

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015**

**HARSHWAL & COMPANY LLP
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EASTERN REGIONAL HOUSING AUTHORITY
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STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2015

NAME	TITLE
<u>Board of Directors</u>	
Michael O'Hara	Chairperson
Waymon L. Dowdy Sr.	Vice-Chairperson
Mary Beth Fowler	Secretary
Ella Turner	Commissioner
Bill Birdwell	Commissioner
<u>Administrative Official</u>	
Chris Herbert	Executive Director
Irene Andazola	Deputy Director
Olivia Cruz	Finance Director
Allen B. Sparks	Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller,
State Auditor of the State of New Mexico
and the Board of Commissioners of the
Eastern Regional Housing Authority
Roswell, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Eastern Regional Housing Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the 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, 2015 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 and the aggregate remaining fund information of the Authority as of June 30, 2015, 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, 2015 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, the combining and individual fund 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, III, V, VI and VII 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, IV, V, VI and VII 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, IV, V, VI and VII 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 30, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 30, 2015

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-1

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,960	\$ 63,978
Investments	368,397	
Accounts receivable	307	3,547
Due from other funds	<u>970,439</u>	
Total current assets	<u>1,438,103</u>	<u>67,525</u>
Noncurrent assets:		
Restricted cash and cash equivalents	48,550	3,310
Nondepreciable capital assets	302,388	169,050
Depreciable capital assets, net	<u>1,005,035</u>	<u>165,777</u>
Total noncurrent assets	<u>1,355,973</u>	<u>338,137</u>
Total assets	<u>2,794,076</u>	<u>405,662</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		
Total deferred outflows of resources	<u>0</u>	<u>0</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	698	4,590
Accrued liabilities	5,326	1,153
Accrued Interest	7,392	
Due to other funds	51,534	108,780
Unearned revenues	17,762	
Current position of long term debts	90,000	4,481
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>172,712</u>	<u>119,004</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>48,550</u>	<u>3,310</u>
Total current liabilities (payable from restricted assets)	<u>48,550</u>	<u>3,310</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u>2,085,000</u>	<u>8,529</u>
Total noncurrent liabilities	<u>2,085,000</u>	<u>8,529</u>
Total liabilities	<u>2,306,262</u>	<u>130,843</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		
Total deferred inflows of resources	<u>0</u>	<u>0</u>
NET POSITION		
Net investment in capital assets	(867,577)	321,817
Restricted	416,947	3,310
Unrestricted	<u>938,444</u>	<u>(50,308)</u>
Total net position	<u>487,814</u>	<u>274,819</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 2,794,076</u>	<u>\$ 405,662</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-1

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 82,948	\$
Investments	121,652	
Accounts receivable	3,859	
Due from other funds		
Total current assets	<u>208,459</u>	<u>0</u>
Noncurrent assets:		
Restricted cash and cash equivalents	21,170	153,348
Nondepreciable capital assets	356,125	
Depreciable capital assets, net	<u>1,704,442</u>	
Total noncurrent assets	<u>2,081,737</u>	<u>153,348</u>
Total assets	<u>2,290,196</u>	<u>153,348</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		
Total deferred outflows of resources	<u>0</u>	<u>0</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	1,595	6,354
Accrued liabilities	6,774	
Accrued Interest		
Due to other funds	9,357	
Unearned revenues	2,536	102,328
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>20,262</u>	<u>109,315</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>21,687</u>	
Total current liabilities (payable from restricted assets)	<u>21,687</u>	<u>0</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		102,930
Notes payable, net of current portion		
Total noncurrent liabilities	<u>0</u>	<u>102,930</u>
Total liabilities	<u>41,949</u>	<u>212,245</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>0</u>	<u>0</u>
Total deferred inflows of resources	<u>0</u>	<u>0</u>
NET POSITION		
Net investment in capital assets	2,060,567	
Restricted	21,170	153,348
Unrestricted	<u>166,510</u>	<u>(212,245)</u>
Total net position	<u>2,248,247</u>	<u>(58,897)</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 2,290,196</u>	<u>\$ 153,348</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-1

	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,138	\$
Investments		
Accounts receivable	607	
Due from other funds	<u>169,671</u>	<u>(1,140,110)</u>
Total current assets	<u>190,416</u>	<u>(1,140,110)</u>
Noncurrent assets:		
Restricted cash and cash equivalents	250	
Nondepreciable capital assets	30,104	
Depreciable capital assets, net	<u>176,221</u>	
Total noncurrent assets	<u>206,575</u>	<u>0</u>
Total assets	<u>396,991</u>	<u>(1,140,110)</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>55,805</u>	
Total deferred outflows of resources	<u>55,805</u>	<u>0</u>
LIABILITIES AND NET POSITION		
Current liabilities (payable from current assets):		
Accounts payable	2,813	
Accrued liabilities	52,833	
Accrued Interest		
Due to other funds	970,439	(1,140,110)
Unearned revenues		
Current position of long term debts	95,258	
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>1,121,343</u>	<u>(1,140,110)</u>
Current liabilities (payable from restricted assets):		
Tenant deposits		
Total current liabilities (payable from restricted assets)	<u>0</u>	<u>0</u>
Noncurrent liabilities:		
Net pension liability	546,075	
Escrow funds held for others, long-term		
Notes payable, net of current portion		
Total noncurrent liabilities	<u>546,075</u>	<u>0</u>
Total liabilities	<u>1,667,418</u>	<u>(1,140,110)</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>214,009</u>	<u>0</u>
Total deferred inflows of resources	<u>214,009</u>	<u>0</u>
NET POSITION		
Net investment in capital assets	206,325	
Restricted	250	
Unrestricted	<u>(1,635,206)</u>	
Total net position	<u>(1,428,631)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 452,796</u>	<u>\$ (1,140,110)</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-1

	<u>Total</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 266,024
Investments	490,049
Accounts receivable	8,320
Due from other funds	
Total current assets	<u>764,393</u>
Noncurrent assets:	
Restricted cash and cash equivalents	226,628
Nondepreciable capital assets	857,667
Depreciable capital assets, net	<u>3,051,475</u>
Total noncurrent assets	<u>4,135,770</u>
Total assets	<u>4,900,163</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>55,805</u>
Total deferred outflows of resources	<u>55,805</u>
LIABILITIES AND NET POSITION	
Current liabilities (payable from current assets):	
Accounts payable	16,050
Accrued liabilities	66,086
Accrued Interest	7,392
Due to other funds	
Unearned revenues	122,626
Current position of long term debts	189,739
Current portion of escrow funds held for others	<u>633</u>
Total current liabilities (payable from current assets)	<u>402,526</u>
Current liabilities (payable from restricted assets):	
Tenant deposits	<u>73,547</u>
Total current liabilities (payable from restricted assets)	<u>73,547</u>
Noncurrent liabilities:	
Net pension liability	546,075
Escrow funds held for others, long-term	102,930
Notes payable, net of current portion	<u>2,093,529</u>
Total noncurrent liabilities	<u>2,742,534</u>
Total liabilities	<u>3,218,607</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>214,009</u>
Total deferred inflows of resources	<u>214,009</u>
NET POSITION	
Net investment in capital assets	1,721,132
Restricted	595,025
Unrestricted	<u>(792,805)</u>
Total net position	<u>1,523,352</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 4,955,968</u>

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

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Woodleaf Development	Rio Felix FMHA Program	Low Rent Public Housing
<i>OPERATING REVENUES</i>			
Tenant charges	\$ 1,203,543	\$ 82,057	\$ 171,860
Management and administrative fees			
Miscellaneous income	20,847	906	64,943
Total operating revenues	1,224,390	82,963	236,803
<i>OPERATING EXPENSES</i>			
Contractual services	83,119	23,918	115,515
Personnel expenses	126,087	4,665	133,963
Repairs and maintenance	102,023	1,092	23,628
Supplied and materials	43,825	969	62,525
Utilities	75,603	18,703	54,278
Ordinary maintenance and operations	174,697	1,518	136,545
Management and administrative fees	81,293	10,627	70,430
Depreciation	86,961	15,095	177,109
Total operating expenses	773,608	76,587	773,993
Operating income (loss)	450,782	6,376	(537,190)
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Government subsidies			327,130
Interest income	6	1	34
Housing assistance payments			
Interest expense	(158,175)	(162)	
Total non-operating revenues (expenses)	(158,169)	(161)	327,164
Income (loss) before capital grants and transfers	292,613	6,215	(210,026)
Capital grants			116,818
<i>CHANGE IN NET POSITION</i>	292,613	6,215	(93,208)
<i>NET POSITION, BEGINNING OF YEAR</i>	195,201	268,604	2,252,461
<i>RESTATEMENT AND TRANSFERS</i>	0	0	88,994
<i>TOTAL NET POSITION, END OF YEAR</i>	\$ 487,814	\$ 274,819	\$ 2,248,247

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

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Section 8 Housing Program	Administrative Services Department
<i>OPERATING REVENUES</i>		
Tenant charges	\$	\$ 2,500
Management and administrative fees		633,954
Miscellaneous income	10,364	234,505
Total operating revenues	10,364	870,959
<i>OPERATING EXPENSES</i>		
Contractual services		60,861
Personnel expenses		838,690
Repairs and maintenance		16,929
Supplied and materials		24,937
Utilities		35,545
Ordinary maintenance and operations		85,074
Management and administrative fees	460,935	3,350
Depreciation		28,383
Total operating expenses	460,935	1,093,769
Operating income (loss)	(450,571)	(222,810)
<i>NON-OPERATING REVENUES (EXPENSES)</i>		
Government subsidies	5,093,174	
Interest income		
Housing assistance payments	(4,681,808)	
Interest expense		
Total non-operating revenues (expenses)	411,366	0
Income (loss) before capital grants and transfers	(39,205)	(222,810)
Capital grants		
<i>CHANGE IN NET POSITION</i>	(39,205)	(222,810)
<i>NET POSITION, BEGINNING OF YEAR</i>	(19,692)	(468,527)
<i>RESTATEMENT AND TRANSFERS</i>	0	(737,294)
<i>TOTAL NET POSITION, END OF YEAR</i>	\$ (58,897)	\$ (1,428,631)

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
FOR THE YEAR ENDED JUNE 30, 2015

	Intercompany Eliminations	Total
<i>OPERATING REVENUES</i>		
Tenant charges	\$	\$ 1,459,960
Management and administrative fees	(626,635)	7,319
Miscellaneous income		331,565
Total operating revenues	(626,635)	1,798,844
<i>OPERATING EXPENSES</i>		
Contractual services		283,413
Personnel expenses		1,103,405
Repairs and maintenance		143,672
Supplied and materials		132,256
Utilities		184,129
Ordinary maintenance and operations		397,834
Management and administrative fees	(626,635)	
Depreciation		307,548
Total operating expenses	(626,635)	2,552,257
Operating income (loss)	0	(753,413)
<i>NON-OPERATING REVENUES (EXPENSES)</i>		
Government subsidies		5,420,304
Interest income		41
Housing assistance payments		(4,681,808)
Interest expense		(158,337)
Total non-operating revenues (expenses)	0	580,200
Income (loss) before capital grants and transfers	0	(173,213)
Capital grants		116,818
<i>CHANGE IN NET POSITION</i>	0	(56,395)
<i>NET POSITION, BEGINNING OF YEAR</i>	0	2,228,047
<i>RESTATEMENT AND TRANSFERS</i>	0	(648,300)
<i>TOTAL NET POSITION, END OF YEAR</i>	\$ 0	\$ 1,523,352

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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 985,864	\$ 79,878
Payments to employees for services	(127,554)	(3,512)
Payments to suppliers and contractors	<u>(508,461)</u>	<u>(59,777)</u>
Net cash provided by (used in) operating activities	<u>349,849</u>	<u>16,589</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		
Receipts from intergovernmental HUD subsidy	<u> </u>	<u> </u>
Net cash provided by (used in) non-capital and related financing activities	<u>0</u>	<u>0</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt	(90,000)	(4,626)
Interest payments	(158,175)	(162)
Purchase of capital assets	<u>(42,467)</u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>(290,642)</u>	<u>(4,788)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	6	1
Change in investments	<u>(368,397)</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>(368,391)</u>	<u>1</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	(309,184)	11,802
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>456,694</u>	<u>55,486</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 147,510</u></u>	<u><u>\$ 67,288</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
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 241,054	\$ 10,364
Payments to employees for services	(131,549)	
Payments to suppliers and contractors	<u>(458,271)</u>	<u>(634,218)</u>
Net cash provided by (used in) operating activities	<u>(348,766)</u>	<u>(623,854)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments	301,115	(4,681,808)
Receipts from intergovernmental HUD subsidy	<u>142,833</u>	<u>5,093,174</u>
Net cash provided by (used in) non-capital and related financing activities	<u>443,948</u>	<u>411,366</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt		(343)
Interest payments		
Purchase of capital assets	<u>(36,877)</u>	<u> </u>
Net cash provided by (used in) capital financing activities	<u>(36,877)</u>	<u>(343)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	34	
Change in investments	<u>(33)</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>1</u>	<u>0</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	58,306	(212,831)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>45,812</u>	<u>366,179</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 104,118</u></u>	<u><u>\$ 153,348</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	Administrative Services Department	Total
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 762,294	\$ 2,079,454
Payments to employees for services	(780,387)	(1,043,002)
Payments to suppliers and contractors	9,079	(1,651,648)
Net cash provided by (used in) operating activities	(9,014)	(615,196)
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments		(4,380,693)
Receipts from intergovernmental HUD subsidy		5,236,007
Net cash provided by (used in) non-capital and related financing activities	0	855,314
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Principal payments on debt		(94,969)
Interest payments		(158,337)
Purchase of capital assets		(79,344)
Net cash provided by (used in) capital financing activities	0	(332,650)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received		41
Change in investments		(368,430)
Net cash provided by (used in) investing activities	0	(368,389)
<i>NET INCREASE (DECREASE) IN CASH</i>	(9,014)	(460,921)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	29,402	953,573
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	\$ 20,388	\$ 492,652

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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>			
Net operating income (loss)	\$ 450,782	\$ 6,376	\$ (537,190)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses	86,961	15,095	177,109
Changes in assets and liabilities:			
Receivables	348	(3,085)	(908)
Due from other funds	(238,874)		
Accounts payable	473	4,003	(3,564)
Deferred outflow of resources			
Accrued liabilities	(1,386)	1,153	2,541
Due to other funds	50,477	(5,920)	7,726
Unearned revenue	1,149	(1,033)	630
Prepaid expenses & other assets			5,157
Tenant deposits			(140)
Compensated absences	(81)		(127)
Net cash provided by (used in) operating activities	<u>\$ 349,849</u>	<u>\$ 16,589</u>	<u>\$ (348,766)</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Section 8 Housing Program</u>	<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)	\$ (450,571)	\$ (222,810)	\$ (753,413)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses		51,173	330,338
Changes in assets and liabilities:			
Receivables		(607)	(4,252)
Due from other funds		(52,253)	(291,127)
Accounts payable	6,354	(3,069)	4,197
Deferred outflow of resources		(55,805)	(55,805)
Accrued liabilities		36,448	38,756
Due to other funds		238,844	291,127
Unearned revenue	(179,637)		(178,891)
Prepaid expenses & other assets			5,157
Tenant deposits			(140)
Compensated absences		(935)	(1,143)
Net cash provided by (used in) operating activities	<u>\$ (623,854)</u>	<u>\$ (9,014)</u>	<u>\$ (615,196)</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
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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) and Southeastern New Mexico Affordable Housing Corporation (Casa Hermosa), these are blended component units.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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:

- 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. The activity from ERHA and Eunice Housing Authority since October 2014 has been combined for this major fund.
- 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
FOR THE YEAR ENDED JUNE 30, 2015

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 propriety 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
FOR THE YEAR ENDED JUNE 30, 2015

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
FOR THE YEAR ENDED JUNE 30, 2015

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
FOR THE YEAR ENDED JUNE 30, 2015

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 materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during the current fiscal year was \$158,337. 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, 2015.

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
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, unearned revenue consisted of prepaid rents from tenants of \$20,298 and grant revenues received but not yet earned of \$102,328.

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 include 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
FOR THE YEAR ENDED JUNE 30, 2015

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Government Accounting Standards -

The Authority changed accounting policies related to the financial statement presentation of defined benefit pensions by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, *Accounting and Financial reporting for Pensions* - an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date* - an amendment of GASB statement No. 68, in 2015. The new Pronouncements require governments providing benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

Subsequent Events - Management has evaluated events through September 30, 2015, the date the financial statements were available to be issued.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015.

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, 2015 is as follows:

	<u>Well Fargo Bank</u>	<u>Wells Fargo Investment</u>	<u>Total</u>
Total amounts of deposits	\$ 737,625	\$ 312,034	\$ 1,049,659
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>487,625</u>	<u>62,034</u>	<u>549,659</u>
Collateral requirement (50% of uninsured funds)	243,813	31,017	274,830
Pledged Collateral	<u>231,638</u>	<u> </u>	<u>231,638</u>
(Over) Under collateralized	<u>\$ 12,175</u>	<u>\$ 31,017</u>	<u>\$ 43,192</u>

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, \$318,021 of the Authority's deposits totaling \$1,049,659 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$ <u>1,049,659</u>
FDIC Insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the Authority's name	231,638
Uninsured and uncollateralized	<u>318,021</u>
Total Deposits	<u>\$ <u>1,049,659</u></u>

As of June 30, 2015 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	\$ 266,024
Restricted cash per Exhibit A-1	226,628
Investments	<u>490,049</u>
Total cash and cash equivalents per Exhibit A-1	982,701
Add: outstanding checks and other reconciling items	67,608
Less: petty cash	<u>(650)</u>
Reconciled balance of deposits	<u>\$ <u>1,049,659</u></u>

NOTE 3. ACCOUNTS RECEIVABLE

The Authority's accounts receivable at June 30, 2015,

	<u>Tenant Accounts</u>		<u>Other</u>	<u>Net</u>
	<u>Receivable</u>	<u>Allowance</u>	<u>Receivable</u>	<u>Receivable</u>
Low Rent Public Housing	\$ 3,859	\$	\$	\$ 3,859
Administrative Services Department			607	607
Woodleaf Development	1,202	(895)		307
Rio Felix FMHA Program	<u>3,000</u>		<u>547</u>	<u>3,547</u>
Totals	<u>\$ 8,061</u>	<u>\$ (895)</u>	<u>\$ 1,154</u>	<u>\$ 8,320</u>

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Woodleaf Development	\$ 970,439	Woodleaf Development	\$ 51,534
Administrative Service	169,671	Low Rent Public Housing	9,357
		Rio Felix FMHA Program	108,780
		Administrative Service	<u>970,439</u>
Total	<u>\$ 1,140,110</u>	Total	<u>\$ 1,140,110</u>

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>EHA</u> <u>Contribution</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 794,807	\$ 20,392	\$	\$ 815,199
Construction in progress	<u> </u>	<u> </u>	<u>42,468</u>	<u>42,468</u>
Total Capital assets, not being depreciated	<u>794,807</u>	<u>20,392</u>	<u>42,468</u>	<u>857,667</u>
Capital assets, being depreciated:				
Buildings and improvements	9,059,716	588,718		9,648,434
Equipment	<u>685,062</u>	<u>74,081</u>	<u>36,877</u>	<u>796,020</u>
Total Capital assets, being depreciated	9,744,778	662,799	36,877	10,444,454
Less accumulated depreciation	<u>(6,461,024)</u>	<u>(624,404)</u>	<u>(307,551)</u>	<u>(7,392,979)</u>
Total capital assets, being depreciated, net	<u>3,283,754</u>	<u>38,395</u>	<u>(270,674)</u>	<u>3,051,475</u>
Total capital assets, net	<u>\$ 4,078,561</u>	<u>\$ 58,787</u>	<u>\$ (228,206)</u>	<u>\$ 3,909,142</u>

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EASTERN REGIONAL HOUSING AUTHORITY
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FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 was \$2,064,000.

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 was 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, 2015:

	Balance <u>July 1, 2014</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>	Due within <u>one year</u>
Woodleaf development	\$ 2,265,000	\$ (90,000)	\$ 2,175,000	\$ 90,000
Rio felix FMHA development	17,636	(4,626)	13,010	4,481
Administrative services development - RIII	<u>95,258</u>	<u> </u>	<u>95,258</u>	<u>95,258</u>
Totals	<u>\$ 2,377,894</u>	<u>\$ (94,626)</u>	<u>\$ 2,283,268</u>	<u>\$ 189,739</u>

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

Fiscal Year Ending	Bond			Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>						
2016	\$ 90,000	\$ 151,584	\$ 241,584	\$ 99,739	\$ 111	\$ 99,850
2017	105,000	144,638	249,638	4,526	87	4,613
2018	110,000	137,156	247,156	4,003	42	4,045
2019	115,000	129,141	244,141			
2020	125,000	120,591	245,591			
2021 - 2025	770,000	451,013	1,221,013			
2026 - 2028	<u>860,000</u>	<u>111,863</u>	<u>971,863</u>			
Total	<u>\$ 2,175,000</u>	<u>\$ 1,245,986</u>	<u>\$ 3,420,986</u>	<u>\$ 108,268</u>	<u>\$ 240</u>	<u>\$ 108,508</u>

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EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7. LONG-TERM LIABILITIES - Cont'd

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.	\$ 2,175,000
1% mortgage payable, due in monthly principal and interest installments of \$211 with a maturity date of May 2019, secured by real estate.	7,086
1% mortgage payable, due in monthly principal and interest installments of \$1,721 with a maturity date of May 2019, secured by real estate.	5,924
0% interest note payable due to Region III with no stated maturity. Debt was incurred in Region IV in prior years and absorbed by the Authority as part of the combination of the two offices. The Authority is currently awaiting guidance from the State on how to properly dispose of this debt.	<u>95,258</u>
	<u>\$ 2,283,268</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, 2015 was \$103,563, of which \$633 is shown as short-term relating to the current year's graduates of the program.

NOTE 8. COMPENSATED ABSENCES

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

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>	Due within <u>one year</u>
Compensated Absences	\$ <u>1,143</u>	\$ <u>1,509</u>	\$ <u>(1,203)</u>	\$ <u>1,449</u>	\$ <u>1,449</u>
	<u>\$ 1,143</u>	<u>\$ 1,509</u>	<u>\$ (1,203)</u>	<u>\$ 1,449</u>	<u>\$ 1,449</u>

During the year ended June 30, 2015, Compensated Absences balances \$1,449 is included in accrued liabilities section of the financial statement.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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. 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 are no required contributions for fiscal year ending June 30, 2015.

NOTE 11. 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 12. 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.

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 13 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Excess of expenditures over appropriations. The following funds exceeded approved budgetary Authority for the year ended June 30, 2015:

Administrative Services Department	\$	4,089
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- B. Deficit net position of individual funds. Four funds reflected a deficit net position as of June 30, 2015:

Section 8 Housing Program	\$	58,897
Administrative Services Department		1,428,631

NOTE 14 NET POSITION RESTATEMENT

A prior period adjustment of \$737,294 has been reflected in the Authority's Administrative Services Department financial statements to record the net pension asset/liability, deferred outflows/inflows, and adjusted pension expense and net position in accordance to GASB 68.

		<u>Administrative Services Department</u>
Beginning net position as previously reported at June 30, 2014	\$	(468,527)
Prior period adjustment - Implementation GASB 68:		
Net pension liability (measurement date)		(789,296)
Deferred outflows - District's contributions made during fiscal year 2014		<u>52,002</u>
Total prior period adjustment		<u>(737,294)</u>
Net position as restated, July 1, 2014	\$	<u>(1,205,821)</u>

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

The numbers used from the PERA report are for the Region VI Housing Authority pursuant to the NM legislature regarding restructuring of the State's regional housing authorities in 2009 as disclosed in Note 1 of the audited financial statements on page 19 of this report.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Contributions. The contribution requirements of defined benefit plan members and the Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to Eastern Regional Housing Authority is Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$- and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - Cont'd

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of June 30, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the Authority reported a liability of \$546,075 for its proportionate share of the net pension liability. At June 30, 2014, the Authority's proportion was 0.07%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Authority recognized PERA Fund Division Municipal General, pension expense of \$55,805. At June 30, 2015, the Housing Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - Cont'd

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	370
Net difference between projected and actual earnings on pension plan investments	0	213,639
Changes in proportion and differences between Authority contributions and proportionate share of contributions	0	0
Authority contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 214,009</u></u>

\$55,805 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2016	\$ 53,502
2017	53,502
2018	53,502
2019	<u>53,503</u>
Total	<u><u>\$ 214,009</u></u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

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EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 15 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - Cont'd

Actuarial valuation date		June 30, 2013
Actuarial cost method		Entry age normal
Amortization method		Level percentage of pay
Amortization period		Solved for based on statutory rates
Asset valuation method		Fair value
Actuarial assumptions:		
• Investment rate of return		7.75% annual rate, net of investment expense
• Payroll growth		3.50% annual rate
• Projected salary increases		3.50% to 14.25% annual rate
• Includes inflation at		3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8	5.2
Private Equity	7	8.2
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5	4.8
Real Estate	5	5.30
Real Assets	7	5.7
Absolute Return	4	4.15
Total	<u>100</u>	

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EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 15 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - Cont'd

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each PERA Fund Division that Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division (A)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability	\$ 1,029,474	\$ 546,075	\$ 172,626

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. The Authority doesn't have any amount due to the plan at June 30, 2015.

NOTE 16 RIO FELIX FMHA PROGRAM

Management agreement for USDA rural development (USDA RD) financed farm labor housing (FLH) projects is made between Eastern Regional Housing Authority (ERHA) (the "Owner"), and the The JL Gray Company, Inc (the "Agent") under the terms and conditions set forth in such agreement.

The Owner authorizes the Agent to:

- A Operate the project according to the Owner's management plan and in compliance with the Owner's loan agreement (or resolution) with USDA RD, and applicable USDA RD regulations and guidelines.
- B Operate and maintain the project within reasonable tolerance (as defined by USDA RD) of the expense category subtotals in the project budget.
- C Purchase all material, equipment, tools, appliances, supplies and services necessary for proper maintenance and repair of the project as stipulated by the Owner in the management plan, project budget, and/or other form of written documentation.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

- D Notwithstanding any of the foregoing provisions or any similar provisions that follow, the prior written approval of the Owner will be required for any expenditure which exceeds \$5,000.00 in any one instance for litigation involving the project, or labor, materials, or otherwise in connection with the maintenance and repair of the project. This limitation is not applicable for recurring expenses within the limits of the operating budget or emergency repairs involving manifest danger to persons or property, or that are required to avoid suspension of any necessary service to the project. In the latter event, the Agent will inform the Owner of the facts as promptly as possible.

The Agent will maintain and safeguard the Owner's project financial accounts and tenant security deposit accounts according to the current requirements set forth in paragraph 4.3 of HB-2-3560 of the agreement. This agreement shall be in effect for a period of three (3) years, beginning on the First day of February, 2015, subject to the conditions described in such agreement.

NOTE 17 PROFESSIONAL SERVICES AGREEMENT

City of Lovington Housing Authority

Eastern Regional Housing Authority (ERHA) entered in professional services agreement with City of Lovington Housing Authority (LHA) on 5th Nov, 2014. 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 LHA's behalf, and to assist LHA 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 17th Nov, 2014. Such responsibilities shall continue until the Annual Contributions Contract which LHA currently has with HUD is transferred from the LHA to ERHA, unless this Agreement is earlier terminated pursuant to the provisions of Paragraph 6 of the agreement.

City of Eunice Housing Authority

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

As of October 1, 2014, the EHA has been transferred to the ERHA. As a result, the EHA's financial statements for future accounting periods will not be issued separately.

The EHA's net position \$88,994 as on October 1, 2014 has been transferred to the ERHA's Low Rent Public Housing. The combined statement of net position and combined statement of revenue, expenses and change in net position on pages 41 to 42 be presented to supplementary information.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
COMBINED STATEMENT OF NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Low Rent Public Housing</u>		
	<u>Eastern Regional Housing Authority</u>	<u>City of Eunice Public Housing Authority</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 79,100	\$ 3,848	\$ 82,948
Investments	96,410	25,242	121,652
Accounts receivable	<u>3,535</u>	<u>324</u>	<u>3,859</u>
Total current assets	<u>179,045</u>	<u>29,414</u>	<u>208,459</u>
Noncurrent assets:			
Restricted cash and cash equivalents	18,412	2,758	21,170
Nondepreciable capital assets	335,733	20,392	356,125
Depreciable capital assets, net	<u>1,704,442</u>	<u> </u>	<u>1,704,442</u>
Total noncurrent assets	<u>2,058,587</u>	<u>23,150</u>	<u>2,081,737</u>
Total assets	<u>2,237,632</u>	<u>52,564</u>	<u>2,290,196</u>
LIABILITIES AND NET POSITION			
Current liabilities (payable from current assets):			
Accounts payable	1,212	383	1,595
Accrued liabilities	5,336	1,438	6,774
Due to other funds	2,120	7,237	9,357
Unearned revenues	<u>2,423</u>	<u>113</u>	<u>2,536</u>
Total current liabilities (payable from current assets)	<u>11,091</u>	<u>9,171</u>	<u>20,262</u>
Current liabilities (payable from restricted assets):			
Tenant deposits	<u>18,412</u>	<u>3,275</u>	<u>21,687</u>
Total current liabilities (payable from restricted assets)	<u>18,412</u>	<u>3,275</u>	<u>21,687</u>
Noncurrent liabilities:			
Total noncurrent liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>29,503</u>	<u>12,446</u>	<u>41,949</u>
NET POSITION			
Net investment in capital assets	2,040,175	20,392	2,060,567
Restricted	18,412	2,758	21,170
Unrestricted	<u>149,542</u>	<u>16,968</u>	<u>166,510</u>
Total net position	<u>2,208,129</u>	<u>40,118</u>	<u>2,248,247</u>
Total liabilities and fund equity	<u>\$ 2,237,632</u>	<u>\$ 52,564</u>	<u>\$ 2,290,196</u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Low Rent Public Housing</u>		
	<u>Eastern Regional Housing Authority</u>	<u>City of Eunice Public Housing Authority</u>	<u>Total</u>
<i>OPERATING REVENUES</i>			
Tenant charges	\$ 133,997	\$ 37,863	\$ 171,860
Miscellaneous income	<u>64,537</u>	<u>406</u>	<u>64,943</u>
Total operating revenues	<u>198,534</u>	<u>38,269</u>	<u>236,803</u>
<i>OPERATING EXPENSES</i>			
Contractual services	97,054	18,461	115,515
Personnel expenses	100,584	33,379	133,963
Repairs and maintenance	19,724	3,904	23,628
Supplied and materials	61,840	685	62,525
Utilities	47,329	6,949	54,278
Ordinary maintenance and operations	130,197	6,348	136,545
Management and administrative fees	61,540	8,890	70,430
Depreciation	<u>138,715</u>	<u>38,394</u>	<u>177,109</u>
Total operating expenses	<u>656,983</u>	<u>117,010</u>	<u>773,993</u>
Operating income (loss)	<u>(458,449)</u>	<u>(78,741)</u>	<u>(537,190)</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Government subsidies	301,115	26,015	327,130
Interest income	<u>34</u>	<u> </u>	<u>34</u>
Total non-operating revenues (expenses)	<u>301,149</u>	<u>26,015</u>	<u>327,164</u>
Income (loss) before capital grants and transfers	(157,300)	(52,726)	(210,026)
Capital grants	<u>112,968</u>	<u>3,850</u>	<u>116,818</u>
<i>CHANGE IN NET POSITION</i>	<u>(44,332)</u>	<u>(48,876)</u>	<u>(93,208)</u>
<i>BEGINNING NET POSITION, EUNICE HOUSING AUTHORITY</i>	0	88,994	88,994
<i>NET POSITION, BEGINNING OF YEAR</i>	<u>2,252,461</u>	<u>0</u>	<u>2,252,461</u>
<i>TOTAL NET POSITION, END OF YEAR</i>	<u>\$ 2,208,129</u>	<u>\$ 40,118</u>	<u>\$ 2,248,247</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Eastern Regional Housing Authority</u>	<u>City of Eunice Public Housing Authority</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 197,636	\$ 43,418
Payments to employees for services	(99,330)	(32,219)
Payments to suppliers and contractors	<u>(416,351)</u>	<u>(41,920)</u>
Net cash provided by (used in) operating activities	<u>(318,045)</u>	<u>(30,721)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Housing assistance payments	301,115	
Receipts from intergovernmental HUD subsidy	<u>112,968</u>	<u>29,865</u>
Net cash provided by (used in) non-capital and related financing activities	<u>414,083</u>	<u>29,865</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>		
Purchase of capital assets	<u>(36,877)</u>	
Net cash provided by (used in) capital financing activities	<u>(36,877)</u>	<u>0</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	34	
Change in investments	<u>(33)</u>	
Net cash provided by (used in) investing activities	<u>1</u>	<u>0</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	59,162	(856)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>38,350</u>	<u>7,462</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 97,512</u></u>	<u><u>\$ 6,606</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Total</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Cash received from customers	\$ 241,054
Payments to employees for services	(131,549)
Payments to suppliers and contractors	<u>(458,271)</u>
Net cash provided by (used in) operating activities	<u>(348,766)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>	
Housing assistance payments	301,115
Receipts from intergovernmental HUD subsidy	<u>142,833</u>
Net cash provided by (used in) non-capital and related financing activities	<u>443,948</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>	
Purchase of capital assets	<u>(36,877)</u>
Net cash provided by (used in) capital financing activities	<u>(36,877)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Interest received	34
Change in investments	<u>(33)</u>
Net cash provided by (used in) investing activities	<u>1</u>
<i>NET INCREASE (DECREASE) IN CASH</i>	58,306
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>45,812</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u><u>\$ 104,118</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
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-3

	<u>Eastern Regional Housing Authority</u>	<u>City of Eunice Public Housing Authority</u>	<u>Totals</u>
<i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>			
Net operating income (loss)	\$ (458,449)	\$ (78,741)	\$ (537,190)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	138,715	38,394	177,109
Changes in assets and liabilities:			
Receivables	(900)	(8)	(908)
Prepaid expenses & other assets		5,157	5,157
Accounts payable	569	(4,133)	(3,564)
Tenant deposits	(240)	100	(140)
Due from others	489	7,237	7,726
Accrued liabilities	1,381	1,160	2,541
Unearned revenue	517	113	630
Compensated absences	<u>(127)</u>	<u> </u>	<u>(127)</u>
Net cash provided by (used in) operating activities	<u>\$ (318,045)</u>	<u>\$ (30,721)</u>	<u>\$ (348,766)</u>

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY

Statement A-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL WOODLEAF DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	(Negative)
<i>OPERATING REVENUES</i>				
Tenant charges	\$ 1,174,524	\$ 1,203,529	\$ 1,203,543	\$ 14
Miscellaneous income	<u>15,480</u>	<u>20,260</u>	<u>20,847</u>	<u>587</u>
Total operating revenues	<u>1,190,004</u>	<u>1,223,789</u>	<u>1,224,390</u>	<u>601</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	79,374	81,293	81,293	
Ordinary maintenance and operations	22,846	27,065	174,697	(147,632)
Personnel expenses	383,220	200,905	126,087	74,818
Contractual services	61,585	88,252	60,402	27,850
Repair and maintenance	155,424	104,312	102,023	2,289
Supplies and materials	46,860	46,360	43,825	2,535
Depreciation and amortization	96,739	86,961	86,961	
Utilities	<u>163,566</u>	<u>151,390</u>	<u>75,603</u>	<u>75,787</u>
Total operating expenses	<u>1,009,614</u>	<u>786,538</u>	<u>750,891</u>	<u>35,647</u>
Operating income (loss)	<u>180,390</u>	<u>437,251</u>	<u>473,499</u>	<u>36,248</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Interest and dividend income		6	6	
Interest expenses	<u>(158,175)</u>	<u>(158,175)</u>	<u>(158,175)</u>	
Total non-operating revenues (expenses)	<u>(158,175)</u>	<u>(158,169)</u>	<u>(158,169)</u>	<u>0</u>
<i>CHANGES IN NET POSITION</i>	22,215	279,082	315,330	36,248
<i>NET POSITION - BEGINNING OF YEAR</i>	<u>35,437</u>	<u>101,060</u>	<u>195,201</u>	<u>94,141</u>
<i>NET POSITION - END OF YEAR</i>	<u>\$ 57,652</u>	<u>\$ 380,142</u>	<u>510,531</u>	<u>\$ 130,389</u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			315,330	
Net change in accounts receivable			0	
Net Change in accounts payables			<u>(22,717)</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 292,613</u>	

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY

Statement A-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL
RIO FELIX FMHA DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<i>OPERATING REVENUES</i>				
Tenant charges	\$ 21,360	\$ 82,057	\$ 82,057	\$
Miscellaneous income	<u>2,303</u>	<u>906</u>	<u>907</u>	<u>1</u>
Total operating revenues	<u>23,663</u>	<u>82,963</u>	<u>82,964</u>	<u>1</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees	5,400	10,627	10,627	
Ordinary maintenance and operations	2,503	1,518	1,518	
Personnel expenses	25	4,665	4,665	
Contractual services	9,504	23,918	23,918	
Repair and maintenance	3,797	1,092	1,092	
Supplies and materials	2,376	969	969	
Depreciation and amortization	15,095	15,095	15,095	
Utilities	<u>23,600</u>	<u>18,703</u>	<u>18,703</u>	
Total operating expenses	<u>62,300</u>	<u>76,587</u>	<u>76,587</u>	<u>0</u>
Operating income (loss)	<u>(38,637)</u>	<u>6,376</u>	<u>6,377</u>	<u>1</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Government subsidies	44,400			
Interest expenses	<u>(192)</u>	<u>(162)</u>	<u>(162)</u>	
Total non-operating revenues (expenses)	<u>44,208</u>	<u>(162)</u>	<u>(162)</u>	<u>0</u>
<i>CHANGES IN NET POSITION</i>	5,571	6,214	6,215	1
<i>NET POSITION - BEGINNING OF YEAR</i>	<u>(15,076)</u>	<u>(35,994)</u>	<u>268,604</u>	<u>304,598</u>
<i>NET POSITION - END OF YEAR</i>	<u><u>\$ (9,505)</u></u>	<u><u>\$ (29,780)</u></u>	<u><u>\$ 274,819</u></u>	<u><u>\$ 304,599</u></u>

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

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

Statement A-3

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL
LOW RENT PUBLIC HOUSING PROGRAM FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive/ (Negative)
OPERATING REVENUES				
Tenant charges	\$ 174,600	\$ 170,660	\$ 171,860	\$ 1,200
Miscellaneous income	<u>6,561</u>	<u>7,787</u>	<u>7,940</u>	<u>153</u>
Total operating revenues	<u>181,161</u>	<u>178,447</u>	<u>179,800</u>	<u>1,353</u>
OPERATING EXPENSES				
Management and administrative fees	70,134	70,430	70,430	
Ordinary maintenance and operations	19,941	17,390	22,533	(5,143)
Personnel expenses	210,472	239,599	133,963	105,636
Contractual services	38,032	208,776	202,080	6,696
Repair and maintenance	40,714	21,350	23,628	(2,278)
Supplies and materials	46,778	43,157	62,525	(19,368)
Depreciation and amortization	142,198	177,109	177,109	
Utilities	<u>73,328</u>	<u>68,105</u>	<u>54,278</u>	<u>13,827</u>
Total operating expenses	<u>641,597</u>	<u>845,916</u>	<u>746,546</u>	<u>99,370</u>
Operating income (loss)	<u>(460,436)</u>	<u>(667,469)</u>	<u>(566,746)</u>	<u>100,723</u>
NON - OPERATING REVENUES (EXPENSES)				
Interest and dividend income	79	34	34	
Government subsidies	<u>305,826</u>	<u>327,130</u>	<u>327,130</u>	
Total non-operating revenues (expenses)	<u>305,905</u>	<u>327,164</u>	<u>327,164</u>	<u>0</u>
Income (loss) before capital grants and transfers	(154,531)	(340,305)	(239,582)	100,723
Capital grants	<u>28,000</u>	<u>220,149</u>	<u>116,818</u>	<u>(103,331)</u>
CHANGES IN NET POSITION	(126,531)	(120,156)	(122,764)	(2,608)
NET POSITION - BEGINNING OF YEAR	(113,851)	(148,350)	2,252,461	2,400,811
BEGINNING NET POSITION, TRANSFERS	<u>0</u>	<u>0</u>	<u>88,994</u>	<u>88,994</u>
NET POSITION - END OF YEAR	<u>\$ (240,382)</u>	<u>\$ (268,506)</u>	<u>2,218,691</u>	<u>\$ 2,487,197</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(122,764)	
Net change in accounts receivable			57,003	
Net change in accounts payables			<u>(27,447)</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (93,208)</u>	

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY

Statement A-4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL
SECTION 8 HOUSING PROGRAM FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
<i>OPERATING REVENUES</i>				
Miscellaneous income	\$ 144,072	\$ 44,142	\$ 10,364	\$ (33,778)
Total operating revenues	144,072	44,142	10,364	(33,778)
<i>OPERATING EXPENSES</i>				
Management and administrative fees	586,747	454,581	454,581	
Total operating expenses	586,747	454,581	454,581	0
Operating income (loss)	(442,675)	(410,439)	(444,217)	(33,778)
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Housing assistance payments	(4,765,860)	(4,676,135)	(4,681,808)	(5,673)
Government subsidies	5,281,164	5,161,582	5,093,174	(68,408)
Total non-operating revenues (expenses)	515,304	485,447	411,366	(74,081)
<i>CHANGES IN NET POSITION</i>	72,629	75,008	(32,851)	(107,859)
<i>NET POSITION - BEGINNING OF YEAR</i>	10,705	8,803	(19,692)	(28,495)
<i>NET POSITION - END OF YEAR</i>	\$ 83,334	\$ 83,811	(52,543)	\$ (136,354)
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			(32,851)	
Net change in accounts receivable			0	
Net change in accounts payables			(6,354)	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ (39,205)	

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

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

Statement A-5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET
(NON-GAAP BUDGETARY BASIS) AND ACTUAL
ADMINISTRATIVE SERVICES DEPARTMENT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
<i>OPERATING REVENUES</i>				
Management and administrative fees	\$ 744,618	\$ 633,954	\$ 633,954	\$
Tenant charges	6,000	2,500	2,500	
Miscellaneous income	<u>21,060</u>	<u>234,363</u>	<u>234,505</u>	<u>142</u>
Total operating revenues	<u>771,678</u>	<u>870,817</u>	<u>870,959</u>	<u>142</u>
<i>OPERATING EXPENSES</i>				
Management and administrative fees		40,702	3,350	37,352
Ordinary maintenance and operations	71,671	69,476	85,074	(15,598)
Personnel expenses	554,308	871,844	871,705	139
Contractual services	53,613	60,474	60,861	(387)
Repair and maintenance	22,675	16,929	16,929	
Supplies and materials	22,764	23,762	24,937	(1,175)
Depreciation and amortization	29,354	28,383	28,383	
Utilities	<u>15,710</u>	<u>11,125</u>	<u>35,545</u>	<u>(24,420)</u>
Total operating expenses	<u>770,095</u>	<u>1,122,695</u>	<u>1,126,784</u>	<u>(4,089)</u>
Operating income (loss)	<u>1,583</u>	<u>(251,878)</u>	<u>(255,825)</u>	<u>(3,947)</u>
<i>NON - OPERATING REVENUES (EXPENSES)</i>				
Interest expenses	<u>(120)</u>	<u>(1)</u>		<u>1</u>
Total non-operating revenues (expenses)	<u>(120)</u>	<u>(1)</u>	<u>0</u>	<u>1</u>
Income (loss) before capital grants and transfers	<u>1,463</u>	<u>(251,879)</u>	<u>(255,825)</u>	<u>(3,946)</u>
<i>CHANGES IN NET POSITION</i>	1,463	(251,879)	(255,825)	(3,946)
<i>NET POSITION - BEGINNING OF YEAR</i>	0	0	(737,294)	(737,294)
<i>RESTATEMENT AND TRANSFERS</i>	<u>(24,996)</u>	<u>(214,685)</u>	<u>(468,527)</u>	<u>(253,842)</u>
<i>NET POSITION - END OF YEAR</i>	<u>\$ (23,533)</u>	<u>\$ (466,564)</u>	<u>(1,461,646)</u>	<u>\$ (995,082)</u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			(255,825)	
Net change in accounts receivable			0	
Net change in accounts payables			<u>33,015</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (222,810)</u>	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015</u>
Pledged by Wells Fargo Bank, BNY Mellon	FMAC FGPC	5/1/2043	31Z8MJSP6	\$ 26,679
Pledged by Wells Fargo Bank, BNY Mellon	FMAC FGPC	3/1/2042	3132GSBH1	115,999
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	4/1/2042	3138E9RE2	<u>88,960</u>
Total Wells Fargo Bank Pledged Securities				<u>\$ 231,638</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
FOR THE YEAR ENDED JUNE 30, 2015

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	93,753			93,753
Woodleaf Security Deposits	Checking	48,550			48,550
Rio Felix General	Checking	5,844			5,844
Rio Felix Security Deposits	Checking	3,310			3,310
Rio Felix Reserve	Checking	58,134			58,134
SSM General	Checking	39,850			39,850
SSM Security Deposits	Checking	15,234			15,234
Vaughn General	Checking	41,615			41,615
Vaughn Security Deposits	Checking	3,098			3,098
ASA General	Checking	17,885			17,885
FSS Escrow Section 8	Checking	103,563			103,563
Section 8	Checking	102,328			102,328
Eunice Security Deposit	Checking	3,275			3,275
Eunice General	Checking	5,137			5,137
Eunice 16 General	Checking	7,531			7,531
R & R Wells Fargo	Money Market	56,363			56,363
ASA Development	Money Market	10,286			10,286
Woodleaf Debt Service Fund	Money Market		251,544		251,544
Woodleaf Expense Fund	Money Market		2,691		2,691
Woodleaf Surplus Fund	Money Market		9,765		9,765
Woodleaf Bond Fund	Money Market		48,034		48,034
Certificate of Deposit- Sandstone	Money Market			96,377	96,377
Certificate of Deposit- EHA	Money Market			15,145	15,145
Certificate of Deposit- EHA	Money Market			10,097	10,097
Total amount of deposit in bank		616,006	312,034	121,619	1,049,659
Reconciling items:					
Less: outstanding checks per bank reconciliation, and other reconciling items		(67,608)			(67,608)
Reconciled balance		<u>\$ 548,398</u>	<u>\$ 312,034</u>	<u>\$ 121,619</u>	<u>982,051</u>
Plus: petty cash					650
Less: restricted cash and cash equivalents per Exhibit A-1					(226,628)
Less: investments per Exhibit A-1					<u>(490,049)</u>
Cash and cash equivalents per Exhibit A-1					<u>\$ 266,024</u>

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

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

Schedule III

**SUPPORTING DATA REQUIRED BY THE BOND INDENTURE COMPUTATION OF DEBT
SERVICE COVERAGE RATIO RHA HOUSING DEVELOPMENT CORPORATION
(WOODLEAF DEVELOPMENT)
FOR THE YEAR ENDED JUNE 30, 2015**

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 537,749
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>241,584</u>
Debt Service Ratio	<u>2.23</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	1,224,396
Total operating expenses and interest expense	(931,783)
Plus: Recorded bond amortization and depreciation expense	86,961
Interest expense related to 1997A Series bonds	<u>158,175</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>537,749</u>

Debt Service for the year ended June 30, 2016

Principal reduction on 1997A Series bonds during the year ended June 29, 2016	90,000
Interest due attributable to 1997A Series bonds during the year ended June 29, 2016	<u>151,584</u>
Maximum Annual Debt Service as defined in the bond indenture	<u>\$ 241,584</u>

NOTE:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2015, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

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

Schedule IV

**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
111	Cash - Unrestricted	\$ 82,948	\$
113	Cash - Other Restricted		
114	Cash - Tenant Security Deposits	<u>21,169</u>	<u> </u>
100	Total Cash	<u>104,117</u>	<u>0</u>
125	Accounts Receivable - Miscellaneous		
126	Accounts Receivable - Tenants	<u>3,858</u>	<u> </u>
	Total Receivables, Net of Allowances for Doubtful Accounts	<u>3,858</u>	<u>0</u>
120			
131	Investments - unrestricted	121,652	
144	Interprogram - due from	<u> </u>	<u> </u>
150	Total Current Assets	<u>229,627</u>	<u>0</u>
161	Land	356,125	
162	Buildings	5,527,366	
163	Furniture, Equipment & Machinery - Dwellings	270,434	
166	Accumulated Depreciation	(4,093,358)	
167	Construction in Progress	<u> </u>	<u> </u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>2,060,567</u>	<u>0</u>
180	Total Non Current Assets	2,060,567	0
200	Deferred Outflow of Resources	<u> </u>	<u> </u>
290	Total Assets and Deferred Outflow of Resources	<u>2,290,194</u>	<u>0</u>
312	Accounts Payable <= 90 Days	1,595	
321	Accrued Wage/Payroll Taxes Payable	6,774	
325	Accrued Interest Payable		
341	Tenant Security Deposits	21,687	
342	Unearned Revenues		
	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		
343			
344	Current Portion of Long-term Debt - Operating Borrowings		
345	Other Current Liabilities	2,536	
347	Interprogram Due To	<u>9,357</u>	<u> </u>
310	Total Current Liabilities	<u>\$ 41,949</u>	<u>\$ 0</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	Section 8 Housing Choice Voucher 14,871
111	Cash - Unrestricted	\$
113	Cash - Other Restricted	153,348
114	Cash - Tenant Security Deposits	<u> </u>
100	Total Cash	<u>153,348</u>
125	Accounts Receivable - Miscellaneous	
126	Accounts Receivable - Tenants	<u> </u>
	Total Receivables, Net of Allowances for Doubtful Accounts	<u> 0</u>
120		
131	Investments - unrestricted	
144	Interprogram - due from	<u> </u>
150	Total Current Assets	<u>153,348</u>
161	Land	
162	Buildings	
163	Furniture, Equipment & Machinery - Dwellings	
166	Accumulated Depreciation	
167	Construction in Progress	<u> </u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u> 0</u>
180	Total Non Current Assets	0
200	Deferred Outflow of Resources	<u> </u>
290	Total Assets and Deferred Outflow of Resources	<u>153,348</u>
312	Accounts Payable <= 90 Days	6,354
321	Accrued Wage/Payroll Taxes Payable	
325	Accrued Interest Payable	
341	Tenant Security Deposits	
342	Unearned Revenues	102,328
	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	
343		
344	Current Portion of Long-term Debt - Operating Borrowings	
345	Other Current Liabilities	633
347	Interprogram Due To	<u> </u>
310	Total Current Liabilities	<u>\$ 109,315</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	Rio Felix FMHA Program 10.405	State and Local Woodleaf
111	Cash - Unrestricted	\$ 63,978	\$ 98,960
113	Cash - Other Restricted		
114	Cash - Tenant Security Deposits	<u>3,310</u>	<u>48,550</u>
100	Total Cash	<u>67,288</u>	<u>147,510</u>
125	Accounts Receivable - Miscellaneous		
126	Accounts Receivable - Tenants	<u>3,547</u>	<u>307</u>
	Total Receivables, Net of Allowances for Doubtful Accounts	<u>3,547</u>	<u>307</u>
120			
131	Investments - unrestricted		368,397
144	Interprogram - due from		<u>970,439</u>
150	Total Current Assets	<u>70,835</u>	<u>1,486,653</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	(462,479)	(2,354,422)
167	Construction in Progress		<u>42,469</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>334,827</u>	<u>1,307,423</u>
180	Total Non Current Assets	334,827	1,307,423
200	Deferred Outflow of Resources		
290	Total Assets and Deferred Outflow of Resources	<u>405,662</u>	<u>2,794,076</u>
312	Accounts Payable <= 90 Days	4,590	698
321	Accrued Wage/Payroll Taxes Payable	1,153	5,326
325	Accrued Interest Payable		7,392
341	Tenant Security Deposits	3,310	48,550
342	Unearned Revenues		
	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		90,000
343			
344	Current Portion of Long-term Debt - Operating Borrowings		
345	Other Current Liabilities		17,762
347	Interprogram Due To	<u>108,780</u>	<u>51,534</u>
310	Total Current Liabilities	<u>\$ 117,833</u>	<u>\$ 221,262</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	Business ASA	Total
111	Cash - Unrestricted	\$ 20,138	\$ 266,024
113	Cash - Other Restricted		153,348
114	Cash - Tenant Security Deposits	<u>250</u>	<u>73,279</u>
100	Total Cash	<u>20,388</u>	<u>492,651</u>
125	Accounts Receivable - Miscellaneous	109,387	109,387
126	Accounts Receivable - Tenants		<u>7,712</u>
	Total Receivables, Net of Allowances for Doubtful Accounts	<u>109,387</u>	<u>117,099</u>
120			
131	Investments - unrestricted		490,049
144	Interprogram - due from	<u>60,891</u>	<u>1,031,330</u>
150	Total Current Assets	<u>190,666</u>	<u>2,131,129</u>
161	Land	30,104	815,198
162	Buildings	206,154	9,648,434
163	Furniture, Equipment & Machinery - Dwellings	452,786	796,019
166	Accumulated Depreciation	(482,720)	(7,392,979)
167	Construction in Progress		<u>42,469</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>206,324</u>	<u>3,909,141</u>
180	Total Non Current Assets	206,324	3,909,141
200	Deferred Outflow of Resources	<u>55,805</u>	<u>55,805</u>
290	Total Assets and Deferred Outflow of Resources	<u>452,795</u>	<u>6,096,075</u>
312	Accounts Payable <= 90 Days	2,813	16,050
321	Accrued Wage/Payroll Taxes Payable	52,833	66,086
325	Accrued Interest Payable		7,392
341	Tenant Security Deposits		73,547
342	Unearned Revenues		102,328
	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		90,000
343			
344	Current Portion of Long-term Debt - Operating Borrowings	95,258	95,258
345	Other Current Liabilities		20,931
347	Interprogram Due To	<u>970,439</u>	<u>1,140,110</u>
310	Total Current Liabilities	<u>\$ 1,121,343</u>	<u>\$ 1,611,702</u>

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**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$	\$
353	Noncurrent Liabilities - Other		
357	Accrued Pension and OPEB Liabilities	<u> </u>	<u> </u>
350	Total Noncurrent Liabilities	<u> 0</u>	<u> 0</u>
300	Total Liabilities	41,949	0
400	Deferred Inflow of Resources	<u> 0</u>	<u> 0</u>
	Total Liabilities and Deferred Inflow of Resources	<u> 41,949</u>	<u> 0</u>
508.4	Net investment in capital assets	2,060,567	
511.4	Restricted net position	21,169	
512.4	Unrestricted net position	<u> 166,511</u>	<u> </u>
513	Total Equity - Net Assets / Position	<u> 2,248,247</u>	<u> 0</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u> 2,290,196</u>	<u> 0</u>

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**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Section 8 Housing Choice Voucher 14,871
	Long-term Debt, Net of Current - Capital Projects/Mortgage	
351	Revenue	\$
353	Noncurrent Liabilities - Other	102,930
357	Accrued Pension and OPEB Liabilities	<u> </u>
350	Total Noncurrent Liabilities	<u>102,930</u>
300	Total Liabilities	212,245
400	Deferred Inflow of Resources	<u> 0</u>
	Total Liabilities and Deferred Inflow of Resources	<u>212,245</u>
508.4	Net investment in capital assets	
511.4	Restricted net position	153,348
512.4	Unrestricted net position	<u>(212,245)</u>
513	Total Equity - Net Assets / Position	<u>(58,897)</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 153,348</u>

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**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Rio Felix FMHA Program 10.405	State and Local Woodleaf
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ 13,010	\$ 2,085,000
353	Noncurrent Liabilities - Other		
357	Accrued Pension and OPEB Liabilities		
350	Total Noncurrent Liabilities	<u>13,010</u>	<u>2,085,000</u>
300	Total Liabilities	130,843	2,306,262
400	Deferred Inflow of Resources	<u>0</u>	<u>0</u>
	Total Liabilities and Deferred Inflow of Resources	<u>130,843</u>	<u>2,306,262</u>
508.4	Net investment in capital assets	321,817	(867,577)
511.4	Restricted net position	3,310	416,947
512.4	Unrestricted net position	<u>(50,308)</u>	<u>938,444</u>
513	Total Equity - Net Assets / Position	<u>274,819</u>	<u>487,814</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 405,662</u>	<u>\$ 2,794,076</u>

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Line Item Number	Description	Business ASA	Total
	Long-term Debt, Net of Current - Capital Projects/Mortgage		
351	Revenue	\$	\$ 2,098,010
353	Noncurrent Liabilities - Other		102,930
357	Accrued Pension and OPEB Liabilities	<u>546,075</u>	<u>546,075</u>
350	Total Noncurrent Liabilities	<u>546,075</u>	<u>2,747,015</u>
300	Total Liabilities	1,667,418	4,358,717
400	Deferred Inflow of Resources	<u>214,009</u>	<u>214,009</u>
	Total Liabilities and Deferred Inflow of Resources	<u>1,881,427</u>	<u>4,572,726</u>
508.4	Net investment in capital assets	206,325	1,721,132
511.4	Restricted net position	250	595,024
512.4	Unrestricted net position	<u>(1,635,206)</u>	<u>(792,804)</u>
513	Total Equity - Net Assets / Position	<u>(1,428,631)</u>	<u>1,523,352</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 452,796</u>	<u>\$ 6,096,078</u>

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**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
70300	Net Tenant Rental Revenue	\$ 171,860	\$
70400	Tenant Revenue - Other	<u>7,856</u>	<u> </u>
70500	Total Tenant Revenue	<u>179,716</u>	<u>0</u>
70600	HUD PHA Operating Grants	327,130	
70610	Capital Grants		116,818
71100	Investment Income - Unrestricted	34	
71400	Fraud Recovery		
71500	Other Revenue	<u>57,087</u>	<u> </u>
70000	Total Revenue	<u>563,967</u>	<u>116,818</u>
91100	Administrative Salaries	49,632	
91200	Auditing Fees	13,340	
91300	Management Fees	70,430	
91400	Advertising and Marketing	723	
91500	Employee Benefit Contributions - Administrative	77,721	
91600	Office expenses	3,338	
91700	Legal Expense	636	
91800	Travel	<u>6,610</u>	<u> </u>
91000	Total Operating - Administrative	<u>222,430</u>	<u>0</u>
93100	Water	10,131	
93200	Electricity	9,792	
93300	Gas	22,954	
93800	Other Utilities Expense	<u>11,402</u>	<u> </u>
93000	Total Utilities	<u>54,279</u>	<u>0</u>
94100	Ordinary Maintenance & Operation - Labor	101,054	
94200	Ordinary Maintenance & Operation - Materials & Other	<u>83,916</u>	<u>78,572</u>
94000	Total Maintenance	<u>184,970</u>	<u>78,572</u>
96110	Property insurance	<u>24,955</u>	<u> </u>
96100	Total insurance Premiums	<u>24,955</u>	<u> </u>
96200	Other General Expenses	22,078	
96210	Compensated Absences	4,268	
96400	Bad debt - Tenant Rents	<u>5,332</u>	<u> </u>
96000	Total Other General Expenses	<u>\$ 31,678</u>	<u>\$ 0</u>

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**FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

Line Item Number	Description	Section 8 Housing Choice Voucher 14,871	Rio Felix FMHA Program 10,405
70300	Net Tenant Rental Revenue	\$	\$ 79,785
70400	Tenant Revenue - Other		2,272
70500	Total Tenant Revenue	<u>0</u>	<u>82,057</u>
70600	HUD PHA Operating Grants	5,093,174	
70610	Capital Grants		
71100	Investment Income - Unrestricted		1
71400	Fraud Recovery	10,364	
71500	Other Revenue		906
70000	Total Revenue	<u>5,103,538</u>	<u>82,964</u>
91100	Administrative Salaries		
91200	Auditing Fees		4,272
91300	Management Fees	460,935	8,420
91400	Advertising and Marketing		5,791
91500	Employee Benefit Contributions - Administrative		1,126
91600	Office expenses		
91700	Legal Expense		6,625
91800	Travel		
91000	Total Operating - Administrative	<u>460,935</u>	<u>26,234</u>
93100	Water		12,126
93200	Electricity		2,324
93300	Gas		488
93800	Other Utilities Expense		1,210
93000	Total Utilities	<u>0</u>	<u>16,148</u>
94100	Ordinary Maintenance & Operation - Labor		
94200	Ordinary Maintenance & Operation - Materials & Other		12,763
94000	Total Maintenance	<u>0</u>	<u>12,763</u>
96110	Property insurance		6,347
96100	Total insurance Premiums		<u>6,347</u>
96200	Other General Expenses		
96210	Compensated Absences		
96400	Bad debt - Tenant Rents		
96000	Total Other General Expenses	<u>\$ 0</u>	<u>\$ 0</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	State and Local Woodleaf	Business ASA
70300	Net Tenant Rental Revenue	\$ 1,203,543	\$ 2,500
70400	Tenant Revenue - Other	<u>20,847</u>	
70500	Total Tenant Revenue	<u>1,224,390</u>	<u>2,500</u>
70600	HUD PHA Operating Grants		
70610	Capital Grants		
71100	Investment Income - Unrestricted	5	
71400	Fraud Recovery		10,364
71500	Other Revenue		<u>858,096</u>
70000	Total Revenue	<u>1,224,395</u>	<u>870,960</u>
91100	Administrative Salaries	4,652	558,353
91200	Auditing Fees	9,531	12,541
91300	Management Fees	81,293	3,350
91400	Advertising and Marketing	274	637
91500	Employee Benefit Contributions - Administrative	24,673	191,179
91600	Office expenses	4,788	32,302
91700	Legal Expense	260	2,811
91800	Travel	<u>96,762</u>	<u>42,343</u>
91000	Total Operating - Administrative	<u>222,233</u>	<u>843,516</u>
93100	Water	39,868	2,783
93200	Electricity	17,135	8,434
93300	Gas	5,598	(34)
93800	Other Utilities Expense	<u>13,002</u>	<u>24,362</u>
93000	Total Utilities	<u>75,603</u>	<u>35,545</u>
94100	Ordinary Maintenance & Operation - Labor	69,447	
94200	Ordinary Maintenance & Operation - Materials & Other	<u>225,618</u>	<u>26,922</u>
94000	Total Maintenance	<u>295,065</u>	<u>26,922</u>
96110	Property insurance	<u>31,839</u>	<u>21,158</u>
96100	Total insurance Premiums	<u>31,839</u>	<u>21,158</u>
96200	Other General Expenses	49,811	91,431
96210	Compensated Absences	4,915	46,815
96400	Bad debt - Tenant Rents	<u>7,180</u>	
96000	Total Other General Expenses	<u>\$ 61,906</u>	<u>\$ 138,246</u>

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Line Item Number	Description	Total
70300	Net Tenant Rental Revenue	\$ 1,457,688
70400	Tenant Revenue - Other	<u>30,975</u>
70500	Total Tenant Revenue	<u>1,488,663</u>
70600	HUD PHA Operating Grants	5,420,304
70610	Capital Grants	116,818
71100	Investment Income - Unrestricted	40
71400	Fraud Recovery	20,728
71500	Other Revenue	<u>916,089</u>
70000	Total Revenue	<u>7,962,642</u>
91100	Administrative Salaries	612,637
91200	Auditing Fees	39,684
91300	Management Fees	624,428
91400	Advertising and Marketing	7,425
91500	Employee Benefit Contributions - Administrative	294,699
91600	Office expenses	40,428
91700	Legal Expense	10,332
91800	Travel	<u>145,715</u>
91000	Total Operating - Administrative	<u>1,775,348</u>
93100	Water	64,908
93200	Electricity	37,685
93300	Gas	29,006
93800	Other Utilities Expense	<u>49,976</u>
93000	Total Utilities	<u>181,575</u>
94100	Ordinary Maintenance & Operation - Labor	170,501
94200	Ordinary Maintenance & Operation - Materials & Other	<u>427,791</u>
94000	Total Maintenance	<u>598,292</u>
96110	Property insurance	<u>84,299</u>
96100	Total insurance Premiums	<u>84,299</u>
96200	Other General Expenses	163,320
96210	Compensated Absences	55,998
96400	Bad debt - Tenant Rents	<u>12,512</u>
96000	Total Other General Expenses	<u>\$ 231,830</u>

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FINANCIAL DATA SCHEDULE
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Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
96710	Interest of Mortgage (or Bonds) Payable	\$ <u>0</u>	\$ <u>0</u>
96700	Total Interest Expense and Amortization Cost	<u>0</u>	<u>0</u>
96900	Total Operating Expenses	<u>518,312</u>	<u>78,572</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>45,655</u>	<u>38,246</u>
97300	Housing Assistance Payments		
97400	Depreciation Expense	<u>177,109</u>	
90000	Total Expenses	<u>695,421</u>	<u>78,572</u>
10010	Operating Transfers In	38,246	
10020	Operating Transfers Out		<u>(38,246)</u>
10100	Total Other Financing Sources (Uses)	<u>38,246</u>	<u>(38,246)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(93,208)</u>	<u>0</u>
11020	Required Annual Debt Principal Payments	0	0
11030	Beginning Equity	2,252,461	0
11040	Prior period adjustments, equity transfers and correction of errors	<u>88,994</u>	<u>0</u>
	Ending Equity (deficit)	<u>2,248,247</u>	<u>0</u>
11080	Housing Assistance Payments Equity	<u>0</u>	<u>0</u>
11190	Unit Months Available	1,428	
11210	Number of Unit Months Leased	<u>1,402</u>	
11270	Excess Cash	<u>\$ 117,124</u>	<u>\$ 0</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	Section 8 Housing Choice Voucher 14.871	Rio Felix FMHA Program 10.405
96710	Interest of Mortgage (or Bonds) Payable	\$ <u>0</u>	\$ <u>162</u>
96700	Total Interest Expense and Amortization Cost	<u>0</u>	<u>162</u>
96900	Total Operating Expenses	<u>460,935</u>	<u>61,654</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>4,642,603</u>	<u>21,310</u>
97300	Housing Assistance Payments	4,681,808	
97400	Depreciation Expense		<u>15,095</u>
90000	Total Expenses	<u>5,142,743</u>	<u>76,749</u>
10010	Operating Transfers In		
10020	Operating Transfers Out		
10100	Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(39,205)</u>	<u>6,215</u>
11020	Required Annual Debt Principal Payments	0	0
11030	Beginning Equity	(19,692)	268,604
11040	Prior period adjustments, equity transfers and correction of errors	<u>0</u>	<u>0</u>
	Ending Equity (deficit)	<u>(58,897)</u>	<u>274,819</u>
11080	Housing Assistance Payments Equity	<u>(52,543)</u>	<u>0</u>
11190	Unit Months Available	22,200	
11210	Number of Unit Months Leased	<u>9,990</u>	
11270	Excess Cash	<u>\$ 0</u>	<u>\$ 0</u>

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**FINANCIAL DATA SCHEDULE
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Line Item Number	Description	State and Local Woodleaf	Business ASA
96710	Interest of Mortgage (or Bonds) Payable	\$ <u>158,175</u>	\$ <u>0</u>
96700	Total Interest Expense and Amortization Cost	<u>158,175</u>	<u>0</u>
96900	Total Operating Expenses	<u>844,821</u>	<u>1,065,387</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>379,574</u>	<u>(194,427)</u>
97300	Housing Assistance Payments		
97400	Depreciation Expense	<u>86,961</u>	<u>28,383</u>
90000	Total Expenses	<u>931,782</u>	<u>1,093,770</u>
10010	Operating Transfers In		
10020	Operating Transfers Out		
10100	Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>292,613</u>	<u>(222,810)</u>
11020	Required Annual Debt Principal Payments	90,000	0
11030	Beginning Equity	195,201	(468,527)
11040	Prior period adjustments, equity transfers and correction of errors	<u>0</u>	<u>(737,294)</u>
	Ending Equity (deficit)	<u>487,814</u>	<u>(1,428,631)</u>
11080	Housing Assistance Payments Equity	<u>0</u>	<u>0</u>
11190	Unit Months Available	1,824	
11210	Number of Unit Months Leased	<u>1,812</u>	
11270	Excess Cash	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditors' report

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

Schedule IV

Line Item Number	Description	Total
96710	Interest of Mortgage (or Bonds) Payable	\$ <u>158,337</u>
96700	Total Interest Expense and Amortization Cost	<u>158,337</u>
96900	Total Operating Expenses	<u>3,029,681</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>4,932,961</u>
97300	Housing Assistance Payments	4,681,808
97400	Depreciation Expense	<u>307,548</u>
90000	Total Expenses	<u>8,019,037</u>
10010	Operating Transfers In	38,246
10020	Operating Transfers Out	<u>(38,246)</u>
10100	Total Other Financing Sources (Uses)	<u>0</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(56,395)</u>
11020	Required Annual Debt Principal Payments	90,000
11030	Beginning Equity	2,228,047
11040	Prior period adjustments, equity transfers and correction of errors	<u>(648,300)</u>
	Ending Equity (deficit)	<u>1,523,352</u>
11080	Housing Assistance Payments Equity	<u>(52,543)</u>
11190	Unit Months Available	25,452
11210	Number of Unit Months Leased	<u>13,204</u>
11270	Excess Cash	<u>\$ <u>117,124</u></u>

See independent auditors' report

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

Schedule V

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015**

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

RFB #/ RFP #/ State-wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of All Vendor(s) that responded	In-state/ Out-of- state Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in- state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
There were no purchases that exceeded \$60,000 as of June 30, 2015.								

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

Schedule VI

SCHEDULE OF THE EASTERN REGIONAL HOUSING AUTHORITY PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION
FOR THE YEAR ENDED JUNE 30, 2015

<u>Public Employees Retirement Association (PERA) Plan</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.0700%
Authority's proportionate share of the net pension liability (asset)	546,075
Authority's covered-employee payroll	809,163
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.49%
Plan fiduciary net position as a percentage of the total pension liability	-

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

Schedule VII

SCHEDULE OF EASTERN REGIONAL HOUSING AUTHORITY CONTRIBUTIONS PUBLIC
EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN PERA FUND DIVISION
FOR THE YEAR ENDED JUNE 30, 2015

PERA Fund Division

	<u>2015</u>
Contractually required contribution	55,805
Contributions in relation to the contractually required contribution	55,805
Contribution deficiency (excess)	-
Authority's covered-employee payroll	809,163
Contributions as a percentage of covered-employee payroll	6.90%

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

COMPLIANCE SECTION

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

Mr. Timothy Keller,
State Auditor of the State of New Mexico
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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated September 30, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider as items 2015-001 and 2015-002 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 item 2014-001.

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 30, 2015

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**

Mr. Timothy Keller,
State Auditor of the State of New Mexico
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, 2015. 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, 2015.

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 30, 2015

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule VIII

<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	\$ 221,544
Section 8 Housing Choice Vouchers	14.871	5,108,823
Family Self Sufficiency	14.871	33,920
Family Self Sufficiency	14.896	102,636
Public Housing Capital Fund	14.872	169,974
Low Rent Public Housing- Eunice	14.872	35,191
Public Housing Capital Fund- Eunice	14.850	<u>4,275</u>
Total U.S. Department of Housing and Urban Development		<u>5,676,363</u>
<u>U.S. Department of Agriculture:</u>		
Direct programs:		
Farm Labor Housing Loans and Grants	10.405	<u>43,900</u>
Total U.S. Department of Agriculture		<u>43,900</u>
Total Expenditures of Federal Awards		<u><u>\$ 5,720,263</u></u>

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule VIII

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	\$ 5,720,263
Total expenditures funded by other sources including depreciation	<u>1,672,139</u>
Total expenditures	<u>\$ 7,392,402</u>

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule IX

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, 2015

Schedule IX

SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS

2014-001 Travel and Per Diem (Non Compliance)

Condition:

For one travel and per diem disbursements with the total amount of \$3,506, expense sheets were not properly authorized.

Authority's progress On Repeated Finding: The Authority has made significant progress in reducing the finding to one document and with the current directive to the staff that no travel per diem shall be produced without a signed authorization will eliminate the finding and will not be repeated.

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.

Cause:

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

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.

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:

The Executive Director has met with finance staff and issued an in person directive that no travel per diem check will be cut without a signed travel form be present to the AP clerk.

Estimated Completion Date:

Completed in August of 2015.

Responsible party:

Chris Herbert Executive Director, Olivia Cruz Finance Director, Lynn Quintana AP Clerk.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Schedule IX

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

2015-001 Expenditure in Excess of Budget Amounts (Significant Deficiency)

Condition:

The Authority over expended its budget for the Administrative Services Department fund for the year ended June 30, 2015 by \$4,089.

Criteria:

Budgetary controls, which include the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget. (NMSA 6-6-6(I)).

Cause:

The Authority over expended its budget in the above funds because of inadequate monitoring of the budget.

Effect:

Any expenditure in excess of the approved budget indicates a lack of controls in the purchasing process which leads to unauthorized purchases being made with Authority money.

Recommendation:

We recommend the Authority establish policies and procedures governing the budgetary process and monitoring of the budget in order to properly prepare and adjust the budget in order to properly authorize all expenditures.

Management Response:

ERHA will complete a budget review every quarter, if budget revisions are needed they will be completed quarterly. This includes a final budget review and revision complete at the end of the fiscal year.

Estimated Completion Date:

Procedure is underway at this time.

Responsible party:

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

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Schedule IX

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

2015-002 Lack of Pledged Securities-Compliance and Internal Control-Significant Deficiency

Condition:

The Well Fargo Bank has not pledged enough securities for the public monies held by the institution over the insured amount. The securities were under pledged by \$43,192.

Criteria:

Pursuant to Section 6-10-16, NMSA 1978 and Section 6-10-17, NMSA 1978 securities with an aggregate value equal to one-half the amount of public money deposited shall be provided by the depository.

Cause:

The Bank did not provide the required pledged securities.

Effect:

Under collateralization results in lack of guarantee of the Authority's money in case of institutional failure.

Recommendation:

We recommend that management verifies that all deposits are sufficiently collateralized at each institution, and that they notify institutions in any instance of non-compliance immediately upon receipt of pledged collateral statements.

Management Response:

ERHA has secured additional Collateralization for funds under its control, however; ERHA will insure that Property Management Companies will have sufficient Collateral as required by federal and law.

Estimated Completion Date:

Process is under way now to be complete by October 15th, 2015.

Responsible party:

Chris Herbert Executive Director, Olivia Cruz Finance Director.

STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Schedule IX

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
FOR THE YEAR ENDED JUNE 30, 2015

Schedule X

The following summarizes the prior year audit findings:

FINDING 2014-001 Travel and Per Diem - Repeated

Authority's progress on Travel and Per Diem: We have made significant progress in reducing the finding to one document and with the current directive to the staff that no travel per diem shall be produced without a signed authorization will eliminate the finding and will not be repeated.

FINDING 2014-002 Insufficient Controls over Payroll - Resolved

**STATE OF NEW MEXICO
EASTERN REGIONAL HOUSING AUTHORITY
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2015**

AUDITOR PREPARED FINANCIALS

The Financial statements and notes to the Financial statements for the year ended, June 30, 2015 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 30, 2015. The following individuals were in attendance.

Representing Eastern Regional Housing Authority

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

Representing Harshwal & Company, LLP

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