Supplies and materials	21,058	25,445	24,824	621
Utilities	13,820	13,187	12,933	254
Depreciation and amortization	-	26,484	27,192	(708)
Total operating expenses	887,912	1,851,144	1,852,332	(1,188)
Operating income (loss)	2,389	(924,517)	(925,705)	(1,188)
Non-operating revenue (expenses):				
Interest expense	(2,389)	(14,905)	(16,131)	(1,226)
Gain/loss sale of assets	-	831,309	831,309	-
Total non-operating revenues (expenses)	(2,389)	816,404	815,178	(1,226)
Income (loss) before transfers:	-	(108,113)	(110,527)	(2,414)
Transfers out	-	(55,480)	(55,480)	-
Change in net position	-	(163,593)	(166,007)	(2,414)
NET POSITION, BEGINNING OF YEAR	(93,790)	(93,790)	(93,790)	-
NET POSITION, END OF YEAR	\$ (93,790)	\$ (257,383)	\$ (259,797)	\$ (2,414)

See accompanying notes to financial statements.

SUPPORTING SCHEDULES

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

Schedule I

**SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2013**

<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 II

**SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2013**

Account Name	Wells Fargo Bank	Wells Fargo Investment	Wells Fargo Bank	Total
Checking accounts:				
Clovis Security Deposits	\$ 250	\$ -	\$ -	\$ 250
Administrative Services General	56,518	-	-	56,518
Administrative Services Development	148,825	-	-	148,825
Colonial General	8,608	-	-	8,608
La Posada General	60	-	-	60
Woodleaf Development General	64,252	-	-	64,252
Woodleaf Security Deposits	46,991	-	-	46,991
Rio Felix General	1,944	-	-	1,944
Rio Felix Security Deposits	3,092	-	-	3,092
Rio Felix Tax and Insurance	547	-	-	547
Rio Felix Reserve	39,233	-	-	39,233
SSM General	85,788	-	-	85,788
SSM Security Deposits	17,052	-	-	17,052
Vaughn General	1,310	-	-	1,310
Vaughn Security Deposits	2,197	-	-	2,197
Casa Security Deposits	-	-	-	-
Section 8 Housing Vouchers	285,230	-	-	285,230
Section 8	86,314	-	-	86,314
Money market accounts:				
Woodleaf Repaid Fund	-	43,650	-	43,650
Woodleaf Debt Service Fund	-	251,544	-	251,544
Woodleaf Expense Fund	-	1,269	-	1,269
Woodleaf Surplus Fund	-	7,453	-	7,453
Woodleaf Bond Fund	-	41,250	-	41,250
Certificate of Deposit - Sandstone	-	-	96,353	96,353
Total amount of deposit in bank	848,211	345,166	96,353	1,289,730
Reconciling items:				
Less: outstanding checks per bank reconciliation	(173,825)	-	-	(173,825)
Total reconciling items	(173,825)	-	-	(173,825)
Reconciled balance	\$ 674,386	\$ 345,166	\$ 96,353	\$ 1,115,905
Plus: petty cash				1,487
Less: investments				(96,353)
Less: restricted cash and cash equivalents				(494,531)
				\$ 526,508

**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, 2013**

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 209,928
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>244,231</u>
Debt Service Ratio	<u>0.86</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	\$ 1,172,129
Total operating expenses and interest expense	(1,228,694)
Plus: Recorded bond amortization and depreciation expense	96,740
Interest expense related to 1997A Series bonds	<u>169,753</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>\$ 209,928</u>

Debt Service for the year ended June 30, 2013:

Principle reduction on 1997A Series bonds during the year ended June 30, 2013	\$ 80,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2013	<u>164,231</u>
<i>Maximum Annual Debt Services as defined in the bond indenture</i>	<u>\$ 244,231</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2013, ("the computation") is not calculated on 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 IV

**FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195
111	Cash - unrestricted	\$ 17,120	\$ -	\$ 270,152	\$ 8,200
114	Cash - tenant security deposits	19,250	-	-	-
	Cash - replacement reserve/escrow deposits	-	-	79,782	-
100	Total cash	36,370	-	349,934	8,200
126	Accounts receivable - tenants - dwelling rents	9,368	-	-	-
126	Allowance for doubtful accounts- dwelling rents	-	-	-	-
120	Total receivables, net	9,368	-	-	-
131	Investments - unrestricted	96,353	-	-	-
132	Investments - restricted	-	-	-	-
144	Interprogram - due from	22	-	-	-
130	Total investments	96,375	-	-	-
150	Total current assets	142,113	-	349,934	8,200
161	Land	335,734	-	-	-
162	Buildings	4,938,649	-	-	-
163	Furniture, equipment, & machinery - dwellings	159,478	-	-	-
166	Accumulated depreciation	(3,154,422)	-	-	-
160	Total fixed assets, net	2,279,439	-	-	-
174	Other assets	-	-	-	-
180	Total non current assets	2,279,439	-	-	-
190	Total assets	\$ 2,421,552	\$ -	\$ 349,934	\$ 8,200
312	Accounts payable <= 90 days	\$ 3,381	\$ -	\$ -	\$ -
321	Accrued wage/payroll tax payable	3,638	-	-	-
322	Accrued compensated absences - current portion	121	-	-	-
325	Accrued interest payable	-	-	-	-
341	Tenant security deposits	19,251	-	-	-
342	Unearned revenues	2,014	-	270,152	-
343	Current portion of long term debt - capital projects	-	-	-	-
344	Current portion of long term debt - operating borrowings	-	-	-	-
345	Other current liabilities	-	-	633	-
347	Interprogram due to	22	-	-	-
310	Total current liabilities	28,427	-	270,785	-
351	Long term debt, net of current - capital projects	-	-	-	-
353	Noncurrent liabilities - other	-	-	79,149	-
350	Total noncurrent liabilities	-	-	79,149	-
300	Total liabilities	28,427	-	349,934	-
508.1	Net investment in capital assets	2,279,439	-	-	-
509.3	Restricted	-	-	-	-
512.1	Unrestricted	113,686	-	-	8,200
513	Total equity/net position	2,393,125	-	-	8,200
600	Total liabilities and equity/net position	\$ 2,421,552	\$ -	\$ 349,934	\$ 8,200

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

Schedule IV

**FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
111	Cash - unrestricted	\$ 39,781	\$ 56,354	\$ 134,901	\$ 526,508
114	Cash - tenant security deposits	3,092	46,991	250	69,583
	Cash - replacement reserve/escrow deposits	-	-	-	79,782
100	Total cash	42,873	103,345	135,151	675,873
126	Accounts receivable - tenants - dwelling rents	743	15,946	-	26,057
126	Allowance for doubtful accounts- dwelling rents	-	(15,238)	-	(15,238)
120	Total receivables, net	743	708	-	10,819
131	Investments - unrestricted	-	-	-	96,353
132	Investments - restricted	-	345,166	-	345,166
144	Interprogram - due from	-	609,410	80,498	689,930
130	Total investments	-	954,576	80,498	1,131,449
150	Total current assets	43,616	1,058,629	215,649	1,818,141
161	Land	169,050	259,919	30,104	794,807
162	Buildings	618,248	3,296,666	206,154	9,059,717
163	Furniture, equipment, & machinery - dwellings	10,008	62,791	439,371	671,648
166	Accumulated depreciation	(432,288)	(2,180,500)	(424,393)	(6,191,603)
160	Total fixed assets, net	365,018	1,438,876	251,236	4,334,569
174	Other assets	-	141,383	-	141,383
180	Total non current assets	365,018	1,580,259	251,236	4,475,952
190	Total assets	\$ 408,634	\$ 2,638,888	\$ 466,885	\$ 6,294,093
312	Accounts payable <= 90 days	\$ 448	\$ 1,432	\$ 4,326	\$ 9,587
321	Accrued wage/payroll tax payable	536	4,571	15,027	23,772
322	Accrued compensated absences - current portion	22	165	740	1,048
325	Accrued interest payable	-	7,392	-	7,392
341	Tenant security deposits	3,091	46,991	-	69,333
342	Unearned revenues	425	12,254	-	284,845
343	Current portion of long term debt - capital projects	4,392	80,000	-	84,392
	Current portion of long term debt - operating	-	-	-	-
344	borrowings	-	-	97,179	97,179
345	Other current liabilities	-	-	-	633
347	Interprogram due to	80,498	-	609,410	689,930
310	Total current liabilities	89,412	152,805	726,682	1,268,111
351	Long term debt, net of current - capital projects	17,634	2,265,000	-	2,282,634
353	Noncurrent liabilities - other	-	-	-	79,149
350	Total noncurrent liabilities	17,634	2,265,000	-	2,361,783
300	Total liabilities	107,046	2,417,805	726,682	3,629,894
508.1	Net investment in capital assets	342,992	(906,124)	251,236	1,967,543
509.3	Restricted	-	345,166	250	345,416
512.1	Unrestricted	(41,404)	782,041	(511,283)	351,240
513	Total equity/net position	301,588	221,083	(259,797)	2,664,199
600	Total liabilities and equity/net position	\$ 408,634	\$ 2,638,888	\$ 466,885	\$ 6,294,093

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

Schedule IV

**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195
703	Net tenant rental revenue	\$ 133,553	\$ -	\$ -	\$ 269,337
704	Tenant revenue - other	5,321	-	-	15,542
706	Total tenant revenue	138,874	-	-	284,879
706	HUD PHA operating grants	241,627	-	5,364,018	433,487
706,1	Capital grants	123,311	129,384	-	-
708	Other governmental grants	-	-	-	-
711	Investment income - unrestricted	50	-	-	8
714	Fraud recovery	-	-	8,424	-
715	Other revenue	18,861	-	-	2,300,039
700	Total revenue	522,723	129,384	5,372,442	3,018,413
911	Administrative salaries	29,491	-	-	41,530
912	Auditing fees	4,464	1,500	-	10,092
913	Outside management fees	59,515	-	619,845	60,089
914	Compensated absences	5,323	-	-	8,494
915	Employee benefit contributions - administrative	48,495	-	-	36,120
916	Other operating - administrative	10,033	3,806	-	37,220
	Subtotal	157,321	5,306	619,845	193,545
931	Water	8,614	-	-	90,049
932	Electricity	11,684	-	-	40,868
933	Gas	24,075	-	-	24,624
938	Telephone	9,807	-	-	10,215
	Subtotal	54,180	-	-	165,756
941	Ordinary maintenance & operation - labor	68,441	-	-	95,891
942	Ordinary maintenance & operation - materials & other	131,697	124,078	300	195,825
	Subtotal	200,138	124,078	300	291,716
961	Insurance premiums	17,771	-	-	34,337
962	Other general expenses	27,363	-	-	83,997
967	Interest expense	7,468	-	-	103,038
	Subtotal	52,602	-	-	221,372
969	Total operating expenses	464,241	129,384	620,145	872,389
970	Excess operating revenue over operating expenses	58,482	-	4,752,297	2,146,024
973	Housing assistance payments	-	-	4,744,173	-
974	Depreciation expense	127,553	-	-	52,066
900	Total expenses	591,794	129,384	5,364,318	924,455
10010	Transfers in	26,018	-	-	-
10020	Transfers out	(26,018)	-	-	-
10100	Total other financing sources (uses)	-	-	-	-
1000	Excess (deficiency) of total revenue over total expenses	(69,071)	-	8,124	2,093,958
1103	Beginning equity	2,462,196	-	1,347,179	(2,085,758)
1104	Prior period adjustment	-	-	(1,355,303)	-
	Ending equity (deficit)	\$ 2,393,125	\$ -	\$ -	\$ 8,200

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

Schedule IV

**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
703	Net tenant rental revenue	\$ 33,903	\$ 1,102,896	\$ 3,507	\$ 1,543,196
704	Tenant revenue - other	2,282	19,225	-	42,370
706	Total tenant revenue	36,185	1,122,121	3,507	1,585,566
706	HUD PHA operating grants	-	-	-	6,039,132
706.1	Capital grants	-	-	-	252,695
708	Other governmental grants	34,982	-	-	34,982
711	Investment income - unrestricted	-	7	-	65
714	Fraud recovery	-	-	7,652	16,076
715	Other revenue	-	-	1,691,296	4,010,196
700	Total revenue	71,167	1,122,128	1,702,455	11,938,712
911	Administrative salaries	(420)	61,410	552,730	684,741
912	Auditing fees	1,147	8,716	11,469	37,388
913	Outside management fees	5,400	74,412	-	819,261
914	Compensated absences	949	4,549	42,649	61,964
915	Employee benefit contributions - administrative	9,291	37,379	193,108	324,393
916	Other operating - administrative	1,321	4,866	37,752	94,998
	Subtotal	17,688	191,332	837,708	2,022,745
931	Water	15,881	42,426	2,250	159,220
932	Electricity	2,727	24,045	10,683	90,007
933	Gas	605	10,076	-	59,380
938	Telephone	1,659	23,885	34,809	80,375
	Subtotal	20,872	100,432	47,742	388,982
941	Ordinary maintenance & operation - labor	25,368	69,381	-	259,081
942	Ordinary maintenance & operation - materials & other	9,162	423,608	810,307	1,694,977
	Subtotal	34,530	492,989	810,307	1,954,058
961	Insurance premiums	9,835	25,120	37,907	124,970
962	Other general expenses	44,457	152,328	35,996	344,141
967	Interest expense	248	169,753	16,130	296,637
	Subtotal	54,540	347,201	90,033	765,748
969	Total operating expenses	127,630	1,131,954	1,785,790	5,131,533
970	Excess operating revenue over operating expenses	(56,463)	(9,826)	(83,335)	6,807,179
973	Housing assistance payments	-	-	-	4,744,173
974	Depreciation expense	15,095	96,740	27,192	318,646
900	Total expenses	142,725	1,228,694	1,812,982	10,194,352
10010	Transfers in	5,480	50,000	-	81,498
10020	Transfers out	-	-	(55,480)	(81,498)
10100	Total other financing sources (uses)	5,480	50,000	(55,480)	-
1000	Excess (deficiency) of operating revenue over operating expenses	(66,078)	(56,566)	(166,007)	1,744,360
1103	Beginning equity	367,666	277,649	(93,790)	2,275,142
1104	Prior period adjustment	-	-	-	(1,355,303)
	Ending equity (deficit)	\$ 301,588	\$ 221,083	\$ (259,797)	\$ 2,664,199

COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S 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
and the Board of Commissioners of the
Eastern Regional Housing Authority
Roswell, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Eastern Regional Housing Authority, (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2013-1, 2007-4 and 2007-2.

Compliance and Other Matters

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

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Stieckler & Prieto, LLP

El Paso, Texas
September 13, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Hector H. Balderas, New Mexico State Auditor
and the Board of Commissioners of the
Eastern Regional Housing Authority
Roswell, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Eastern Regional Housing Authority's (the "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, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Strickler & Riets, LLP

El Paso, Texas
September 13, 2013

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public and Indian Housing	14.850	\$ 241,627
Section 8 Housing Choice Vouchers	14.871	5,364,018
Section 8 Housing Assistance Payment Program - Special Allocations:		
Colonial Hillcrest Development	14.195	371,532
La Posada Development	14.195	61,955
Subtotal Section 8 Housing Assistance Payment Program		433,487
Public Housing Capital Fund	14.872	252,695
Total U.S. Department of Housing and Urban Development		6,291,827
U.S. Department of Agriculture:		
Direct Programs:		
Farm Labor Housing Loans and Grants	10.405	34,982
Total U.S. Department of Agriculture		34,982
Total Expenditures of Federal Awards		\$ 6,326,809
Non-cash assistance		\$ 0

See accompanying auditor's report and notes to schedule of expenditures of federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eastern Regional Housing Authority, (the "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. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 6,326,809
Government subsidies revenue	\$ 6,074,114
Capital grants	<u>252,695</u>
Total grants	<u>\$ 6,326,809</u>

3. SUB-RECIPIENTS

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

4. INSURANCE REQUIREMENTS

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards.

5. LOANS OR LOAN GUARANTEES

There were no loans or loan guarantees outstanding at year end related to the federal and state awards disclosed on the Schedule of Expenditures of Federal Awards.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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14.871	Section 8 Housing Choice Vouchers
--------	-----------------------------------

Dollar threshold used to distinguish between type A and type B programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee? Yes X No

B. FINDINGS - FINANCIAL STATEMENT AUDIT:**2013-1 Pledged Collateral Less Than State Requirements (Significant Deficiency)****Condition**

As of January 1, 2013 the Authority's bank balances exceeded the state requirements for pledged collateral as follows:

Bank balance	\$ 1,289,730
FDIC Insurance	<u>500,000</u>
Uninsured public funds	789,730
50% pledged collateral requirement per statute	394,865
Pledged collateral	<u>-</u>
Pledged collateral under the requirement	<u>\$ 394,865</u>

Criteria

Per Section 6-10-16, NMSA 1978, pledged collateral is required to be 50% of deposits in banks.

Cause

The Authority was not aware that the unlimited insurance coverage for noninterest-bearing transactions accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012.

Effect

Noncompliance with state law.

Recommendation

Closely monitor bank deposits and maintain required pledged collateral.

Management's Response

The Authority has corrected the Pledged Collateral error. This was an oversight on our part. Double checks on Pledged Collateral have been put in place to assure compliance.

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

Condition

The following funds exceeded approved budgetary Authority for the year ended June 30, 2013:

Woodleaf Development Fund	\$	5,998
Rio Felix FmHA Development Fund	\$	802
Low Rent Public Housing Program	\$	3,724
Administrative Services Department	\$	1,188

Criteria

New Mexico State Statue 6-6-6 NMSA 1978 requires that spending does not exceed budgeted amounts unless approved budget adjustments are made.

Effect

The Authority is not in compliance with the requirements of NMSA 6-6-6 and there is increased risk that unauthorized transactions could occur.

Cause

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

Recommendation

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

Agency Response

The Authority will monitor the budget on a monthly basis and revise on a quarterly basis to make adjustments if required in an attempt to eliminate expenditures in excess of budget.

2007-2 Violation of Debt Covenant (Significant Deficiency)

Condition

The Authority's debt service ratio is .86 for Woodleaf Development. The Authority did not comply with the debt covenants related to Woodleaf Development.

Criteria

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

Effect

If the ratio is not brought into compliance with the debt service covenants, the loan could be declared in default and become due.

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.

Recommendation

Revenues should be increased and expenses should be decreased at Woodleaf Development.

Agency Response

Woodleaf Apartments wrote off significant uncollectable debt, these losses caused a decline in the debt service ratio. Woodleaf Apartments are on track to exceed debt service ratio this fiscal year. No further losses of this level are anticipated.

C. FINDINGS - FEDERAL AWARDS

No findings related to Federal Awards noted.

D. STATUS OF PRIOR YEAR FINDINGS

2007-2	Violation of Debt Covenant	Repeat
2007-4	Expenditures in Excess of Budget Amounts	Repeat
2008-4	Deficit Budgeting	Resolved
2011-4	Reconciliation of Tenant Deposits	Resolved
2011-5	Budget Submission	Resolved

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2013**

An exit conference was conducted on September 20, 2013 at the Authority's offices with the following individuals in attendance:

Eastern Regional Housing Authority

Chris Herbert
Irene Andazola
Olivia Cruz
Allen B Sparks

Executive Director
Deputy Director
Finance Director
Vice-Chairperson

Strickler & Prieto, LLP

Phillip Strickler
Adriana Sanabria

Audit Partner
In-Charge

Financial Statement Preparation

The Authority's independent public accountants prepared the accompanying financial statements; however, the Authority is responsible for the financial statement content.

