

**EASTERN REGIONAL HOUSING AUTHORITY
ROSWELL, NM
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014**

**HARSHWAL & COMPANY LLP
Certified Public Accountants
6739 Academy Road NE, Suite 130
Albuquerque, NM 87109
(505) 814-1201**

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2014**

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
OFFICIAL ROSTER		1
FINANCIAL SECTION		
INDEPENDENT AUDITOR’S REPORT		2
BASIC FINANCIAL STATEMENT:		
Statement of Net Position - Proprietary Funds	A-1	6
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	A-2	11
Statement of Cash Flows - Proprietary Funds	A-3	14
NOTES TO THE FINANCIAL STATEMENTS		22
SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual:		
Woodleaf Development Fund	A-1	39
Colonial Hillcrest Development Fund	A-2	40
La Posada Development Fund	A-3	41
Rio Felix FmHA Development Fund	A-4	42
Low Rent Public Housing Program Fund	A-5	43
Section 8 Housing Program Fund	A-6	44
Administrative Services Department Fund	A-7	45
SUPPORTING SCHEDULES		
Collateral Pledged by Depository for Public Funds	I	47
Schedule of Deposit and Investment Accounts	II	48
Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio RHA Housing Development Corporation (Woodleaf Development)	III	49
Financial Data Schedule	IV	50

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2014**

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditor's Report		67
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 Independent Auditor's Report		69
Schedule of Expenditures of Federal Awards	V	71
Schedule of Findings and Questioned Costs	VI	72
Prior Year Audit Findings	VII	76
OTHER DISCLOSURES		77

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2014**

BOARD OF COMMISSIONERS

Allen B Sparks	Chairperson
Michael O'Hara	Vice Chairperson
Mary Beth Fowler	Secretary
Waymon L. Dowdy	Sr. Treasurer
Ella Turner	Commissioner
Bill Birdwell	Commissioner
Dan Stoddard	Board Member
Louisa Madrid	Board Member

EXECUTIVE STAFF

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

INDEPENDENT AUDITORS' 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, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the 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, as of and for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2014, 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, 2014 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 26, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

HARSHWAL & COMPANY LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
September 26, 2014

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-1

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	\$
Investments		
Accounts receivable		
Due from other funds	<u> </u>	<u> </u>
Total current assets	<u> 0</u>	<u> 0</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Nondepreciable capital assets		
Depreciable capital assets, net	<u> </u>	<u> </u>
Total noncurrent assets	<u> 0</u>	<u> 0</u>
Total assets	<u> 0</u>	<u> 0</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable		
Accrued liabilities		
Accrued Interest		
Due to other funds		
Compensated Absences		
Unearned revenues		
Current position of long term debts		
Current portion of escrow funds held for others	<u> </u>	<u> </u>
Total current liabilities (payable from current assets)	<u> 0</u>	<u> 0</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u> </u>	<u> </u>
Total current liabilities (payable from restricted assets)	<u> 0</u>	<u> 0</u>
Noncurrent liabilities:		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u> </u>	<u> </u>
Total noncurrent liabilities	<u> 0</u>	<u> 0</u>
Total liabilities	<u> 0</u>	<u> 0</u>
NET POSITION		
Net investment in capital assets		
Restricted	<u> </u>	<u> </u>
Total net position	<u> 0</u>	<u> 0</u>
Total liabilities and fund equity	<u>\$ 0</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-1

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56,213	\$ 51,794
Investments		
Accounts receivable	655	462
Due from other funds	<u>731,565</u>	<u> </u>
Total current assets	<u>788,433</u>	<u>52,256</u>
Noncurrent assets:		
Restricted cash and cash equivalents	400,481	3,692
Nondepreciable capital assets	259,919	169,050
Depreciable capital assets, net	<u>1,091,997</u>	<u>180,872</u>
Total noncurrent assets	<u>1,752,397</u>	<u>353,614</u>
Total assets	<u>2,540,830</u>	<u>405,870</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	325	205
Accrued liabilities	6,712	
Accrued Interest	7,392	
Due to other funds	1,057	114,700
Compensated Absences	81	
Unearned revenues	16,613	1,033
Current position of long term debts	90,000	4,437
Current portion of escrow funds held for others	<u> </u>	<u> </u>
Total current liabilities (payable from current assets)	<u>122,180</u>	<u>120,375</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>48,450</u>	<u>3,692</u>
Total current liabilities (payable from restricted assets)	<u>48,450</u>	<u>3,692</u>
Noncurrent liabilities:		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u>2,175,000</u>	<u>13,199</u>
Total noncurrent liabilities	<u>2,175,000</u>	<u>13,199</u>
Total liabilities	<u>2,345,630</u>	<u>137,266</u>
NET POSITION		
Net investment in capital assets	(913,084)	332,286
Restricted	<u>1,108,284</u>	<u>(63,682)</u>
Total net position	<u>195,200</u>	<u>268,604</u>
Total liabilities and fund equity	<u>\$ 2,540,830</u>	<u>\$ 405,870</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-1

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,447	\$ 262,273
Investments	96,377	
Accounts receivable	2,635	
Due from other funds		
Total current assets	<u>118,459</u>	<u>262,273</u>
Noncurrent assets:		
Restricted cash and cash equivalents	18,903	103,906
Nondepreciable capital assets	335,734	
Depreciable capital assets, net	<u>1,806,281</u>	
Total noncurrent assets	<u>2,160,918</u>	<u>103,906</u>
Total assets	<u>2,279,377</u>	<u>366,179</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	644	
Accrued liabilities	3,955	
Accrued Interest		
Due to other funds	1,631	
Compensated Absences	127	
Unearned revenues	1,906	281,965
Current position of long term debts		
Current portion of escrow funds held for others		<u>633</u>
Total current liabilities (payable from current assets)	<u>8,263</u>	<u>282,598</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>18,653</u>	
Total current liabilities (payable from restricted assets)	<u>18,653</u>	<u>0</u>
Noncurrent liabilities:		
Escrow funds held for others, long-term		103,273
Notes payable, net of current portion		
Total noncurrent liabilities	<u>0</u>	<u>103,273</u>
Total liabilities	<u>26,916</u>	<u>385,871</u>
NET POSITION		
Net investment in capital assets	2,142,015	
Restricted	<u>110,446</u>	<u>(19,692)</u>
Total net position	<u>2,252,461</u>	<u>(19,692)</u>
Total liabilities and fund equity	<u>\$ 2,279,377</u>	<u>\$ 366,179</u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit A-1

	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,152	\$
Investments		
Accounts receivable		
Due from other funds	<u>117,418</u>	<u>(731,565)</u>
Total current assets	<u>146,570</u>	<u>(731,565)</u>
Noncurrent assets:		
Restricted cash and cash equivalents	250	
Nondepreciable capital assets	30,104	
Depreciable capital assets, net	<u>204,604</u>	<u> </u>
Total noncurrent assets	<u>234,958</u>	<u>0</u>
Total assets	<u>381,528</u>	<u>(731,565)</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	5,882	
Accrued liabilities	16,385	
Accrued Interest		
Due to other funds	731,595	(1,057)
Compensated Absences	935	
Unearned revenues		
Current position of long term debts	95,258	
Current portion of escrow funds held for others	<u> </u>	<u> </u>
Total current liabilities (payable from current assets)	<u>850,055</u>	<u>(1,057)</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u> </u>	<u> </u>
Total current liabilities (payable from restricted assets)	<u>0</u>	<u>0</u>
Noncurrent liabilities:		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u> </u>	<u> </u>
Total noncurrent liabilities	<u>0</u>	<u>0</u>
Total liabilities	<u>850,055</u>	<u>(1,057)</u>
NET POSITION		
Net investment in capital assets	139,450	
Restricted	<u>(607,977)</u>	<u>(730,508)</u>
Total net position	<u>(468,527)</u>	<u>(730,508)</u>
Total liabilities and fund equity	<u>\$ 381,528</u>	<u>\$ (731,565)</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-1

	<u>Total</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 418,879
Investments	96,377
Accounts receivable	3,752
Due from other funds	117,418
Total current assets	636,426
Noncurrent assets:	
Restricted cash and cash equivalents	527,232
Nondepreciable capital assets	794,807
Depreciable capital assets, net	3,283,754
Total noncurrent assets	4,605,793
Total assets	5,242,219
LIABILITIES AND NET POSITION	
Current liabilities (payable from current assets):	
Accounts payable	7,056
Accrued liabilities	27,052
Accrued Interest	7,392
Due to other funds	847,926
Compensated Absences	1,143
Unearned revenues	301,517
Current position of long term debts	189,695
Current portion of escrow funds held for others	633
Total current liabilities (payable from current assets)	1,382,414
Current liabilities (payable from restricted assets):	
Tenant deposits	70,795
Total current liabilities (payable from restricted assets)	70,795
Noncurrent liabilities:	
Escrow funds held for others, long-term	103,273
Notes payable, net of current portion	2,188,199
Total noncurrent liabilities	2,291,472
Total liabilities	3,744,681
NET POSITION	
Net investment in capital assets	1,700,667
Restricted	(203,129)
Total net position	1,497,538
Total liabilities and fund equity	\$ 5,242,219

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit A-2

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>
<i>OPERATING REVENUES</i>			
Tenant charges	\$ 130	\$	\$ 1,151,330
Management and administrative fees			
Miscellaneous income			<u>24,074</u>
Total operating revenues	<u>130</u>	<u>0</u>	<u>1,175,404</u>
<i>OPERATING EXPENSES</i>			
Contractual services			87,903
Personnel expenses			218,621
Repairs and maintenance			169,884
Supplied and materials			46,654
Utilities			173,869
Ordinary maintenance and operations			34,065
Management and administrative fees			77,721
Depreciation			<u>86,961</u>
Total operating expenses	<u>0</u>	<u>0</u>	<u>895,678</u>
Operating income (loss)	<u>130</u>	<u>0</u>	<u>279,726</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Government subsidies			
Interest income			5
Housing assistance payments			
Interest expense			(164,231)
Gain (loss) on disposal of capital assets			
Total non-operating revenues (expenses)	<u>0</u>	<u>0</u>	<u>(164,226)</u>
Income (loss) before capital grants and transfers	130	0	115,500
Capital grants			
Transfer in			
Transfer (out)	<u>(8,270)</u>	<u>(60)</u>	
<i>CHANGE IN NET POSITION</i>	<u>(8,140)</u>	<u>(60)</u>	<u>115,500</u>
<i>NET POSITION, BEGINNING OF YEAR</i>	8,140	60	221,083
<i>RESTATEMENT</i>	<u>0</u>	<u>0</u>	<u>(141,383)</u>
<i>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</i>	<u>8,140</u>	<u>60</u>	<u>79,700</u>
<i>TOTAL NET POSITION, END OF YEAR</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 195,200</u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit A-2

	<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<i>OPERATING REVENUES</i>			
Tenant charges	\$ 22,289	\$ 144,444	\$
Management and administrative fees			
Miscellaneous income	<u>2,524</u>	<u>5,497</u>	<u>10,430</u>
Total operating revenues	<u>24,813</u>	<u>149,941</u>	<u>10,430</u>
<i>OPERATING EXPENSES</i>			
Contractual services	36,928	103,949	
Personnel expenses	10,049	213,125	
Repairs and maintenance	3,933	40,557	
Supplied and materials	1,866	131,793	
Utilities	23,622	64,927	
Ordinary maintenance and operations	5,575	27,171	
Management and administrative fees	5,400	61,244	605,290
Depreciation	<u>15,095</u>	<u>137,424</u>	
Total operating expenses	<u>102,468</u>	<u>780,190</u>	<u>605,290</u>
Operating income (loss)	<u>(77,655)</u>	<u>(630,249)</u>	<u>(594,860)</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Government subsidies	44,873	279,192	5,408,399
Interest income		24	
Housing assistance payments			(4,833,231)
Interest expense	(202)		
Gain (loss) on disposal of capital assets			
Total non-operating revenues (expenses)	<u>44,671</u>	<u>279,216</u>	<u>575,168</u>
Income (loss) before capital grants and transfers	(32,984)	(351,033)	(19,692)
Capital grants		210,369	
Transfer in			
Transfer (out)			
<i>CHANGE IN NET POSITION</i>	<u>(32,984)</u>	<u>(140,664)</u>	<u>(19,692)</u>
<i>NET POSITION, BEGINNING OF YEAR</i>	301,588	2,393,125	0
<i>RESTATEMENT</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</i>	<u>301,588</u>	<u>2,393,125</u>	<u>0</u>
<i>TOTAL NET POSITION, END OF YEAR</i>	<u>\$ 268,604</u>	<u>\$ 2,252,461</u>	<u>\$ (19,692)</u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit A-2

	Administrative Services Department	Intercompany Eliminations	<u>Total</u>
<i>OPERATING REVENUES</i>			
Tenant charges	\$ 4,000	\$	\$ 1,322,193
Management and administrative fees	749,655	(749,655)	
Miscellaneous income	<u>40,171</u>	<u></u>	<u>82,696</u>
Total operating revenues	<u>793,826</u>	<u>(749,655)</u>	<u>1,404,889</u>
<i>OPERATING EXPENSES</i>			
Contractual services	76,031		304,811
Personnel expenses	790,859		1,232,654
Repairs and maintenance	22,239		236,613
Supplied and materials	14,679		194,992
Utilities	15,170		277,588
Ordinary maintenance and operations	64,390		131,201
Management and administrative fees		(749,655)	
Depreciation	<u>29,943</u>	<u></u>	<u>269,423</u>
Total operating expenses	<u>1,013,311</u>	<u>(749,655)</u>	<u>2,647,282</u>
Operating income (loss)	<u>(219,485)</u>	<u>0</u>	<u>(1,242,393)</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Government subsidies			5,732,464
Interest income			29
Housing assistance payments			(4,833,231)
Interest expense	(103)		(164,536)
Gain (loss) on disposal of capital assets	<u>2,528</u>	<u></u>	<u>2,528</u>
Total non-operating revenues (expenses)	<u>2,425</u>	<u>0</u>	<u>737,254</u>
Income (loss) before capital grants and transfers	(217,060)	0	(505,139)
Capital grants			210,369
Transfer in	8,330		8,330
Transfer (out)	<u></u>	<u></u>	<u>(8,330)</u>
<i>CHANGE IN NET POSITION</i>	<u>(208,730)</u>	<u>0</u>	<u>(294,770)</u>
<i>NET POSITION, BEGINNING OF YEAR</i>	(259,797)	0	2,664,199
<i>RESTATEMENT</i>	<u>0</u>	<u>0</u>	<u>(141,383)</u>
<i>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</i>	<u>(259,797)</u>	<u>0</u>	<u>2,522,816</u>
<i>TOTAL NET POSITION, END OF YEAR</i>	<u>\$ (468,527)</u>	<u>\$ 0</u>	<u>\$ 2,228,046</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 130	\$
Payments to employees for services		
Payments to suppliers and contractors	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>130</u>	<u>0</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		
Receipts from intergovernmental HUD subsidy		
Transfers from (to) other funds	<u>(8,270)</u>	<u>(60)</u>
Net cash provided by (used in) non-capital and related financing activities	<u>(8,270)</u>	<u>(60)</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt		
Interest payments		
Purchase of capital assets		
Proceeds from capital assets	<u> </u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>0</u>	<u>0</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received		
Change in investments	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	<u>0</u>	<u>0</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	(8,140)	(60)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>8,140</u>	<u>60</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 1,053,302	\$ 25,094
Payments to employees for services	(216,563)	(10,607)
Payments to suppliers and contractors	<u>(584,330)</u>	<u>(42,156)</u>
Net cash provided by (used in) operating activities	<u>252,409</u>	<u>(27,669)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		
Receipts from intergovernmental HUD subsidy		44,874
Transfers from (to) other funds	<u> </u>	<u> </u>
Net cash provided by (used in) non-capital and related financing activities	<u>0</u>	<u>44,874</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt	(80,000)	(4,390)
Interest payments	(164,231)	(202)
Purchase of capital assets		
Proceeds from capital assets	<u> </u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>(244,231)</u>	<u>(4,592)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	5	
Change in investments	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	<u>5</u>	<u>0</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	8,183	12,613
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>448,511</u>	<u>42,873</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 456,694</u></u>	<u><u>\$ 55,486</u></u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 156,696	\$ 10,429
Payments to employees for services	(212,802)	
Payments to suppliers and contractors	<u>(431,475)</u>	<u>(593,476)</u>
Net cash provided by (used in) operating activities	<u>(487,581)</u>	<u>(583,047)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		(4,833,231)
Receipts from intergovernmental HUD subsidy	489,561	5,408,399
Transfers from (to) other funds	<u> </u>	<u> </u>
Net cash provided by (used in) non-capital and related financing activities	<u>489,561</u>	<u>575,168</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt		24,124
Interest payments		
Purchase of capital assets		
Proceeds from capital assets	<u> </u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>0</u>	<u>24,124</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	24	
Change in investments	<u>(24)</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>0</u>	<u>0</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	1,980	16,245
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>36,370</u>	<u>349,934</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 38,350</u></u>	<u><u>\$ 366,179</u></u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Administrative Services Department</u>	<u>Total</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 756,906	\$ 2,002,557
Payments to employees for services	(789,306)	(1,229,278)
Payments to suppliers and contractors	<u>(68,768)</u>	<u>(1,720,205)</u>
Net cash provided by (used in) operating activities	<u>(101,168)</u>	<u>(946,926)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		(4,833,231)
Receipts from intergovernmental HUD subsidy		5,942,834
Transfers from (to) other funds	<u>8,330</u>	<u></u>
Net cash provided by (used in) non-capital and related financing activities	<u>8,330</u>	<u>1,109,603</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt	(1,920)	(62,186)
Interest payments	(103)	(164,536)
Purchase of capital assets	(15,943)	(15,943)
Proceeds from capital assets	<u>5,055</u>	<u>5,055</u>
Net cash provided by (used in) capital financing activities	<u>(12,911)</u>	<u>(237,610)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received		29
Change in investments		<u>(24)</u>
Net cash provided by (used in) investing activities	<u>0</u>	<u>5</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	(105,749)	(74,928)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>135,151</u>	<u>1,021,039</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u>\$ 29,402</u>	<u>\$ 946,111</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
Net operating income (loss)	\$ 130	\$
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization		
Changes in assets and liabilities:		
Receivables		
Due from other funds		
Accounts payable		
Accrued liabilities		
Due to other funds		
Compensated absences		
Net cash provided by (used in) operating activities	<u>\$ 130</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
Net operating income (loss)	\$ 279,726	\$ (77,655)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	86,961	15,095
Changes in assets and liabilities:		
Receivables	53	281
Due from other funds	(122,155)	
Accounts payable	352	358
Accrued liabilities	6,499	72
Due to other funds	1,057	34,202
Compensated absences	<u>(84)</u>	<u>(22)</u>
Net cash provided by (used in) operating activities	<u>\$ 252,409</u>	<u>\$ (27,669)</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
Net operating income (loss)	\$ (630,249)	\$ (594,860)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	137,424	
Changes in assets and liabilities:		
Receivables	6,733	
Due from other funds	22	
Accounts payable	(3,335)	
Accrued liabilities	209	11,813
Due to other funds	1,609	
Compensated absences	<u>6</u>	
Net cash provided by (used in) operating activities	<u>\$ (487,581)</u>	<u>\$ (583,047)</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

Exhibit A-3

	<u>Administrative Services Department</u>	<u>Totals</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
Net operating income (loss)	\$ (219,485)	\$ (1,242,393)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,943	269,423
Changes in assets and liabilities:		
Receivables		7,067
Due from other funds	(36,920)	(159,053)
Accounts payable	1,556	(1,069)
Accrued liabilities	1,358	19,951
Due to other funds	122,185	159,053
Compensated absences	<u>195</u>	<u>95</u>
Net cash provided by (used in) operating activities	<u>\$ (101,168)</u>	<u>\$ (946,926)</u>

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

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The 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, 2014. 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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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 in 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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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 net investment 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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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 \$164,536. 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
Building 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, 2014.

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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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, 2014, unearned revenue consisted of prepaid rents from tenants of \$19,552 and grant revenues received but not yet earned of \$-.

Compensated Absences - Vested or accumulated vacation leave that is expecting 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 provisions of Government Accounting Standards Statement No. 16 'Accounting for Compensated Absences,' no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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

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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

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.
3. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
4. The executive director submits the budget to the Public Housing Authority's Board of Commissioners for approval.
5. 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 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.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations was issued, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Authority is still evaluating how this reporting standard will affect the Authority.

Subsequent Events - Management has evaluated events through September 26, 2014, the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, 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, 2014.

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

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

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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, 2014 is as follows:

	<u>Well Fargo Bank</u>	<u>Wells Fargo Investment</u>	<u>Total</u>
Total amounts of deposits	\$ 790,201	\$ 308,050	\$ 1,098,251
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>540,201</u>	<u>58,050</u>	<u>598,251</u>
Collateral requirement (50% of uninsured funds)	270,101	29,025	299,126
Pledged Collateral	<u>370,454</u>	<u> </u>	<u>370,454</u>
(Over) Under collateralized	<u><u>\$ (100,353)</u></u>	<u><u>\$ 29,025</u></u>	<u><u>\$ (71,328)</u></u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 2. DEPOSITS AND INVESTMENTS - Cont'd

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, 2014, \$227,797 of the Authority's deposits totaling \$1,098,251 were exposed to custodial credit risk.

<u>Custodial Credit Risk Deposits</u>	
Account Balance	\$ <u>1,098,251</u>
FDIC Insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the Authority's name	370,454
Uninsured and uncollateralized	<u>227,797</u>
Total Deposits	\$ <u><u>1,098,251</u></u>

As of June 30, 2014 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 consist of the following:

Cash and cash equivalents per Exhibit A-1	\$ 418,879
Restricted cash per Exhibit A-1	527,232
Investments	<u>96,377</u>
Total cash and cash equivalents per Exhibit A-1	1,042,488
Add: outstanding checks and other reconciling items	56,363
Less: petty cash	<u>(600)</u>
Reconciled balance of deposits	\$ <u><u>1,098,251</u></u>

NOTE 3. ACCOUNTS RECEIVABLE

The Authority's accounts receivable at June 30, 2014,

	Tenant Accounts Receivable	Allowance	Net Receivable
Low Rent Public Housing	\$ <u><u>1,551</u></u>	\$ <u><u>(896)</u></u>	\$ <u><u>655</u></u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 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.

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
Administrative Service	Rio Felix	\$ 114,700
Administrative Service	Low Rent	1,631
Woodleaf	Administrative Services	<u>731,565</u>
		<u>\$ 847,896</u>

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ <u>794,807</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>794,807</u>
Capital assets, being depreciated:				
Buildings and improvements	9,059,716			9,059,716
Equipment	<u>671,647</u>	<u>15,943</u>	<u>(2,528)</u>	<u>685,062</u>
Total Capital assets, being depreciated	9,731,363	15,943	(2,528)	9,744,778
Less accumulated depreciation	<u>(6,191,601)</u>	<u>(269,423)</u>		<u>(6,461,024)</u>
Total capital assets, being depreciated, net	<u>3,539,762</u>	<u>(253,480)</u>	<u>(2,528)</u>	<u>3,283,754</u>
Total capital assets, net	<u>\$ 4,334,569</u>	<u>\$ (253,480)</u>	<u>\$ 0</u>	<u>\$ 4,078,561</u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 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. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of the conduit debt obligation outstanding as of June 30, 2014 was \$2,136,000.

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.

NOTE 7. LONG-TERM LIABILITIES

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

	Balance <u>July 1, 2013</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>	Due within <u>one year</u>
Woodleaf development	\$ 2,345,000	\$ (80,000)	\$ 2,265,000	\$ 90,000
Rio felix FmHA development	22,026	(4,390)	17,636	4,437
Administrative services development - RIII	95,258		95,258	95,258
Administrative services development - Canon copier	<u>1,921</u>	<u>(1,921)</u>	<u> </u>	<u> </u>
Totals	<u>\$ 2,464,205</u>	<u>\$ (86,311)</u>	<u>\$ 2,377,894</u>	<u>\$ 189,695</u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 7. LONG-TERM LIABILITIES - Cont'd

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

Fiscal Year Ending June 2014	Bond			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 90,000	\$ 158,175	\$ 248,175	\$ 99,695	\$ 156	\$ 99,851
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	4,192	42	4,234
2019	115,000	129,141	244,141			
2020 - 2024	720,000	504,094	1,224,094			
2025 - 2028	<u>1,035,000</u>	<u>179,372</u>	<u>1,214,372</u>			
Total	<u>\$ 2,265,000</u>	<u>\$ 1,404,160</u>	<u>\$ 3,669,160</u>	<u>\$ 112,894</u>	<u>\$ 396</u>	<u>\$ 113,290</u>

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.	\$ 2,265,000
1% mortgage payable, due in monthly principal and interest installments of \$211 with a maturity date of May 2019, secured by real estate.	17,636
1% mortgage payable, due in monthly principal and interest installments of \$1,721 with a maturity date of May 2019, secured by real estate.	-
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.	95,258
	<u>\$ 2,377,894</u>

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above. 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, 2014 was \$103,906, of which \$633 is shown as short-term relating to the current year's graduates of the program.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 8. COMPENSATED ABSENCES

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>one year</u>
Compensated Absences	\$ <u>1,048</u>	\$ <u>1,143</u>	\$ <u>(1,048)</u>	\$ <u>1,143</u>	\$ <u>1,143</u>
	\$ <u>1,048</u>	\$ <u>1,143</u>	\$ <u>(1,048)</u>	\$ <u>1,143</u>	\$ <u>1,143</u>

NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, 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.

NOTE 10. PERA PENSION PLAN

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

Funding Policy. Plan members are covered under Municipal Plan I. Under Plan I, members are required to contribute 7.0% of their gross salary. The Authority is required to contribute 7.0% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Total Authority contributions to PERA for the year ending June 30, 2014, 2013, and 2012 were \$55,376, \$57,017, and \$55,441, respectively, which equal the amount required for contributions for each fiscal year.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 11. POST EMPLOYMENT 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, 2014

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. 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.

NOTE 14 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit net position of individual funds. Four funds reflected a deficit net position as of June 30, 2014.

Section 8 Housing Program	\$	19,692
Administrative Services Department		468,527

NOTE 15 NET POSITION RESTATEMENT

GASB 65 requires a restatement of bond issuance costs and related amortization to Net Position as it has been determined that such costs should be expensed in the year of acquisition.

Woodleaf Development fund	Amount
Beginning Net Position	\$ 221,083
Restatement for GASB 65	(141,383)
Beginning Net Position, restated	79,700

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 16 PROFESSIONAL SERVICES AGREEMENT

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO Statement A-1
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL WOODLEAF
DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive/ (Negative)</u>
<i>OPERATING REVENUES</i>				
Tenant charges	\$ 1,108,580	\$ 1,151,330	\$ 1,151,330	\$
Miscellaneous income	<u>7,761</u>	<u>23,596</u>	<u>24,074</u>	<u>478</u>
Total operating revenues	<u>1,116,341</u>	<u>1,174,926</u>	<u>1,175,404</u>	<u>478</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	82,411	77,721	77,721	0
Ordinary maintenance and operations	31,237	34,165	34,065	100
Personnel expenses	221,389	218,848	218,621	227
Contractual services	39,871	88,213	87,903	310
Repair and maintenance	238,274	170,795	169,884	911
Supplies and materials	32,700	47,285	46,654	631
Depreciation and amortization	96,739	96,740	86,961	9,779
Utilities	<u>174,059</u>	<u>175,873</u>	<u>173,869</u>	<u>2,004</u>
Total operating expenses	<u>916,680</u>	<u>909,640</u>	<u>895,678</u>	<u>13,962</u>
Operating income (loss)	<u>199,661</u>	<u>265,286</u>	<u>279,726</u>	<u>14,440</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Interest and dividend income	7	5	5	
Interest expenses	<u>(164,231)</u>	<u>(164,231)</u>	<u>(164,231)</u>	
Total non-operating revenues (expenses)	<u>(164,224)</u>	<u>(164,226)</u>	<u>(164,226)</u>	<u>0</u>
<i>CHANGES IN NET POSITION</i>	<u>35,437</u>	<u>101,060</u>	<u>115,500</u>	<u>14,440</u>
<i>NET POSITION - BEGINNING OF YEAR</i>	0	0	221,083	221,083
<i>RESTATEMENT</i>	<u>0</u>	<u>0</u>	<u>(141,383)</u>	<u>(141,383)</u>
<i>TOTAL NET POSITIONS, BEGINNING OF YEAR, AS RESTATED</i>	<u>0</u>	<u>0</u>	<u>79,700</u>	<u>79,700</u>
<i>NET POSITION - END OF YEAR</i>	<u>\$ 35,437</u>	<u>\$ 101,060</u>	<u>\$ 195,200</u>	<u>\$ 94,140</u>

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

STATE OF NEW MEXICO

Statement A-2

EASTERN REGIONAL HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL COLONIAL HILLCREST
DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<i>OPERATING REVENUES</i>				
Tenant charges	\$	\$ 131	\$ 130	\$ (1)
Total operating revenues	0	131	130	(1)
<i>OPERATING EXPENSES</i>				
Total operating expenses	0	0	0	0
Operating income (loss)	0	131	130	(1)
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Gain/(loss) on disposal of assets		(8,270)		8,270
Total non-operating revenues (expenses)	0	(8,270)	0	8,270
Income (loss) before capital grants and transfers	0	(8,139)	130	8,269
Transfer out			(8,270)	(8,270)
<i>CHANGES IN NET POSITION</i>	0	(8,139)	(8,140)	(1)
<i>NET POSITION - BEGINNING OF YEAR</i>	0	0	8,140	8,140
<i>NET POSITION - END OF YEAR</i>	\$ 0	\$ (8,139)	\$ 0	\$ 8,139

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

STATE OF NEW MEXICO
 EASTERN REGIONAL HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL LA POSADA
 DEVELOPMENT FUND
 YEAR ENDED JUNE 30, 2014

Statement A-3

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
Total operating revenues	\$ 0	\$ 0	\$ 0	\$ 0
Total operating expenses	0	0	0	0
Operating income (loss)	0	0	0	0
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Gain/(loss) on disposal of assets		(60)		60
Total non-operating revenues (expenses)	0	(60)	0	60
Income (loss) before capital grants and transfers	0	(60)	0	60
Transfer out			(60)	(60)
<i>CHANGES IN NET POSITION</i>	0	(60)	(60)	0
<i>NET POSITION - BEGINNING OF YEAR</i>	0	0	60	60
<i>NET POSITION - END OF YEAR</i>	<u>\$ 0</u>	<u>\$ (60)</u>	<u>\$ 0</u>	<u>\$ 60</u>

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

STATE OF NEW MEXICO

Statement A-4

EASTERN REGIONAL HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL RIO FELIX FMHA
DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<i>OPERATING REVENUES</i>				
Tenant charges	\$ 33,848	\$ 22,276	\$ 22,289	\$ 13
Miscellaneous income	<u>1,613</u>	<u>2,574</u>	<u>2,524</u>	<u>(50)</u>
Total operating revenues	<u>35,461</u>	<u>24,850</u>	<u>24,813</u>	<u>(37)</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	5,400	5,400	5,400	
Ordinary maintenance and operations	1,652	5,585	5,575	10
Personnel expenses	23,801	10,049	10,049	
Contractual services	6,129	39,223	36,928	2,295
Repair and maintenance	4,402	4,215	3,933	282
Supplies and materials	2,090	1,696	1,866	(170)
Depreciation and amortization	15,095	15,095	15,095	
Utilities	<u>27,704</u>	<u>24,257</u>	<u>23,622</u>	<u>635</u>
Total operating expenses	<u>86,273</u>	<u>105,520</u>	<u>102,468</u>	<u>3,052</u>
Operating income (loss)	<u>(50,812)</u>	<u>(80,670)</u>	<u>(77,655)</u>	<u>3,015</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Government subsidies	35,989	44,878	44,873	(5)
Interest expenses	<u>(253)</u>	<u>(202)</u>	<u>(202)</u>	
Total non-operating revenues (expenses)	<u>35,736</u>	<u>44,676</u>	<u>44,671</u>	<u>(5)</u>
<i>CHANGES IN NET POSITION</i>	(15,076)	(35,994)	(32,984)	3,010
<i>NET POSITION - BEGINNING OF YEAR</i>	<u>0</u>	<u>0</u>	<u>301,588</u>	<u>301,588</u>
<i>NET POSITION - END OF YEAR</i>	<u><u>\$ (15,076)</u></u>	<u><u>\$ (35,994)</u></u>	<u><u>\$ 268,604</u></u>	<u><u>\$ 304,598</u></u>

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

STATE OF NEW MEXICO

Statement A-5

EASTERN REGIONAL HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL LOW RENT PUBLIC
HOUSING PROGRAM FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<i>OPERATING REVENUES</i>				
Tenant charges	\$ 152,273	\$ 143,040	\$ 144,444	\$ 1,404
Miscellaneous income	<u>5,746</u>	<u>5,745</u>	<u>5,497</u>	<u>(248)</u>
Total operating revenues	<u>158,019</u>	<u>148,785</u>	<u>149,941</u>	<u>1,156</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	55,665	61,244	61,244	
Ordinary maintenance and operations	16,069	27,824	27,171	653
Personnel expenses	156,191	212,784	213,125	(341)
Contractual services	31,822	103,900	103,949	(49)
Repair and maintenance	34,218	44,001	40,557	3,444
Supplies and materials	190,674	131,923	131,793	130
Depreciation and amortization	126,636	137,424	137,424	
Utilities	<u>63,406</u>	<u>67,616</u>	<u>64,927</u>	<u>2,689</u>
Total operating expenses	<u>674,681</u>	<u>786,716</u>	<u>780,190</u>	<u>6,526</u>
Operating income (loss)	<u>(516,662)</u>	<u>(637,931)</u>	<u>(630,249)</u>	<u>7,682</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Interest and dividend income	26	24	24	
Government subsidies	200,922	279,188	279,192	4
Interest expenses	<u>(6,940)</u>			
Total non-operating revenues (expenses)	<u>194,008</u>	<u>279,212</u>	<u>279,216</u>	<u>4</u>
Income (loss) before capital grants and transfers	(322,654)	(358,719)	(351,033)	7,686
Capital grants	<u>208,803</u>	<u>210,369</u>	<u>210,369</u>	
<i>CHANGES IN NET POSITION</i>	(113,851)	(148,350)	(140,664)	7,686
<i>NET POSITION - BEGINNING OF YEAR</i>	<u>0</u>	<u>0</u>	<u>2,393,125</u>	<u>2,393,125</u>
<i>NET POSITION - END OF YEAR</i>	<u>\$ (113,851)</u>	<u>\$ (148,350)</u>	<u>\$ 2,252,461</u>	<u>\$ 2,400,811</u>

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

STATE OF NEW MEXICO

Statement A-6

EASTERN REGIONAL HOUSING AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL SECTION 8 HOUSING
PROGRAM FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<i>OPERATING REVENUES</i>				
Miscellaneous income	\$ 7,817	\$ 10,430	\$ 10,430	\$
Total operating revenues	<u>7,817</u>	<u>10,430</u>	<u>10,430</u>	<u>0</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	518,124	605,290	605,290	
Ordinary maintenance and operations	<u>300</u>			
Total operating expenses	<u>518,424</u>	<u>605,290</u>	<u>605,290</u>	<u>0</u>
Operating income (loss)	<u>(510,607)</u>	<u>(594,860)</u>	<u>(594,860)</u>	<u>0</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Housing assistance payments	(4,931,452)	(4,835,100)	(4,833,231)	1,869
Government subsidies	<u>5,452,764</u>	<u>5,438,763</u>	<u>5,408,399</u>	<u>(30,364)</u>
Total non-operating revenues (expenses)	<u>521,312</u>	<u>603,663</u>	<u>575,168</u>	<u>(28,495)</u>
<i>CHANGES IN NET POSITION</i>	10,705	8,803	(19,692)	(28,495)
<i>NET POSITION - BEGINNING OF YEAR</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>NET POSITION - END OF YEAR</i>	<u>\$ 10,705</u>	<u>\$ 8,803</u>	<u>\$ (19,692)</u>	<u>\$ (28,495)</u>

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

STATE OF NEW MEXICO Statement A-7
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ADMINISTRATIVE
SERVICES DEPARTMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
<i>OPERATING REVENUES</i>				
Management and administrative fees	\$ 676,155	\$ 749,655	\$ 749,655	\$
Tenant charges	3,507	4,000	4,000	
Miscellaneous income	187,107	40,171	40,171	
Total operating revenues	866,769	793,826	793,826	0
<i>OPERATING EXPENSES</i>				
Ordinary maintenance and operations	61,762	64,661	64,390	271
Personnel expenses	676,702	790,858	790,859	(1)
Contractual services	69,729	79,208	76,031	3,177
Repair and maintenance	23,225	24,002	22,239	1,763
Supplies and materials	15,513	12,652	14,679	(2,027)
Depreciation and amortization	26,404	29,942	29,943	(1)
Utilities	13,030	15,415	15,170	245
Total operating expenses	886,365	1,016,738	1,013,311	3,427
Operating income (loss)	(19,596)	(222,912)	(219,485)	3,427
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Gain/(loss) on disposal of assets		8,330	2,528	(5,802)
Interest expenses	(5,400)	(103)	(103)	
Total non-operating revenues (expenses)	(5,400)	8,227	2,425	(5,802)
Income (loss) before capital grants and transfers	(24,996)	(214,685)	(217,060)	(2,375)
Transfer in			8,330	8,330
<i>CHANGES IN NET POSITION</i>	(24,996)	(214,685)	(208,730)	5,955
<i>NET POSITION - BEGINNING OF YEAR</i>	0	0	(259,797)	(259,797)
<i>NET POSITION - END OF YEAR</i>	\$ (24,996)	\$ (214,685)	\$ (468,527)	\$ (253,842)

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
YEAR ENDED JUNE 30, 2014

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP No.</u>	<u>Market or Par Value June 30, 2014</u>
Pledged by Wells Fargo Bank, BNY Mellon	FMAC FGPC	5/1/2043	3128MJSP6	\$ <u>370,454</u>
	Total Wells Fargo Bank Pledged Securities			\$ <u><u>370,454</u></u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2014

Schedule II

Account Name	Account Type	Deposits		Investments	Total
		Wells Fargo Bank	Wells Fargo Investment	Wells Fargo Bank	
Clovis Security Deposits	Checking	\$ 250	\$	\$	\$ 250
Woodleaf Development General	Checking	61,637			61,637
Woodleaf Security Deposits	Checking	48,450			48,450
Rio Felix General	Checking	6,443			6,443
Rio Felix Security Deposits	Checking	3,692			3,692
Rio Felix Tax and Insurance	Checking	547			547
Rio Felix Reserve	Checking	50,033			50,033
SSM General	Checking	19,736			19,736
SSM Security Deposits	Checking	16,416			16,416
Vaughn General	Checking	7,116			7,116
Vaughn Security Deposits	Checking	2,487			2,487
ASA General	Checking	15,435			15,435
FSS Escrow Section 8	Checking	103,906			103,906
Section 8	Checking	281,965			281,965
R & R Wells Fargo	Money Market	43,980			43,980
ASA Development	Money Market	31,732			31,732
Woodleaf Debt Service Fund	Money Market		251,544		251,544
Woodleaf Expense Fund	Money Market		1,920		1,920
Woodleaf Surplus Fund	Money Market		9,053		9,053
Woodleaf Bond Fund	Money Market		45,533		45,533
Certificate of Deposit - Sandstone	Certificate of deposit			96,376	96,376
Total amount of deposit in bank		693,825	308,050	96,376	1,098,251
Reconciling items:					
Less: outstanding checks per bank reconciliation, and other reconciling items		(56,363)			(56,363)
Reconciled balance		\$ 637,462	\$ 308,050	\$ 96,376	1,041,888
Plus: petty cash					600
Less: restricted cash and cash equivalents per Exhibit A-1					(527,232)
Less: investments per Exhibit A-1					(96,377)
Cash and cash equivalents per Exhibit A-1					\$ 418,879

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SUPPORTING DATA REQUIRED BY THE BOND INDENTURE COMPUTATION OF
DEBT SERVICE COVERAGE RATIO RHA HOUSING DEVELOPMENT
CORPORATION (WOODLEAF DEVELOPMENT)
YEAR ENDED JUNE 30, 2014

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 366,692
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>248,175</u>
Debt Service Ratio	<u>1.48</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	1,175,409
Total operating expenses and interest expense	(1,059,909)
Plus: Recorded bond amortization and depreciation expense	86,961
Interest expense related to 1997A Series bonds	<u>164,231</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>366,692</u>

Debt Service for the year ended June 30, 2015

Principal reduction on 1997A Series bonds during the year ended June 30, 2015	90,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2015	<u>158,175</u>
Maximum Annual Debt Service as defined in the bond indenture	<u>\$ 248,175</u>

NOTE:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2014, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
111	Cash - Unrestricted	\$ 19,447	\$
113	Cash - Other Restricted		
114	Cash - Tenant Security Deposits	18,903	
100	Total Cash	<u>38,350</u>	<u>0</u>
126	Accounts Receivable - Tenants - Dwelling Rents	2,635	
126	Allowance for Doubtful Accounts - Dwelling Rents		
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>2,635</u>	<u>0</u>
131	Investments - unrestricted	96,377	
132	Investments - restricted		
144	Interprogram - due from		
130	Total Investments	<u>96,377</u>	<u>0</u>
150	Total Current Assets	<u>137,362</u>	<u>0</u>
161	Land	335,734	
162	Buildings	4,938,649	
163	Furniture, Equipment & Machinery - Dwellings	159,477	
166	Accumulated Depreciation	<u>(3,291,846)</u>	
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>2,142,014</u>	<u>0</u>
180	Total Non Current Assets	<u>2,142,014</u>	<u>0</u>
190	Total Assets	<u>2,279,376</u>	<u>0</u>
312	Accounts Payable <= 90 Days	644	
321	Accrued Wage/Payroll Taxes Payable	3,955	
322	Accrued Compensated Absences - Current Portion	127	
325	Accrued Interest Payable		
341	Tenant Security Deposits	18,653	
342	Unearned Revenues	1,906	
344	Current portion of long-term debt		
345	Other Current Liabilities		
347	Interprogram Due To	<u>1,631</u>	
310	Total Current Liabilities	<u>26,916</u>	<u>0</u>
351	Long-Term Debt, Net of Current		
353	Noncurrent Liabilities - Other		
350	Total Noncurrent Liabilities	<u>0</u>	<u>0</u>
300	Total Liabilities	<u>26,916</u>	<u>0</u>
508.1	Net investment in capital assets	2,142,014	
511	Restricted net position	18,903	
512.1	Unrestricted	<u>114,200</u>	
513	Total Equity/net position	<u>2,275,117</u>	<u>0</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Section 8 Housing Choice Voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195
111	Cash - Unrestricted	\$	\$
113	Cash - Other Restricted	366,179	
114	Cash - Tenant Security Deposits		
100	Total Cash	<u>366,179</u>	<u>0</u>
126	Accounts Receivable - Tenants - Dwelling Rents		
126	Allowance for Doubtful Accounts - Dwelling Rents		
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
131	Investments - unrestricted		
132	Investments - restricted		
144	Interprogram - due from		
130	Total Investments	<u>0</u>	<u>0</u>
150	Total Current Assets	<u>366,179</u>	<u>0</u>
161	Land		
162	Buildings		
163	Furniture, Equipment & Machinery - Dwellings		
166	Accumulated Depreciation		
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>0</u>	<u>0</u>
180	Total Non Current Assets	<u>0</u>	<u>0</u>
190	Total Assets	<u>366,179</u>	<u>0</u>
312	Accounts Payable <= 90 Days		
321	Accrued Wage/Payroll Taxes Payable		
322	Accrued Compensated Absences - Current Portion		
325	Accrued Interest Payable		
341	Tenant Security Deposits		
342	Unearned Revenues	281,965	
344	Current portion of long-term debt		
345	Other Current Liabilities	633	
347	Interprogram Due To		
310	Total Current Liabilities	<u>282,598</u>	<u>0</u>
351	Long-Term Debt, Net of Current		
353	Noncurrent Liabilities - Other	<u>103,273</u>	
350	Total Noncurrent Liabilities	<u>103,273</u>	<u>0</u>
300	Total Liabilities	<u>385,871</u>	<u>0</u>
508.1	Net investment in capital assets		
511	Restricted net position	366,179	
512.1	Unrestricted	<u>(355,749)</u>	
513	Total Equity/net position	<u>10,430</u>	<u>0</u>

See independent auditors' report

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014

Schedule IV

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf
111	Cash - Unrestricted	\$ 51,794	\$ 56,213
113	Cash - Other Restricted		
114	Cash - Tenant Security Deposits	3,692	48,450
100	Total Cash	<u>55,486</u>	<u>104,663</u>
126	Accounts Receivable - Tenants - Dwelling Rents	462	1,551
126	Allowance for Doubtful Accounts - Dwelling Rents		<u>(896)</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>462</u>	<u>655</u>
131	Investments - unrestricted		
132	Investments - restricted		352,031
144	Interprogram - due from		<u>731,565</u>
130	Total Investments	<u>0</u>	<u>1,083,596</u>
150	Total Current Assets	<u>55,948</u>	<u>1,188,914</u>
161	Land	169,050	259,919
162	Buildings	618,248	3,296,666
163	Furniture, Equipment & Machinery - Dwellings	10,008	62,791
166	Accumulated Depreciation	<u>(447,383)</u>	<u>(2,267,461)</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>349,923</u>	<u>1,351,915</u>
180	Total Non Current Assets	<u>349,923</u>	<u>1,351,915</u>
190	Total Assets	<u>405,871</u>	<u>2,540,829</u>
312	Accounts Payable <= 90 Days	205	325
321	Accrued Wage/Payroll Taxes Payable		6,712
322	Accrued Compensated Absences - Current Portion		81
325	Accrued Interest Payable		7,392
341	Tenant Security Deposits	3,692	48,450
342	Unearned Revenues	1,033	16,613
344	Current portion of long-term debt	4,437	90,000
345	Other Current Liabilities		
347	Interprogram Due To	<u>114,700</u>	<u>1,057</u>
310	Total Current Liabilities	<u>124,067</u>	<u>170,630</u>
351	Long-Term Debt, Net of Current	13,199	2,175,000
353	Noncurrent Liabilities - Other		
350	Total Noncurrent Liabilities	<u>13,199</u>	<u>2,175,000</u>
300	Total Liabilities	<u>137,266</u>	<u>2,345,630</u>
508.1	Net investment in capital assets	332,287	(913,085)
511	Restricted net position	3,692	400,481
512.1	Unrestricted	<u>(34,396)</u>	<u>707,804</u>
513	Total Equity/net position	<u>301,583</u>	<u>195,200</u>

See independent auditors' report

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014

Schedule IV

Line Item Number	Description	Business ASA	Total
111	Cash - Unrestricted	\$ 29,152	\$ 156,606
113	Cash - Other Restricted		366,179
114	Cash - Tenant Security Deposits	250	71,295
100	Total Cash	<u>29,402</u>	<u>594,080</u>
126	Accounts Receivable - Tenants - Dwelling Rents		4,648
126	Allowance for Doubtful Accounts - Dwelling Rents		<u>(896)</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>0</u>	<u>3,752</u>
131	Investments - unrestricted		96,377
132	Investments - restricted		352,031
144	Interprogram - due from	<u>117,418</u>	<u>848,983</u>
130	Total Investments	<u>117,418</u>	<u>1,297,391</u>
150	Total Current Assets	<u>146,820</u>	<u>1,895,223</u>
161	Land	30,104	794,807
162	Buildings	206,153	9,059,716
163	Furniture, Equipment & Machinery - Dwellings	452,786	685,062
166	Accumulated Depreciation	<u>(454,334)</u>	<u>(6,461,024)</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>234,709</u>	<u>4,078,561</u>
180	Total Non Current Assets	<u>234,709</u>	<u>4,078,561</u>
190	Total Assets	<u>381,529</u>	<u>5,973,784</u>
312	Accounts Payable <= 90 Days	5,882	7,056
321	Accrued Wage/Payroll Taxes Payable	16,385	27,052
322	Accrued Compensated Absences - Current Portion	935	1,143
325	Accrued Interest Payable		7,392
341	Tenant Security Deposits		70,795
342	Unearned Revenues		301,517
344	Current portion of long-term debt	95,258	189,695
345	Other Current Liabilities		633
347	Interprogram Due To	<u>731,595</u>	<u>848,984</u>
310	Total Current Liabilities	<u>850,055</u>	<u>1,454,267</u>
351	Long-Term Debt, Net of Current		2,188,199
353	Noncurrent Liabilities - Other		<u>103,273</u>
350	Total Noncurrent Liabilities	<u>0</u>	<u>2,291,472</u>
300	Total Liabilities	<u>850,055</u>	<u>3,745,738</u>
508.1	Net investment in capital assets	234,709	1,795,925
511	Restricted net position	250	789,505
512.1	Unrestricted	<u>(524,699)</u>	<u>(92,840)</u>
513	Total Equity/net position	<u>(289,740)</u>	<u>2,492,590</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

<u>Line Item Number</u>	<u>Description</u>	<u>Low Rent Public Housing Program 14.850a</u>	<u>CFP 14.872</u>
600	Total Liabilities and Equity/net position	\$ <u>2,302,033</u>	\$ <u>0</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

<u>Line Item Number</u>	<u>Description</u>	<u>Section 8 Housing Choice Voucher 14.871</u>	<u>Colonial/La Posada/Casa Hermosa Housing Assistance 14.195</u>
600	Total Liabilities and Equity/net position	\$ <u>396,301</u>	\$ <u>0</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf
600	Total Liabilities and Equity/net position	\$ <u>438,849</u>	\$ <u>2,540,830</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

<u>Line Item Number</u>	<u>Description</u>	<u>Business ASA</u>	<u>Total</u>
600	Total Liabilities and Equity/net position	\$ <u>560,315</u>	\$ <u>6,238,328</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
703	Net Tenant Rental Revenue	\$	\$
704	Tenant Revenue - Other	<u> </u>	<u> </u>
705	Total Tenant Revenue	<u> 0</u>	<u> 0</u>
711	Investment Income - Unrestricted		
715	Other Revenue	<u> </u>	<u> </u>
700	Total Revenue	<u> 0</u>	<u> 0</u>
911	Administrative Salaries		
912	Auditing Fees		
913	Outside Management Fees		
914	Advertising and Marketing		
915	Employee Benefit Contributions - Administrative		
916	Other Operating - Administrative	2,812	
917	Legal Expense		
918	Travel	<u> </u>	<u> </u>
	Subtotal	<u> 2,812</u>	<u> 0</u>
931	Water		
932	Electricity		
933	Gas		
938	Telephone	<u> </u>	<u> </u>
	Subtotal	<u> 0</u>	<u> 0</u>
941	Ordinary Maintenance & Operation - Labor		
942	Ordinary Maintenance & Operation - Materials & Other	103,377	(42,420)
	Subtotal	<u> 103,377</u>	<u> (42,420)</u>
961	Insurance Premiums		
962	Other General Expenses	11,819	
962.1	Compensated Absences		
964	Bad debt - Tenant Rents		
967	Interest expense	<u> </u>	<u> </u>
	Subtotal	<u> 11,819</u>	<u> 0</u>
969	Total Operating Expenses	<u> 118,008</u>	<u> (42,420)</u>
970	Excess Operating Revenue Over Operating Expenses	<u> (118,008)</u>	<u> 42,420</u>
973	Housing Assistance Payments		
974	Depreciation Expense	<u> </u>	<u> </u>
900	Total Expenses	<u> 118,008</u>	<u> (42,420)</u>
1001	Operating Transfers In		
1002	Operating Transfers Out	<u> </u>	<u> (42,420)</u>
1010	Total Other Financing Sources (Uses)	<u> 0</u>	<u> (42,420)</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Section 8 Housing Choice Voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195
703	Net Tenant Rental Revenue	\$	\$ 131
704	Tenant Revenue - Other	<u> </u>	<u> </u>
705	Total Tenant Revenue	<u> 0</u>	<u> 131</u>
711	Investment Income - Unrestricted		
715	Other Revenue	<u> 10,429</u>	<u> </u>
700	Total Revenue	<u> 10,429</u>	<u> 131</u>
911	Administrative Salaries		
912	Auditing Fees		
913	Outside Management Fees		
914	Advertising and Marketing		
915	Employee Benefit Contributions - Administrative		
916	Other Operating - Administrative		
917	Legal Expense		
918	Travel	<u> </u>	<u> </u>
	Subtotal	<u> (1)</u>	<u> 0</u>
931	Water		
932	Electricity		
933	Gas		
938	Telephone	<u> </u>	<u> </u>
	Subtotal	<u> 0</u>	<u> 0</u>
941	Ordinary Maintenance & Operation - Labor		
942	Ordinary Maintenance & Operation - Materials & Other	<u> </u>	<u> </u>
	Subtotal	<u> 0</u>	<u> 0</u>
961	Insurance Premiums		
962	Other General Expenses		
962.1	Compensated Absences		
964	Bad debt - Tenant Rents		
967	Interest expense	<u> </u>	<u> </u>
	Subtotal	<u> 0</u>	<u> 0</u>
969	Total Operating Expenses	<u> (1)</u>	<u> 0</u>
970	Excess Operating Revenue Over Operating Expenses	<u> 10,430</u>	<u> 131</u>
973	Housing Assistance Payments		
974	Depreciation Expense	<u> </u>	<u> </u>
900	Total Expenses	<u> (1)</u>	<u> 0</u>
1001	Operating Transfers In		
1002	Operating Transfers Out	<u> </u>	<u> (8,331)</u>
1010	Total Other Financing Sources (Uses)	<u> 0</u>	<u> (8,331)</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf
703	Net Tenant Rental Revenue	\$	\$ 1,151,330
704	Tenant Revenue - Other		24,074
705	Total Tenant Revenue	<u>0</u>	<u>1,175,404</u>
711	Investment Income - Unrestricted		5
715	Other Revenue		
700	Total Revenue	<u>0</u>	<u>1,175,409</u>
911	Administrative Salaries		8,944
912	Auditing Fees		11,002
913	Outside Management Fees		77,721
914	Advertising and Marketing		381
915	Employee Benefit Contributions - Administrative	2	34,852
916	Other Operating - Administrative	358	5,326
917	Legal Expense		443
918	Travel		73,663
	Subtotal	<u>360</u>	<u>212,332</u>
931	Water		43,594
932	Electricity		16,959
933	Gas		6,755
938	Telephone		13,646
	Subtotal	<u>0</u>	<u>80,954</u>
941	Ordinary Maintenance & Operation - Labor		93,084
942	Ordinary Maintenance & Operation - Materials & Other	(18,490)	318,169
	Subtotal	<u>(18,490)</u>	<u>411,253</u>
961	Insurance Premiums		33,547
962	Other General Expenses	18,135	50,380
962.1	Compensated Absences		6,006
964	Bad debt - Tenant Rents		14,245
967	Interest expense		164,231
	Subtotal	<u>18,135</u>	<u>268,409</u>
969	Total Operating Expenses	<u>5</u>	<u>972,948</u>
970	Excess Operating Revenue Over Operating Expenses	<u>(5)</u>	<u>202,461</u>
973	Housing Assistance Payments		
974	Depreciation Expense		86,961
900	Total Expenses	<u>5</u>	<u>1,059,909</u>
1001	Operating Transfers In		
1002	Operating Transfers Out		
1010	Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Business ASA	Total
703	Net Tenant Rental Revenue	\$	\$ 1,151,461
704	Tenant Revenue - Other		<u>24,074</u>
705	Total Tenant Revenue	<u>0</u>	<u>1,175,535</u>
711	Investment Income - Unrestricted		5
715	Other Revenue		<u>10,429</u>
700	Total Revenue	<u>0</u>	<u>1,185,969</u>
911	Administrative Salaries		8,944
912	Auditing Fees		11,002
913	Outside Management Fees		77,721
914	Advertising and Marketing		381
915	Employee Benefit Contributions - Administrative		34,854
916	Other Operating - Administrative	24,803	33,299
917	Legal Expense		443
918	Travel		<u>73,663</u>
	Subtotal	<u>24,803</u>	<u>240,307</u>
931	Water		43,594
932	Electricity		16,959
933	Gas		6,755
938	Telephone		<u>13,646</u>
	Subtotal	<u>0</u>	<u>80,954</u>
941	Ordinary Maintenance & Operation - Labor		93,084
942	Ordinary Maintenance & Operation - Materials & Other	<u>(78,868)</u>	<u>281,768</u>
	Subtotal	<u>(78,868)</u>	<u>374,852</u>
961	Insurance Premiums		33,547
962	Other General Expenses	54,067	134,401
962.1	Compensated Absences		6,006
964	Bad debt - Tenant Rents		14,245
967	Interest expense		<u>164,231</u>
	Subtotal	<u>54,067</u>	<u>352,430</u>
969	Total Operating Expenses	<u>2</u>	<u>1,048,543</u>
970	Excess Operating Revenue Over Operating Expenses	<u>(2)</u>	<u>137,426</u>
973	Housing Assistance Payments		
974	Depreciation Expense	<u>29,942</u>	<u>116,903</u>
900	Total Expenses	<u>29,944</u>	<u>1,165,446</u>
1001	Operating Transfers In	1	1
1002	Operating Transfers Out		<u>(50,751)</u>
1010	Total Other Financing Sources (Uses)	<u>\$ 1</u>	<u>\$ (50,750)</u>

See independent auditors' report

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ <u>(118,008)</u>	\$ <u>0</u>
1103	Beginning Equity	2,393,125	0
	Restatement - note 15	<u>0</u>	<u>0</u>
	Beginning Equity - as restated	<u>2,393,125</u>	<u>0</u>
	Ending Equity (deficit)	\$ <u><u>2,275,117</u></u>	\$ <u><u>0</u></u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

<u>Line Item Number</u>	<u>Description</u>	<u>Section 8 Housing Choice Voucher 14.871</u>	<u>Colonial/La Posada/Casa Hermosa Housing Assistance 14.195</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ <u>10,430</u>	\$ <u>(8,200)</u>
1103	Beginning Equity	0	8,200
	Restatement - note 15	<u>0</u>	<u>0</u>
	Beginning Equity - as restated	<u>0</u>	<u>8,200</u>
	Ending Equity (deficit)	<u><u>\$ 10,430</u></u>	<u><u>\$ 0</u></u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ <u>(5)</u>	\$ <u>115,500</u>
1103	Beginning Equity	301,588	221,083
	Restatement - note 15	<u>0</u>	<u>(141,383)</u>
	Beginning Equity - as restated	<u>301,588</u>	<u>79,700</u>
	Ending Equity (deficit)	<u><u>\$ 301,583</u></u>	<u><u>\$ 195,200</u></u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
YEAR ENDED JUNE 30, 2014**

Schedule IV

Line Item Number	Description	Business ASA	Total
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ <u>(29,943)</u>	\$ <u>(30,226)</u>
1103	Beginning Equity	(259,797)	2,664,199
	Restatement - note 15	<u>0</u>	<u>(141,383)</u>
	Beginning Equity - as restated	<u>(259,797)</u>	<u>2,522,816</u>
	Ending Equity (deficit)	<u>\$ (289,740)</u>	<u>\$ 2,492,590</u>

COMPLIANCE SECTION

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

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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (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 function, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 not been identified. We did not identify certain deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

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 authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HARSHWAL & COMPANY LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
September 26, 2014

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
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 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, 2014. 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, 2014.

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.

HARSHWAL & COMPANY LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
September 26, 2014

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Schedule V

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Direct Programs:		
Public and Indian Housing	14.850	\$ 279,188
Total U.S. Department of Housing and Urban Development		<u>279,188</u>
<u>U.S. Department of Agriculture:</u>		
Direct programs:		
Total Expenditures of Federal Awards		<u>\$ 279,188</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUB-RECIPIENTS

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

NOTE 3. INSURANCE REQUIREMENTS

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

NOTE 4. 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.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 279,188
Total expenditures funded by other sources including depreciation	<u>7,365,861</u>
Total expenditures	<u>\$ 7,645,049</u>

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Schedule VI

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes None reported

Noncompliance material to the financial statement noted

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Numbers	Name of Federal Program
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 No

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Schedule VI

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS

2014-001 Travel and Per Diem (Non Compliance)

Condition:

For six travel and per diem disbursements with the total amount of \$2,725, expense sheets were not properly authorized.

Criteria:

NMAC 2.2.2 G (2) requires the Authority to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, for all per diem and reimbursement rates.

Maintenance of adequate supporting documentations for all the disbursements as purchase requisitions, purchase orders, travel authorizations, receiving reports, travel reports, approval of disbursements are integral part of sound internal control system in established by the management to safeguard the assets and accomplish timely preparation and submission of financial reports.

Effect:

The Authority may have lost valuable resources and violated cost principal as well. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

Cause:

The noncompliance was due to an oversight by management during the travel internal control process.

Auditor's Recommendations:

The Authority should establish and implement policies and procedure for the payment of travel and per diem expenditures and ensure compliance with State Statutes.

Management's Response:

ERHA will not issue any check or pay any travel invoice without a signed ERHA travel form.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Schedule VI

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS - Cont'd

2014-002 Non Compliance-Insufficient Controls over Payroll

Condition:

During our test work of 15 employees' personnel files and timesheet, we noted the following:

- For one employee, application documentation was not on file.
- For five employees, Timesheets hours were not properly recalculated.
- For five employees, leave requests were not properly authorized.

Criteria:

Segregation of duties in payroll, the existence of an appropriate pay rate schedule, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities. Management should establish and implement sound internal control procedures to maintain personnel records on a periodic basis.

Good internal controls require that the Authority should maintain documentation to support all payroll transactions and ensure employees are paid properly for the hours worked.

Effect:

The Authority is not in compliance with New Mexico State Statues and the federal requirements. The Authority could be subject to penalties or possibly legal action.

Cause:

The Authority's document retention and payroll policies were not adequately enforced.

Auditor's Recommendations:

It is recommended that the Authority provides training to each department for the payroll process and proper authorizations. We also recommend that the Authority make a process to review and retain all documents related to personnel and payroll.

Management's Response:

Personnel files will be reviewed to assure that all required document ie. applications are contained within the file. Payroll will be review by the Finance Director monthly to assure it is being calculated properly. Leave of any kind will not be allowed with proper documentation.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Schedule VI

SECTION III- AUDIT FINDINGS AND QUESTION COSTS IN RELATION TO FEDERAL AWARDS

No findings related to Federal Awards noted.

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

Schedule VII

The following summarizes the prior year audit findings:

FINDING 2013-1 Pledged Collateral Less Than State Requirements - Implemented

FINDING 2007-2 Violation of Debt Covenant - Implemented

FINDING 2007-4 Expenditures in Excess of Budget Amounts - Implemented

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2014**

AUDITOR PREPARED FINANCIALS

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

EXIT CONFERENCE

The contents of this report were discussed with the Eastern Regional Housing Authority on September 29, 2014. The following individuals were in attendance.

Representing Eastern Regional Housing Authority

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

Representing Harshwal & Company, LLP

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