

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016**

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

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		i
Official Roster		1
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		3
Basic Financial Statements:		
Statement of Net Position - Proprietary Funds	A-1	7
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	A-2	11
Statement of Cash Flows - Proprietary Funds	A-3	14
Notes to The Financial Statements		19
<b>SUPPLEMENTARY INFORMATION</b>		
Combined Statement of Net Position - Proprietary Funds		41
Combined Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds		42
Statement of Cash Flows - Proprietary Funds		43
Statement of Revenues, Expenses and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual:		
Woodleaf Development Fund	A-1	46
Rio Felix FMHA Development Fund	A-2	47
Low Rent Public Housing Program Fund	A-3	48
Section 8 Housing Program Fund	A-4	49
Administrative Services Department Fund	A-5	50
<b>SUPPORTING SCHEDULES</b>		
Collateral Pledged by Depository for Public Funds	I	52
Schedule of Deposit and Investment Accounts	II	53
Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio RHA Housing Development Corporation (Woodleaf Development)	III	54
Financial Data Schedule	IV	55

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Exhibit/ Statement/ Schedule</u>	<u>Page</u>
<b>SUPPORTING SCHEDULES - CONTINUED</b>		
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)	V	71
Schedule of Proportionate Share of The Net Pension Liability of PERA Municipal General Division	VI	72
Schedule of Contributions Public Employees Retirement Association (PERA) Plan Municipal General Divison	VII	73
Notes to Required Supplementary Information		74
 <b>COMPLIANCE SECTION</b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditor's Report		76
 <b>FEDERAL FINANCIAL ASSISTANCE</b>		
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance		79
Schedule of Expenditures of Federal Awards	VIII	81
Notes to Schedule of Expenditures of Federal Awards		82
Schedule of Findings and Questioned Costs	IX	83
Prior Year Audit Findings	X	86
<b>OTHER DISCLOSURES</b>		<b>87</b>

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2016**

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

## **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, 2016, 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, 2016, 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, 2016, 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, 2016, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Schedule of the Proportionate Share of the Net Pension Liability on page 72, the Schedule of Contributions on page 73 and the notes to the required supplementary information on page 74 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying financial information listed as supporting Schedules I, II, and III, in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule IV for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements.

The schedule of expenditures of federal awards and the supporting schedules I, II, III, and IV, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supporting schedules I, II, III, and IV are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, 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 29, 2016**



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit A-1

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,579	\$ 13,819
Investments	342,945	
Accounts receivable	21,210	378
Due from other funds	<u>1,124,971</u>	<u>          </u>
Total current assets	<u>1,505,705</u>	<u>14,197</u>
Noncurrent assets:		
Restricted cash and cash equivalents	44,650	5,201
Nondepreciable capital assets	362,398	169,050
Depreciable capital assets, net	<u>923,006</u>	<u>150,682</u>
Total noncurrent assets	<u>1,330,054</u>	<u>324,933</u>
Total assets	<u>2,835,759</u>	<u>339,130</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension		
Total deferred outflows of resources	<u>0</u>	<u>0</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	171	4,481
Accrued liabilities		
Accrued Interest	7,392	
Due to other funds	103,755	89,366
Unearned revenues		
Other liabilities	16,578	
Current portion of long-term debts	100,000	
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>227,896</u>	<u>93,847</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>44,650</u>	<u>5,201</u>
Total current liabilities (payable from restricted assets)	<u>44,650</u>	<u>5,201</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u>1,980,000</u>	<u>          </u>
Total noncurrent liabilities	<u>1,980,000</u>	<u>0</u>
Total liabilities	<u>2,252,546</u>	<u>99,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension		
Total deferred inflows of resources	<u>0</u>	<u>0</u>
<b>NET POSITION</b>		
Net investment in capital assets	(794,596)	319,732
Restricted	387,595	5,201
Unrestricted	<u>990,214</u>	<u>(84,851)</u>
Total net position	<u>583,213</u>	<u>240,082</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 2,835,759</u>	<u>\$ 339,130</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, 2016**

Exhibit A-1

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 93,379	\$
Investments	321,753	
Accounts receivable	4,057	
Due from other funds	<u>37,632</u>	<u>3,149</u>
Total current assets	<u>456,821</u>	<u>3,149</u>
Noncurrent assets:		
Restricted cash and cash equivalents	32,727	238,396
Nondepreciable capital assets	572,061	
Depreciable capital assets, net	<u>1,565,449</u>	
Total noncurrent assets	<u>2,170,237</u>	<u>238,396</u>
Total assets	<u>2,627,058</u>	<u>241,545</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension		
Total deferred outflows of resources	<u>0</u>	<u>0</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	1,312	
Accrued liabilities		
Accrued Interest		
Due to other funds	2,908	
Unearned revenues		92,250
Other liabilities	3,204	
Current portion of long-term debts		
Current portion of escrow funds held for others		<u>632</u>
Total current liabilities (payable from current assets)	<u>7,424</u>	<u>92,882</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>32,727</u>	
Total current liabilities (payable from restricted assets)	<u>32,727</u>	<u>0</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		163,478
Notes payable, net of current portion		
Total noncurrent liabilities	<u>0</u>	<u>163,478</u>
Total liabilities	<u>40,151</u>	<u>256,360</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension		
Total deferred inflows of resources	<u>0</u>	<u>0</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,137,510	
Restricted	32,727	238,396
Unrestricted	<u>416,670</u>	<u>(253,211)</u>
Total net position	<u>2,586,907</u>	<u>(14,815)</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 2,627,058</u>	<u>\$ 241,545</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, 2016**

Exhibit A-1

	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	\$
Investments		
Accounts receivable	3,325	
Due from other funds	<u>157,189</u>	<u>(1,322,941)</u>
Total current assets	<u>160,514</u>	<u>(1,322,941)</u>
Noncurrent assets:		
Restricted cash and cash equivalents	250	
Nondepreciable capital assets	30,104	
Depreciable capital assets, net	<u>155,122</u>	
Total noncurrent assets	<u>185,476</u>	<u>0</u>
Total assets	<u>345,990</u>	<u>(1,322,941)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>60,324</u>	
Total deferred outflows of resources	<u>60,324</u>	<u>0</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	5,614	
Accrued liabilities	1,959	
Accrued Interest		
Due to other funds	1,126,912	(1,322,941)
Unearned revenues		
Other liabilities	11,121	
Current portion of long-term debts	185,258	
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>1,330,864</u>	<u>(1,322,941)</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	724,926	
Escrow funds held for others, long-term		
Notes payable, net of current portion		
Total noncurrent liabilities	<u>724,926</u>	<u>0</u>
Total liabilities	<u>2,055,790</u>	<u>(1,322,941)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>18,632</u>	
Total deferred inflows of resources	<u>18,632</u>	<u>0</u>
<b>NET POSITION</b>		
Net investment in capital assets	185,226	
Restricted	250	
Unrestricted	<u>(1,853,584)</u>	
Total net position	<u>(1,668,108)</u>	<u>0</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 406,314</u>	<u>\$ (1,322,941)</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, 2016**

Exhibit A-1

	<u>Total</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 123,777
Investments	664,698
Accounts receivable	28,970
Due from other funds	
Total current assets	817,445
Noncurrent assets:	
Restricted cash and cash equivalents	321,224
Nondepreciable capital assets	1,133,613
Depreciable capital assets, net	2,794,259
Total noncurrent assets	4,249,096
Total assets	5,066,541
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	60,324
Total deferred outflows of resources	60,324
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities (payable from current assets):	
Accounts payable	11,578
Accrued liabilities	1,959
Accrued Interest	7,392
Due to other funds	
Unearned revenues	92,250
Other liabilities	30,903
Current portion of long-term debts	285,258
Current portion of escrow funds held for others	632
Total current liabilities (payable from current assets)	429,972
Current liabilities (payable from restricted assets):	
Tenant deposits	82,578
Total current liabilities (payable from restricted assets)	82,578
Noncurrent liabilities:	
Net pension liability	724,926
Escrow funds held for others, long-term	163,478
Notes payable, net of current portion	1,980,000
Total noncurrent liabilities	2,868,404
Total liabilities	3,380,954
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	18,632
Total deferred inflows of resources	18,632
<b>NET POSITION</b>	
Net investment in capital assets	1,847,872
Restricted	664,169
Unrestricted	(784,762)
Total net position	1,727,279
Total liabilities, deferred inflows of resources, and fund equity	\$ 5,126,865

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, 2016**

	Woodleaf Development	Rio Felix FMHA Program	Low Rent Public Housing
<b><i>OPERATING REVENUES</i></b>			
Tenant charges	\$ 1,147,014	\$ 83,970	\$ 254,102
Management and administrative fees			
Miscellaneous income	48,859	426	6,503
Total operating revenues	1,195,873	84,396	260,605
<b><i>OPERATING EXPENSES</i></b>			
Contractual services		28,005	203,572
Payroll and benefits	230,979	444	
Repairs and maintenance	134,143	7,954	62,898
Material & supplies	74,090	7,388	136,393
Utilities	74,535	21,127	55,533
Ordinary maintenance and operations	208,090	2,977	145,776
Management and administrative fees	145,024	26,145	136,319
Miscellaneous		9,926	78,817
Depreciation	82,029	15,095	139,681
Total operating expenses	948,890	119,061	958,989
Operating income (loss)	246,983	(34,665)	(698,384)
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>			
Government subsidies			375,288
Interest income		5	129
Housing assistance payments			
Interest expense	(151,584)	(77)	
Total non-operating revenues (expenses)	(151,584)	(72)	375,417
Income (loss) before capital grants and transfers	95,399	(34,737)	(322,967)
Capital grants			213,707
Transfer in			15,376
Transfer (out)			(15,376)
<b><i>CHANGE IN NET POSITION</i></b>	95,399	(34,737)	(109,260)
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>	487,814	274,819	2,248,247
<b><i>RESTATEMENT AND TRANSFERS</i></b>	0	0	447,920
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	\$ 583,213	\$ 240,082	\$ 2,586,907

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, 2016**

	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$	\$
Management and administrative fees		660,628
Miscellaneous income	<u>17,009</u>	<u>269,123</u>
Total operating revenues	<u>17,009</u>	<u>929,751</u>
<b><i>OPERATING EXPENSES</i></b>		
Contractual services		
Payroll and benefits		945,483
Repairs and maintenance		4,612
Material & supplies		36,210
Utilities		42,200
Ordinary maintenance and operations		126,272
Management and administrative fees	470,804	29,013
Miscellaneous		
Depreciation		<u>21,100</u>
Total operating expenses	<u>470,804</u>	<u>1,204,890</u>
Operating income (loss)	<u>(453,795)</u>	<u>(275,139)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies	6,051,535	50,000
Interest income		
Housing assistance payments	(5,560,012)	
Interest expense		<u>(14,338)</u>
Total non-operating revenues (expenses)	<u>491,523</u>	<u>35,662</u>
Income (loss) before capital grants and transfers	<u>37,728</u>	<u>(239,477)</u>
Capital grants		
Transfer in		
Transfer (out)		
<b><i>CHANGE IN NET POSITION</i></b>	37,728	(239,477)
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>	(58,897)	(1,428,631)
<b><i>RESTATEMENT AND TRANSFERS</i></b>	<u>6,354</u>	
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	<u><u>\$ (14,815)</u></u>	<u><u>\$ (1,668,108)</u></u>

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

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Intercompany Eliminations</u>	<u>Total</u>
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$	\$ 1,485,086
Management and administrative fees	807,305	1,467,933
Miscellaneous income		341,920
	<u>807,305</u>	<u>3,294,939</u>
<b><i>OPERATING EXPENSES</i></b>		
Contractual services		231,577
Payroll and benefits		1,176,906
Repairs and maintenance		209,607
Material & supplies		254,081
Utilities		193,395
Ordinary maintenance and operations		483,115
Management and administrative fees	807,305	1,614,610
Miscellaneous		88,743
Depreciation		257,905
	<u>807,305</u>	<u>4,509,939</u>
Total operating expenses		
	<u>807,305</u>	<u>4,509,939</u>
Operating income (loss)	<u>0</u>	<u>(1,215,000)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies		6,476,823
Interest income		134
Housing assistance payments		(5,560,012)
Interest expense		(165,999)
		<u>750,946</u>
Total non-operating revenues (expenses)	<u>0</u>	<u>750,946</u>
Income (loss) before capital grants and transfers	<u>0</u>	<u>(464,054)</u>
Capital grants		213,707
Transfer in		15,376
Transfer (out)		(15,376)
		<u>(250,347)</u>
<b><i>CHANGE IN NET POSITION</i></b>		<b><i>(250,347)</i></b>
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>		<b><i>1,523,352</i></b>
<b><i>RESTATEMENT AND TRANSFERS</i></b>		<b><i>454,274</i></b>
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	<b><i>\$ 0</i></b>	<b><i>\$ 1,727,279</i></b>

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, 2016**

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 1,020,438	\$ 87,565
Payments to employees for services	(236,306)	(1,597)
Payments to suppliers and contractors	<u>(589,272)</u>	<u>(121,154)</u>
Net cash provided by (used in) operating activities	<u>194,860</u>	<u>(35,186)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
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>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Principal received from debt	(95,000)	(13,010)
Interest payments	(151,584)	(77)
Purchase of capital assets	(60,009)	
Proceeds debt	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) capital financing activities	<u>(306,593)</u>	<u>(13,087)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received		5
Change in investments	<u>25,452</u>	<u>                    </u>
Net cash provided by (used in) investing activities	<u>25,452</u>	<u>5</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	(86,281)	(48,268)
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>147,510</u>	<u>67,288</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 61,229</u>	<u>\$ 19,020</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, 2016**

Exhibit A-3

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 262,990	\$ 13,859
Payments to employees for services	(346,665)	
Payments to suppliers and contractors	<u>(539,567)</u>	<u>(480,882)</u>
Net cash provided by (used in) operating activities	<u>(623,242)</u>	<u>(467,023)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments	325,728	(5,560,012)
Receipts from intergovernmental HUD subsidy	<u>263,267</u>	<u>6,051,535</u>
Net cash provided by (used in) non-capital and related financing activities	<u>588,995</u>	<u>491,523</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Principal received from debt		
Interest payments		
Purchase of capital assets		
Proceeds debt		<u>60,548</u>
Net cash provided by (used in) capital financing activities	<u>0</u>	<u>60,548</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	129	
Change in investments	<u>(163,412)</u>	
Net cash provided by (used in) investing activities	<u>(163,283)</u>	<u>0</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	(197,530)	85,048
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>323,636</u>	<u>153,348</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 126,106</u>	<u>\$ 238,396</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, 2016**

Exhibit A-3

	Administrative Services Department	Total
	<u>                    </u>	<u>                    </u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 934,996	\$ 2,319,848
Payments to employees for services	(996,358)	(1,580,926)
Payments to suppliers and contractors	<u>(95,559)</u>	<u>(1,826,434)</u>
Net cash provided by (used in) operating activities	<u>(156,921)</u>	<u>(1,087,512)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments		(5,234,284)
Receipts from intergovernmental HUD subsidy	<u>50,000</u>	<u>6,364,802</u>
Net cash provided by (used in) non-capital and related financing activities	<u>50,000</u>	<u>1,130,518</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Principal received from debt		(108,010)
Interest payments	(14,338)	(165,999)
Purchase of capital assets		(60,009)
Proceeds debt	<u>101,121</u>	<u>161,669</u>
Net cash provided by (used in) capital financing activities	<u>86,783</u>	<u>(172,349)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received		134
Change in investments		<u>(137,960)</u>
Net cash provided by (used in) investing activities	<u>0</u>	<u>(137,826)</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	(20,138)	(267,169)
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>20,388</u>	<u>712,170</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 250</u>	<u>\$ 445,001</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, 2016**

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>
<b><i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i></b>			
Net operating income (loss)	\$ 246,983	\$ (34,665)	\$ (698,384)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses	82,029	15,095	139,681
Changes in assets and liabilities:			
Receivables	(20,903)	3,169	2,385
Due from other funds	(154,532)		(37,632)
Accounts payable	(4,428)	1,782	(17,186)
Deferred outflow of resources			
Accrued liabilities	(5,326)	(1,153)	(6,774)
Due to other funds	52,221	(19,414)	(6,449)
Unearned revenue	(17,762)		668
Other liabilities	16,578		
Tenant deposits			449
Deferred inflow			
Compensated absences			
Net cash provided by (used in) operating activities	<u>\$ 194,860</u>	<u>\$ (35,186)</u>	<u>\$ (623,242)</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, 2016**

	<u>Section 8</u> <u>Housing Program</u>	<u>Administrative</u> <u>Services</u> <u>Department</u>	<u>Totals</u>
<b><i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i></b>			
Net operating income (loss)	\$ (453,795)	\$ (275,139)	\$ (1,215,000)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses		21,100	257,905
Changes in assets and liabilities:			
Receivables		(2,718)	(18,067)
Due from other funds	(3,150)	12,482	(182,832)
Accounts payable		2,800	(17,032)
Deferred outflow of resources		(4,519)	(4,519)
Accrued liabilities		(50,874)	(64,127)
Due to other funds		156,473	182,831
Unearned revenue	(10,078)		(27,172)
Other liabilities			16,578
Tenant deposits			449
Deferred inflow		(195,377)	(195,377)
Compensated absences		178,851	178,851
Net cash provided by (used in) operating activities	<u>\$ (467,023)</u>	<u>\$ (156,921)</u>	<u>\$ (1,087,512)</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, 2016**

**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, 2016. 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 organization's 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) is a blended component unit.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 the 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 subsidize 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 Lovington Housing Authority since November 2014 has been combined with 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, 2016**

**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 are 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 in 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 statement of cash flows presents the cash flows from 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, 2016**

**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 associations 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.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72.

The Authority's demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016**

**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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the assets 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 \$165,999. 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, 2016.

**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, 2016**

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

**Unearned Revenues** - Accounting principles generally accepted in the United States 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, 2016, unearned revenue consisted of grant revenues received but not yet earned of \$92,250.

**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 are exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

**Deferred Outflows of Resources** - A consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. At June 30, 2016, the Authority had pension related to deferred outflows of resource items that qualify for reporting in this category.

**Deferred Inflows of Resources** - An acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities. At June 30, 2016, the Authority had pension related deferred inflows of resources items that qualify for reporting in this category.

**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 primarily include 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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**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 - Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**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.
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.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

*New Government Accounting Standards* - For the fiscal year ended June 30, 2016, Authority implemented the following GASB statements.

**GASB Statement 72, Fair Value Measurement and Application:**

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets (That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68):**

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency. Implementation of this standard did not have a significant impact on the Authority.

**GASB Statement 79, Certain External Investment Pools and Pool Participants:**

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. Implementation of this standard did not have a significant impact on the Authority.

*Subsequent Events* - Management has evaluated events through September 29, 2016, 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, 2016**

**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, 2016.

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 bonds 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 asking 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, 2016, is as follows:

	<u>Well Fargo Bank</u>	<u>Wells Fargo Investment</u>	<u>Total</u>
Total amounts of deposits	\$ 835,508	\$ 342,944	\$ 1,178,452
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>585,508</u>	<u>92,944</u>	<u>678,452</u>
Collateral requirement (50% of uninsured funds)	292,754	46,472	339,226
Pledged collateral	<u>91,008</u>	<u>          </u>	<u>91,008</u>
Over (Under) collateralized	<u>\$ (201,746)</u>	<u>\$ (46,472)</u>	<u>\$ (248,218)</u>

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016, \$678,452 of the Authority's deposits totaling \$1,178,452 was exposed to custodial credit risk.

**Custodial Credit Risk Deposits**

Account balance	\$ <u>1,178,452</u>
FDIC insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the Authority's name	91,008
Uninsured and uncollateralized	<u>587,444</u>
Total deposits	<u>\$ <u>1,178,452</u></u>

As of June 30, 2016, the amount of cash reported in 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	\$ 123,777
Restricted cash per Exhibit A-1	321,224
Investments	<u>664,698</u>
Total cash and cash equivalents per Exhibit A-1	1,109,699
Add: outstanding checks and other reconciling items	69,553
Less: petty cash	<u>(800)</u>
Reconciled balance of deposits	<u>\$ <u>1,178,452</u></u>

**NOTE 3. ACCOUNTS RECEIVABLE**

The Authority's accounts receivable at June 30, 2016,

	<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	\$ 4,057	\$	\$	\$ 4,057
Administrative Services Department			3,325	3,325
Woodleaf Development	22,106	(896)		21,210
Rio Felix FMHA Program	<u>378</u>			<u>378</u>
Totals	<u>\$ 26,541</u>	<u>\$ (896)</u>	<u>\$ 3,325</u>	<u>\$ 28,970</u>



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016 is as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Woodleaf Development	\$ 1,124,971	Woodleaf Development	\$ 103,755
Administrative Service	157,189	Low Rent Public Housing	2,908
Section 8 Housing Program	3,149	Rio Felix FMHA Program	89,366
Low Rent Public Housing	<u>37,632</u>	Administrative Service	<u>1,126,912</u>
Total	<u>\$ 1,322,941</u>	Total	<u>\$ 1,322,941</u>

**NOTE 5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2016 is as follows:

	<u>Balance June 30, 2015</u>	<u>Lovington Contribution</u>	<u>Additions</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 815,199	\$ 215,936	\$	\$ 1,031,135
Construction in progress	<u>42,469</u>	<u></u>	<u>60,009</u>	<u>102,478</u>
Total capital assets, not being depreciated	<u>857,668</u>	<u>215,936</u>	<u>60,009</u>	<u>1,133,613</u>
Capital assets, being depreciated:				
Buildings and improvements	9,648,433	193,237		9,841,670
Equipment	<u>796,019</u>	<u>52,980</u>	<u></u>	<u>848,999</u>
Total capital assets, being depreciated	10,444,452	246,217	0	10,690,669
Less accumulated depreciation	<u>(7,638,505)</u>	<u>(688)</u>	<u>(257,217)</u>	<u>(7,896,410)</u>
Total capital assets, being depreciated, net	<u>2,805,947</u>	<u>245,529</u>	<u>(257,217)</u>	<u>2,794,259</u>
Total capital assets, net	<u>\$ 3,663,615</u>	<u>\$ 461,465</u>	<u>\$ (197,208)</u>	<u>\$ 3,927,872</u>

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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. During the fiscal year ended June 30, 2016, no amount of the conduit debt obligation was outstanding.

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, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due within one year
Woodleaf Development	\$ 2,175,000	\$	\$ (95,000)	\$ 2,080,000	\$ 100,000
WFB, National Association - Line of Credit		90,000		90,000	90,000
Rio Felix FMHA Development	13,010		(13,010)		
Administrative Services Development - RIII	95,258			95,258	95,258
Totals	<u>\$ 2,283,268</u>	<u>\$ 90,000</u>	<u>\$ (108,010)</u>	<u>\$ 2,265,258</u>	<u>\$ 285,258</u>

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

Fiscal Year Ending June 30	Bond			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 100,000	\$ 144,638	\$ 244,638	\$ 185,258	\$	\$ 185,258
2018	110,000	137,156	247,156			
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	860,000	111,863	971,863			
Total	<u>\$ 2,080,000</u>	<u>\$ 1,094,402</u>	<u>\$ 3,174,402</u>	<u>\$ 185,258</u>	<u>\$ 0</u>	<u>\$ 185,258</u>

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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 semi-annual 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. \$ 2,080,000

0% interest note payable due to Region III with no stated maturity. The debt was incurred in Region IV in prior years, and absorbed by the Authority as part of the combination of the two offices. The Authority is currently awaiting guidance from the State on how to properly dispose of this debt. 95,258

In June 2016, the Authority executed a Revolving Line of Credit with Wells Fargo Bank amounted to \$290,000 carrying an interest rate of 3.500%. The Authority received \$90,000 on this line of credit during the fiscal year and it is secured by collateral deposit account from the Wells Fargo Bank, and matures on June 01, 2017. At June 30, 2016, the amount outstanding under this line of credit was \$90,000. 90,000  
\$ 2,265,258

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 of June 30, 2016 was \$164,110, of which \$632 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, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2016</u>	Due within <u>one year</u>
Compensated Absences	\$ <u>1,449</u>	\$ <u>222</u>	\$ <u>(1,448)</u>	\$ <u>223</u>	\$ <u>223</u>
	<u>\$ 1,449</u>	<u>\$ 222</u>	<u>\$ (1,448)</u>	<u>\$ 223</u>	<u>\$ 223</u>

During the year ended June 30, 2016, Compensated absences balances \$223 is included in the 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, 2016**

**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; worker's 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 lawsuits 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 the fiscal year ending June 30, 2016.

**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.

**NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A. Deficit net position of individual funds. The below funds reflected a deficit net position as of June 30, 2016:

Section 8 Housing Program	\$ 14,815
Administrative Services Department	1,668,108

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 14. 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 31 and 32 of the PERA FY15 annual audit report at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.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 \$53,772, and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 14 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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of June 30, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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 of 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, 2016, the Authority reported a liability of \$724,926 for its proportionate share of the net pension liability. At June 30, 2015, the Authority's proportion was 0.07%, which was unchanged from its proportion, measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Authority recognized PERA Fund Division Municipal General, pension expense of \$32,727. At June 30, 2016, 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:

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 14 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	\$ 16,057
Changes in assumptions	0	282
Net difference between projected and actual earnings on pension plan investments	0	2,293
Changes in proportion and differences between Authority contributions and proportionate share of contributions	6,552	0
Authority contributions subsequent to the measurement date	<u>53,772</u>	<u>0</u>
Total	<u>\$ 60,324</u>	<u>\$ 18,632</u>

\$53,772 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2015 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>
2017	\$ 19,200
2018	19,200
2019	19,200
2020	<u>(38,968)</u>
Total	<u>\$ 18,632</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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 14 PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - Cont'd**

Actuarial valuation date		June 30, 2014
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
• Projected benefit payment		100 years
• 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>	



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 14 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**The 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 the 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.

<u>PERA Fund Division (A)</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 1,234,262</u>	<u>\$ 724,926</u>	<u>\$ 301,448</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 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, 2016.

**NOTE 15. 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 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 another form of written documentation.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 15. RIO FELIX FMHA PROGRAM - Cont'd**

- 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 16. PROFESSIONAL SERVICES AGREEMENT**

**City of Lovington Housing Authority**

Eastern Regional Housing Authority (ERHA) entered into professional services agreement with the City of Lovington Housing Authority (LHA) on November 5, 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 started its responsibilities on the effective date November 17th, 2014.

As of January 1, 2016, the LHA has been transferred to the ERHA. As a result, the LHA's financial statements for future accounting years will not be issued separately.

The LHA's net position of \$447,920 as of January 1, 2016 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 are presented as 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, 2016 AND WITH SIX MONTHS ENDED JUNE 30, 2016 FOR  
LOVINGTON HOUSING AUTHORITY

	Low Rent Public Housing		
	Eastern Regional Housing Authority	City of Lovington Housing Authority	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 42,600	\$ 50,779	\$ 93,379
Investments	121,753	200,000	321,753
Accounts receivable	3,195	862	4,057
Due from other funds	37,632		37,632
Total current assets	205,180	251,641	456,821
Noncurrent assets:			
Restricted cash and cash equivalents	22,288	10,439	32,727
Nondepreciable capital assets	356,125	215,936	572,061
Depreciable capital assets, net	1,565,449		1,565,449
Total noncurrent assets	1,943,862	226,375	2,170,237
Total assets	2,149,042	478,016	2,627,058
<b>LIABILITIES AND NET POSITION</b>			
Current liabilities (payable from current assets):			
Accounts payable	1,029	283	1,312
Due to other funds	624	2,284	2,908
Other liabilities	1,518	1,686	3,204
Total current liabilities (payable from current assets)	3,171	4,253	7,424
Current liabilities (payable from restricted assets):			
Tenant deposits	22,288	10,439	32,727
Total current liabilities (payable from restricted assets)	22,288	10,439	32,727
Noncurrent liabilities:			
Total noncurrent liabilities	0	0	0
Total liabilities	25,459	14,692	40,151
<b>NET POSITION</b>			
Net investment in capital assets	1,921,574	215,936	2,137,510
Restricted	22,288	10,439	32,727
Unrestricted	179,721	236,949	416,670
Total net position	2,123,583	463,324	2,586,907
Total liabilities and fund equity	\$ 2,149,042	\$ 478,016	\$ 2,627,058

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, 2016 AND WITH SIX MONTHS ENDED JUNE 30, 2016 FOR  
LOVINGTON HOUSING AUTHORITY**

	Low Rent Public Housing		
	Eastern Regional Housing Authority	City of Lovington Housing Authority	Total
<b><i>OPERATING REVENUES</i></b>			
Tenant charges	\$ 181,784	\$ 72,318	\$ 254,102
Miscellaneous income	6,503		6,503
Total operating revenues	188,287	72,318	260,605
<b><i>OPERATING EXPENSES</i></b>			
Contractual services	175,998	27,574	203,572
Repairs and maintenance	13,238	49,660	62,898
Material and supplies	132,067	4,326	136,393
Utilities	55,036	497	55,533
Ordinary maintenance and operations	145,776		145,776
Management and administrative fees	102,062	34,257	136,319
Miscellaneous	18,027	60,790	78,817
Depreciation	138,993	688	139,681
Total operating expenses	781,197	177,792	958,989
Operating income (loss)	(592,910)	(105,474)	(698,384)
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>			
Government subsidies	325,728	49,560	375,288
Interest income	100	29	129
Total non-operating revenues (expenses)	325,828	49,589	375,417
Income (loss) before capital grants and transfers	(267,082)	(55,885)	(322,967)
Capital grants	142,418	71,289	213,707
Transfer in	5,376	10,000	15,376
Transfer (out)	(5,376)	(10,000)	(15,376)
<b><i>CHANGE IN NET POSITION</i></b>	(124,664)	15,404	(109,260)
<b><i>BEGINNING NET POSITION, CITY OF LOVINGTON HOUSING AUTHORITY</i></b>	0	447,920	447,920
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>	2,248,247	0	2,248,247
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	\$ 2,123,583	\$ 463,324	\$ 2,586,907

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, 2016 AND WITH SIX MONTHS ENDED JUNE 30, 2016 FOR**  
**LOVINGTON HOUSING AUTHORITY**

	<u>Eastern Regional Housing Authority</u>	<u>City of Lovington Housing Authority</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 188,951	\$ 74,039
Payments to employees for services	(284,834)	(61,831)
Payments to suppliers and contractors	<u>(411,492)</u>	<u>(128,075)</u>
Net cash provided by (used in) operating activities	<u>(507,375)</u>	<u>(115,867)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments	325,728	
Receipts from intergovernmental HUD subsidy	<u>142,418</u>	<u>120,849</u>
Net cash provided by (used in) non-capital and related financing activities	<u>468,146</u>	<u>120,849</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	100	29
Change in investments	<u>(101)</u>	<u>(163,311)</u>
Net cash provided by (used in) investing activities	<u>(1)</u>	<u>(163,282)</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	(39,230)	(158,300)
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>104,118</u>	<u>219,518</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 64,888</u>	<u>\$ 61,218</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, 2016 AND WITH SIX MONTHS ENDED JUNE 30, 2016 FOR**  
**LOVINGTON HOUSING AUTHORITY**

	Total
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Cash received from customers	\$ 262,990
Payments to employees for services	(346,665)
Payments to suppliers and contractors	<u>(539,567)</u>
Net cash provided by (used in) operating activities	<u>(623,242)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>	
Housing assistance payments	325,728
Receipts from intergovernmental HUD subsidy	<u>263,267</u>
Net cash provided by (used in) non-capital and related financing activities	<u>588,995</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Interest received	129
Change in investments	<u>(163,412)</u>
Net cash provided by (used in) investing activities	<u>(163,283)</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	(197,530)
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>323,636</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u><u>\$ 126,106</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, 2016 AND WITH SIX MONTHS ENDED JUNE 30, 2016 FOR**  
**LOVINGTON HOUSING AUTHORITY**

	Eastern Regional Housing Authority	City of Lovington Housing Authority	Totals
<b><i>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i></b>			
Net operating income (loss)	\$ (592,910)	\$ (105,474)	\$ (698,384)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	138,993	688	139,681
Changes in assets and liabilities:			
Receivables	664	1,721	2,385
Due from other funds	(37,632)		(37,632)
Accounts payable	(566)	(16,620)	(17,186)
Tenant deposits	601	(152)	449
Due to other funds	(8,733)	2,284	(6,449)
Accrued liabilities	(6,774)		(6,774)
Unearned revenue	<u>(1,018)</u>	<u>1,686</u>	<u>668</u>
Net cash provided by (used in) operating activities	<u>\$ (507,375)</u>	<u>\$ (115,867)</u>	<u>\$ (623,242)</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b><i>OPERATING REVENUES</i></b>				
Tenant charges	\$ 1,200,000	\$ 1,147,632	\$ 1,147,318	\$ (314)
Miscellaneous income	<u>15,840</u>	<u>43,578</u>	<u>34,608</u>	<u>(8,970)</u>
Total operating revenues	<u>1,215,840</u>	<u>1,191,210</u>	<u>1,181,926</u>	<u>(9,284)</u>
<b><i>OPERATING EXPENSES</i></b>				
Management and administrative fees	81,088	77,845	77,845	
Ordinary maintenance and operations	16,214	26,217	24,239	1,978
Personnel expenses	207,367	191,269	185,109	6,160
Contractual services	65,935	203,226	195,158	8,068
Repair and maintenance	398,167	133,194	132,464	730
Supplies and materials	41,700	72,740	72,484	256
Depreciation and amortization	86,961	88,764	82,029	6,735
Utilities	<u>173,400</u>	<u>165,453</u>	<u>153,666</u>	<u>11,787</u>
Total operating expenses	<u>1,070,832</u>	<u>958,708</u>	<u>922,994</u>	<u>35,714</u>
Operating income (loss)	<u>145,008</u>	<u>232,502</u>	<u>258,932</u>	<u>26,430</u>
<b><i>NON - OPERATING REVENUES (EXPENSES)</i></b>				
Interest and dividend income	22	2	2	
Interest expenses	<u>                    </u>	<u>(151,584)</u>	<u>(151,584)</u>	<u>                    </u>
Total non-operating revenues (expenses)	<u>22</u>	<u>(151,582)</u>	<u>(151,582)</u>	<u>0</u>
<b><i>CHANGES IN NET POSITION</i></b>	145,030	80,920	107,350	26,430
<b><i>NET POSITION - BEGINNING OF YEAR</i></b>	<u>57,652</u>	<u>380,142</u>	<u>510,531</u>	<u>130,389</u>
<b><i>NET POSITION - END OF YEAR</i></b>	<u>\$ 202,682</u>	<u>\$ 461,062</u>	<u>617,881</u>	<u>\$ 156,819</u>
<b><i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i></b>				
Change in Net Position-cash basis			107,350	
Net change in accounts receivable			13,945	
Net Change in accounts payables			<u>(25,896)</u>	
Change in Net Position-GAAP basis			<u>\$ 95,399</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	
<b><i>OPERATING REVENUES</i></b>				
Tenant charges	\$ 21,600	\$ 83,970	\$ 83,970	\$
Miscellaneous income	<u>5,726</u>	<u>426</u>	<u>426</u>	<u>          </u>
Total operating revenues	<u>27,326</u>	<u>84,396</u>	<u>84,396</u>	<u>0</u>
<b><i>OPERATING EXPENSES</i></b>				
Management and administrative fees	5,400	26,145	26,145	
Ordinary maintenance and operations	7,200	2,977	2,977	
Personnel expenses	300	444	444	
Contractual services	13,228	28,039	28,005	34
Repair and maintenance	7,911	7,954	7,954	
Supplies and materials	2,376	7,388	7,388	
Depreciation and amortization	15,095	15,095	15,095	
Utilities	23,600	21,127	21,127	
Miscellaneous	<u>          </u>	<u>9,926</u>	<u>9,926</u>	<u>          </u>
Total operating expenses	<u>75,110</u>	<u>119,095</u>	<u>119,061</u>	<u>34</u>
Operating income (loss)	<u>(47,784)</u>	<u>(34,699)</u>	<u>(34,665)</u>	<u>34</u>
<b><i>NON - OPERATING REVENUES (EXPENSES)</i></b>				
Government subsidies	44,400			
Interest income		5	5	
Interest expenses	<u>(192)</u>	<u>(77)</u>	<u>(77)</u>	<u>          </u>
Total non-operating revenues (expenses)	<u>44,208</u>	<u>(72)</u>	<u>(72)</u>	<u>0</u>
<b><i>CHANGES IN NET POSITION</i></b>	<b>(3,576)</b>	<b>(34,771)</b>	<b>(34,737)</b>	<b>34</b>
<b><i>NET POSITION - BEGINNING OF YEAR</i></b>	<b><u>(9,505)</u></b>	<b><u>(29,780)</u></b>	<b><u>274,819</u></b>	<b><u>304,599</u></b>
<b><i>NET POSITION - END OF YEAR</i></b>	<b><u><u>\$ (13,081)</u></u></b>	<b><u><u>\$ (64,551)</u></u></b>	<b><u><u>\$ 240,082</u></u></b>	<b><u><u>\$ 304,633</u></u></b>

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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	(Negative)
<b><i>OPERATING REVENUES</i></b>				
Tenant charges	\$ 258,180	\$ 254,569	\$ 254,605	\$ 36
Miscellaneous income	<u>8,856</u>	<u>45,898</u>	<u>5,898</u>	<u>(40,000)</u>
Total operating revenues	<u>267,036</u>	<u>300,467</u>	<u>260,503</u>	<u>(39,964)</u>
<b><i>OPERATING EXPENSES</i></b>				
Management and administrative fees	88,309	86,383	86,383	
Ordinary maintenance and operations	25,602	32,177	27,207	4,970
Personnel expenses	300,103	273,496	258,255	15,241
Contractual services	184,210	266,245	262,635	3,610
Repair and maintenance	44,229	19,668	18,408	1,260
Supplies and materials	49,230	53,625	53,177	448
Depreciation and amortization	191,534	139,681	139,681	
Utilities	93,826	156,452	110,539	45,913
Total operating expenses	<u>977,043</u>	<u>1,027,727</u>	<u>956,285</u>	<u>71,442</u>
Operating income (loss)	<u>(710,007)</u>	<u>(727,260)</u>	<u>(695,782)</u>	<u>31,478</u>
<b><i>NON - OPERATING REVENUES (EXPENSES)</i></b>				
Interest and dividend income	456	129	129	
Government subsidies	<u>360,000</u>	<u>383,697</u>	<u>383,697</u>	
Total non-operating revenues (expenses)	<u>360,456</u>	<u>383,826</u>	<u>383,826</u>	<u>0</u>
Income (loss) before capital grants and transfers	(349,551)	(343,434)	(311,956)	31,478
Capital grants	152,099	229,083	198,430	(30,653)
<b><i>CHANGES IN NET POSITION</i></b>	(197,452)	(114,351)	(113,526)	825
<b><i>NET POSITION - BEGINNING OF YEAR</i></b>	(292,769)	(261,686)	3,364,371	3,626,057
<b><i>BEGINNING NET POSITION, TRANSFERS</i></b>	<u>0</u>	<u>0</u>	<u>447,920</u>	<u>447,920</u>
<b><i>NET POSITION - END OF YEAR</i></b>	<u>\$ (490,221)</u>	<u>\$ (376,037)</u>	<u>3,698,765</u>	<u>\$ 4,074,802</u>
<b><i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i></b>				
Change in Net Position-cash basis			(113,526)	
Net change in accounts receivable			6,970	
Net change in accounts payables			<u>(2,704)</u>	
Change in Net Position-GAAP basis			<u>\$ (109,260)</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  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
<b><i>OPERATING REVENUES</i></b>				
Miscellaneous income	\$ 145,620	\$ 16,876	\$ 15,764	\$ (1,112)
Total operating revenues	145,620	16,876	15,764	(1,112)
<b><i>OPERATING EXPENSES</i></b>				
Management and administrative fees	396,060	470,804	470,804	
Total operating expenses	396,060	470,804	470,804	0
Operating income (loss)	(250,440)	(453,928)	(455,040)	(1,112)
<b><i>NON - OPERATING REVENUES (EXPENSES)</i></b>				
Housing assistance payments	(5,222,203)	(5,572,683)	(5,572,683)	
Government subsidies	5,144,628	6,111,545	6,111,545	
Total non-operating revenues (expenses)	(77,575)	538,862	538,862	0
<b><i>CHANGES IN NET POSITION</i></b>	(328,015)	84,934	83,822	(1,112)
<b><i>NET POSITION - BEGINNING OF YEAR</i></b>	83,334	83,811	(52,543)	(136,354)
<b><i>NET POSITION - END OF YEAR</i></b>	\$ (244,681)	\$ 168,745	31,279	\$ (137,466)
<b><i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i></b>				
Change in Net Position-cash basis			83,822	
Net change in accounts receivable			(58,765)	
Net change in accounts payables			12,671	
Change in Net Position-GAAP basis			\$ 37,728	

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  
FOR THE YEAR ENDED **JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive/ (Negative)
<b>OPERATING REVENUES</b>				
Management and administrative fees	\$ 741,675	\$ 660,628	\$ 660,628	\$
Tenant charges	3,600			
Miscellaneous income	371,304	318,813	317,701	(1,112)
Total operating revenues	1,116,579	979,441	978,329	(1,112)
<b>OPERATING EXPENSES</b>				
Management and administrative fees	75,804	84,288	84,288	
Ordinary maintenance and operations	71,297	86,412	84,247	2,165
Personnel expenses	866,176	899,928	867,612	32,316
Contractual services	47,568	86,061	85,950	111
Repair and maintenance	17,015	4,052	4,052	
Supplies and materials	20,048	34,893	34,636	257
Depreciation and amortization	28,383	21,099	21,099	
Utilities	16,440	10,405	10,144	261
Total operating expenses	1,142,731	1,227,138	1,192,028	35,110
Operating income (loss)	(26,152)	(247,697)	(213,699)	33,998
<b>NON - OPERATING REVENUES (EXPENSES)</b>				
Interest expenses	(12)	(3,501)	(3,501)	
Total non-operating revenues (expenses)	(12)	(3,501)	(3,501)	0
Income (loss) before capital grants and transfers	(26,164)	(251,198)	(217,200)	33,998
<b>CHANGES IN NET POSITION</b>	(26,164)	(251,198)	(217,200)	33,998
<b>NET POSITION - BEGINNING OF YEAR</b>	23,533	(466,564)	(1,461,646)	(995,082)
<b>RESTATEMENT AND TRANSFERS</b>	0	0	0	0
<b>NET POSITION - END OF YEAR</b>	\$ (2,631)	\$ (717,762)	(1,678,846)	\$ (961,084)
<b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>				
Change in Net Position-cash basis			(217,200)	
Net change in accounts receivable			1,422	
Net change in accounts payables			(23,699)	
Change in Net Position-GAAP basis			\$ (239,477)	

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, 2016**

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, 2016</u>
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	6/1/2043	3138ELHM8	\$ 3,637
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	2/1/2043	3138W2ZR9	28,300
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	6/1/2043	3138WWK81	<u>59,071</u>
Total Wells Fargo Bank Pledged Securities				<u>\$ 91,008</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, 2016**

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	11,525			11,525
Woodleaf Security Deposits	Checking	44,650			44,650
Rio-Operations I -Previous Mngt	Checking	200			200
Rio Felix Cash - Operational	Checking	8			8
Rio Felix Security Deposits	Checking	5,201			5,201
Rio Felix Reserve	Checking	11,739			11,739
Rio Felix Tax & Insurance	Checking	1,822			1,822
SSM General	Checking	36,114			36,114
SSM Security Deposits	Checking	15,451			15,451
Vaughn General	Checking	46,833			46,833
Vaughn Security Deposits	Checking	3,562			3,562
ASA General	Checking	8,805			8,805
Lovington General	Checking	56,070			56,070
Lovington CD	Checking			200,000	200,000
Lovington Security Deposit	Checking	10,439			10,439
FSS Escrow Section 8	Checking	164,111			164,111
Section 8	Checking	92,250			92,250
Eunice Security Deposit	Checking	3,275			3,275
Eunice General	Checking	410			410
Eunice 16 General	Checking	29			29
R & R Wells Fargo	Money Market		36,051		36,051
ASA Development	Money Market	1,000			1,000
Woodleaf Debt Service Fund	Money Market		251,543		251,543
Woodleaf Expense Fund	Money Market		3,491		3,491
Woodleaf Surplus Fund	Money Market		1,326		1,326
Woodleaf Bond Fund	Money Market		50,533		50,533
Certificate of Deposit- Sandstone	Money Market			96,421	96,421
Certificate of Deposit- EHA	Money Market			15,207	15,207
Certificate of Deposit- EHA	Money Market			10,136	10,136
<b>Total amount of deposit in bank</b>		<b>513,744</b>	<b>342,944</b>	<b>321,764</b>	<b>1,178,452</b>
Reconciling items:					
Less: outstanding checks per bank reconciliation, and other reconciling items		80,053			80,053
Plus: deposits in transit per bank reconciliation		10,500			10,500
<b>Total reconciling items</b>		<b>69,553</b>	<b>0</b>	<b>0</b>	<b>69,553</b>
<b>Reconciled balance</b>		<b>\$ 583,297</b>	<b>\$ 342,944</b>	<b>\$ 321,764</b>	<b>1,108,899</b>
Plus: Petty cash					800
Less: Restricted cash and cash equivalents per Exhibit A-1					(321,224)
Less: Investments per Exhibit A-1					(664,698)
<b>Cash and cash equivalents per Exhibit A-1</b>					<b>\$ 123,777</b>

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, 2016**

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 329,012
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>244,638</u>
Debt Service Ratio	<u>1.34</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	1,195,873
Total operating expenses and interest expense	(1,100,474)
Plus: Recorded bond amortization and depreciation expense	82,029
Interest expense related to 1997A Series bonds	<u>151,584</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>329,012</u>

Debt Service for the year ended June 30, 2017

Principal reduction on 1997A Series bonds during the year ended June 30, 2017	100,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2017	<u>144,638</u>
Maximum Annual Debt Service as defined in the bond indenture	<u>\$ 244,638</u>

NOTE:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2016, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation, and should be read in conjunction with it.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
111	Cash - unrestricted	\$ 93,379	\$
113	Cash - other restricted		
114	Cash - tenant security deposits	<u>32,727</u>	<u>          </u>
100	Total cash	<u>126,106</u>	<u>0</u>
121	Accounts Receivable - PHA Projects		
126	Accounts receivable - tenants	<u>4,057</u>	<u>          </u>
120	Total receivables, net of allowances for doubtful accounts	<u>4,057</u>	<u>0</u>
131	Investments - unrestricted	321,753	
132	Investments - restricted		
144	Interprogram - due from	<u>35,068</u>	<u>          </u>
150	Total current assets	<u>486,984</u>	<u>0</u>
161	Land	572,061	
162	Buildings	5,720,603	
163	Furniture, equipment & machinery - dwellings	323,414	
166	Accumulated depreciation	(4,478,568)	
167	Construction in progress	<u>          </u>	<u>          </u>
160	Total fixed assets, net of accumulated depreciation	<u>2,137,510</u>	<u>0</u>
180	Total non current assets	<u>2,137,510</u>	<u>0</u>
200	Deferred outflow of resources	<u>          </u>	<u>          </u>
290	Total assets and deferred outflow of resources	<u>2,624,494</u>	<u>0</u>
312	Accounts payable <= 90 Days	1,312	
321	Accrued wage/payroll taxes payable		
325	Accrued interest payable		
341	Tenant security deposits	32,727	
342	Unearned revenues		
343	Current portion of long-term debt - capital projects/mortgage revenue		
345	Other current liabilities	3,204	
347	Inter-program due to	<u>344</u>	<u>          </u>
310	Total current liabilities	<u>\$ 37,587</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, 2016**

Schedule IV

Line Item Number	Description	Section 8 Housing Choice Voucher 14,871
111	Cash - unrestricted	\$
113	Cash - other restricted	238,396
114	Cash - tenant security deposits	<u>                    </u>
100	Total cash	<u>238,396</u>
121	Accounts Receivable - PHA Projects	
126	Accounts receivable - tenants	<u>                    </u>
120	Total receivables, net of allowances for doubtful accounts	<u>0</u>
131	Investments - unrestricted	
132	Investments - restricted	
144	Interprogram - due from	<u>3,149</u>
150	Total current assets	<u>241,545</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	<u>0</u>
200	Deferred outflow of resources	<u>                    </u>
290	Total assets and deferred outflow of resources	<u>241,545</u>
312	Accounts payable <= 90 Days	
321	Accrued wage/payroll taxes payable	
325	Accrued interest payable	
341	Tenant security deposits	
342	Unearned revenues	92,250
343	Current portion of long-term debt - capital projects/mortgage revenue	
345	Other current liabilities	632
347	Inter-program due to	<u>                    </u>
310	Total current liabilities	<u>\$ 92,882</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Rio Felix FMHA Program 10.405	State and Local Woodleaf
111	Cash - unrestricted	\$ 13,819	\$ 16,579
113	Cash - other restricted		
114	Cash - tenant security deposits	<u>5,201</u>	<u>44,650</u>
100	Total cash	<u>19,020</u>	<u>61,229</u>
121	Accounts Receivable - PHA Projects		
126	Accounts receivable - tenants	<u>378</u>	<u>21,210</u>
120	Total receivables, net of allowances for doubtful accounts	<u>378</u>	<u>21,210</u>
131	Investments - unrestricted		
132	Investments - restricted		342,945
144	Interprogram - due from		<u>1,124,971</u>
150	Total current assets	<u>19,398</u>	<u>1,550,355</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	(477,574)	(2,436,450)
167	Construction in progress		<u>102,478</u>
160	Total fixed assets, net of accumulated depreciation	<u>319,732</u>	<u>1,285,404</u>
180	Total non current assets	<u>319,732</u>	<u>1,285,404</u>
200	Deferred outflow of resources		
290	Total assets and deferred outflow of resources	<u>339,130</u>	<u>2,835,759</u>
312	Accounts payable <= 90 Days	4,481	171
321	Accrued wage/payroll taxes payable		
325	Accrued interest payable		7,392
341	Tenant security deposits	5,201	44,650
342	Unearned revenues		
343	Current portion of long-term debt - capital projects/mortgage revenue		100,000
345	Other current liabilities		16,578
347	Inter-program due to	<u>89,366</u>	<u>103,755</u>
310	Total current liabilities	<u>\$ 99,048</u>	<u>\$ 272,546</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Business ASA	Total
111	Cash - unrestricted	\$	\$ 123,777
113	Cash - other restricted		238,396
114	Cash - tenant security deposits	<u>250</u>	<u>82,828</u>
100	Total cash	<u>250</u>	<u>445,001</u>
121	Accounts Receivable - PHA Projects	3,325	3,325
126	Accounts receivable - tenants		<u>25,645</u>
120	Total receivables, net of allowances for doubtful accounts	<u>3,325</u>	<u>28,970</u>
131	Investments - unrestricted		321,753
132	Investments - restricted		342,945
144	Interprogram - due from	<u>157,189</u>	<u>1,320,377</u>
150	Total current assets	<u>160,764</u>	<u>2,459,046</u>
161	Land	30,104	1,031,134
162	Buildings	206,154	9,841,671
163	Furniture, equipment & machinery - dwellings	452,786	848,999
166	Accumulated depreciation	(503,818)	(7,896,410)
167	Construction in progress		<u>102,478</u>
160	Total fixed assets, net of accumulated depreciation	<u>185,226</u>	<u>3,927,872</u>
180	Total non current assets	<u>185,226</u>	<u>3,927,872</u>
200	Deferred outflow of resources	<u>60,324</u>	<u>60,324</u>
290	Total assets and deferred outflow of resources	<u>406,314</u>	<u>6,447,242</u>
312	Accounts payable <= 90 Days	5,614	11,578
321	Accrued wage/payroll taxes payable	1,959	1,959
325	Accrued interest payable		7,392
341	Tenant security deposits		82,578
342	Unearned revenues		92,250
343	Current portion of long-term debt - capital projects/mortgage revenue	185,258	285,258
345	Other current liabilities	11,121	31,535
347	Inter-program due to	<u>1,126,912</u>	<u>1,320,377</u>
310	Total current liabilities	<u>\$ 1,330,864</u>	<u>\$ 1,832,927</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

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	<u>          37,587</u>	<u>                    0</u>
400	Deferred inflow of resources	<u>                    0</u>	<u>                    0</u>
	Total liabilities and deferred inflow of resources	<u>          37,587</u>	<u>                    0</u>
508.4	Net investment in capital assets	2,137,510	
511.4	Restricted net position	32,727	
512.4	Unrestricted net position	<u>          416,670</u>	<u>                    </u>
513	Total equity - net assets/position	<u>          2,586,907</u>	<u>                    0</u>
600	Total liabilities, deferred inflows of resources and equity - net position	<u>          2,624,494</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, 2016**

Schedule IV

Line Item Number	Description	Section 8 Housing Choice Voucher 14,871
351	Long-term debt, net of current - capital projects/mortgage revenue	\$
353	Noncurrent liabilities - other	163,478
357	Accrued pension and OPEB liabilities	<u>                    </u>
350	Total noncurrent liabilities	<u>163,478</u>
300	Total liabilities	<u>256,360</u>
400	Deferred inflow of resources	<u>0</u>
	Total liabilities and deferred inflow of resources	<u>256,360</u>
508.4	Net investment in capital assets	
511.4	Restricted net position	238,396
512.4	Unrestricted net position	<u>(253,211)</u>
513	Total equity - net assets/position	<u>(14,815)</u>
600	Total liabilities, deferred inflows of resources and equity - net position	<u>\$ 241,545</u>

See independent auditors' report

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

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	\$	\$ 1,980,000
353	Noncurrent liabilities - other		
357	Accrued pension and OPEB liabilities		
350	Total noncurrent liabilities	<u>0</u>	<u>1,980,000</u>
300	Total liabilities	<u>99,048</u>	<u>2,252,546</u>
400	Deferred inflow of resources	<u>0</u>	<u>0</u>
	Total liabilities and deferred inflow of resources	<u>99,048</u>	<u>2,252,546</u>
508.4	Net investment in capital assets	319,732	(794,595)
511.4	Restricted net position	5,201	387,595
512.4	Unrestricted net position	<u>(84,851)</u>	<u>990,213</u>
513	Total equity - net assets/position	<u>240,082</u>	<u>583,213</u>
600	Total liabilities, deferred inflows of resources and equity - net position	<u>\$ 339,130</u>	<u>\$ 2,835,759</u>

See independent auditors' report



**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Business ASA	Total
351	Long-term debt, net of current - capital projects/mortgage revenue	\$	\$ 1,980,000
353	Noncurrent liabilities - other		163,478
357	Accrued pension and OPEB liabilities	<u>724,926</u>	<u>724,926</u>
350	Total noncurrent liabilities	<u>724,926</u>	<u>2,868,404</u>
300	Total liabilities	<u>2,055,790</u>	<u>4,701,331</u>
400	Deferred inflow of resources	<u>18,632</u>	<u>18,632</u>
	Total liabilities and deferred inflow of resources	<u>2,074,422</u>	<u>4,719,963</u>
508.4	Net investment in capital assets	185,227	1,847,874
511.4	Restricted net position	250	664,169
512.4	Unrestricted net position	<u>(1,853,585)</u>	<u>(784,764)</u>
513	Total equity - net assets/position	<u>(1,668,108)</u>	<u>1,727,279</u>
600	Total liabilities, deferred inflows of resources and equity - net position	<u>\$ 406,314</u>	<u>\$ 6,447,242</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872
70300	Net tenant rental revenue	\$ 254,102	\$
70400	Tenant revenue - other	<u>5,767</u>	
70500	Total tenant revenue	<u>259,869</u>	<u>0</u>
70600	HUD PHA operating grants	383,697	
70610	Capital grants	32,624	172,674
71100	Investment income - unrestricted	130	
71400	Fraud recovery		
71500	Other revenue	<u>735</u>	
70000	Total revenue	<u>677,055</u>	<u>172,674</u>
91100	Administrative salaries	54,994	
91200	Auditing fees	17,254	
91300	Management fees	86,383	
91400	Advertising and marketing	801	
91500	Employee benefit contributions - administrative	78,290	
91600	Office expenses	7,979	
91700	Legal expense	496	
91800	Travel	<u>15,327</u>	
91000	Total operating - administrative	<u>261,524</u>	<u>0</u>
93100	Water	11,174	
93200	Electricity	12,704	
93300	Gas	17,827	
93800	Other utilities expense	<u>16,197</u>	
93000	Total utilities	<u>57,902</u>	<u>0</u>
94100	Ordinary maintenance & operation - labor	115,384	
94200	Ordinary maintenance & operation - materials & other	<u>138,559</u>	181,084
94000	Total maintenance	<u>253,943</u>	<u>181,084</u>
96110	Property insurance	<u>31,407</u>	
96100	Total insurance premiums	<u>31,407</u>	<u>0</u>
96200	Other general expenses	24,020	
96210	Compensated absences	6,345	
96400	Bad debt - tenants rent	<u>3,083</u>	
96000	Total other general expenses	<u>\$ 33,448</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, 2016**

Schedule IV

Line Item Number	Description	Section 8 Housing Choice Voucher 14.871	Rio Felix FMHA Program 10.405
70300	Net tenant rental revenue	\$	\$ 67,268
70400	Tenant revenue - other		16,707
70500	Total tenant revenue	<u>0</u>	<u>83,975</u>
70600	HUD PHA operating grants	6,051,535	
70610	Capital grants		
71100	Investment income - unrestricted		
71400	Fraud recovery	17,009	
71500	Other revenue		426
70000	Total revenue	<u>6,068,544</u>	<u>84,401</u>
91100	Administrative salaries		
91200	Auditing fees		2,913
91300	Management fees	470,804	12,239
91400	Advertising and marketing		
91500	Employee benefit contributions - administrative		6,701
91600	Office expenses		
91700	Legal expense		102
91800	Travel		
91000	Total operating - administrative	<u>470,804</u>	<u>21,955</u>
93100	Water		5,520
93200	Electricity		2,505
93300	Gas		950
93800	Other utilities expense		64,259
93000	Total utilities	<u>0</u>	<u>73,234</u>
94100	Ordinary maintenance & operation - labor		
94200	Ordinary maintenance & operation - materials & other		
94000	Total maintenance	<u>0</u>	<u>0</u>
96110	Property insurance		5,121
96100	Total insurance premiums	<u>0</u>	<u>5,121</u>
96200	Other general expenses		
96210	Compensated absences		
96400	Bad debt - tenants rent		3,656
96000	Total other general expenses	<u>\$ 0</u>	<u>\$ 3,656</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	State and Local Woodleaf	Business ASA
70300	Net tenant rental revenue	\$ 1,147,014	\$
70400	Tenant revenue - other	<u>38,359</u>	<u>          </u>
70500	Total tenant revenue	<u>1,185,373</u>	<u>0</u>
70600	HUD PHA operating grants		
70610	Capital grants		
71100	Investment income - unrestricted		
71400	Fraud recovery		17,009
71500	Other revenue	<u>10,500</u>	<u>962,742</u>
70000	Total revenue	<u>1,195,873</u>	<u>979,751</u>
91100	Administrative salaries	6,056	605,097
91200	Auditing fees	15,752	20,726
91300	Management fees	77,845	15,950
91400	Advertising and marketing	2,151	1,134
91500	Employee benefit contributions - administrative	24,064	216,030
91600	Office expenses	5,164	39,381
91700	Legal expense	6,285	4,236
91800	Travel	<u>63,690</u>	<u>9,344</u>
91000	Total operating - administrative	<u>201,007</u>	<u>911,898</u>
93100	Water	34,791	3,438
93200	Electricity	17,651	7,732
93300	Gas	4,859	
93800	Other utilities expense	<u>17,233</u>	<u>31,030</u>
93000	Total utilities	<u>74,534</u>	<u>42,200</u>
94100	Ordinary maintenance & operation - labor	92,153	
94200	Ordinary maintenance & operation - materials & other	<u>308,876</u>	<u>22,277</u>
94000	Total maintenance	<u>401,029</u>	<u>22,277</u>
96110	Property insurance	<u>32,438</u>	<u>37,312</u>
96100	Total insurance premiums	<u>32,438</u>	<u>37,312</u>
96200	Other general expenses	154,239	107,042
96210	Compensated absences	3,614	63,061
96400	Bad debt - tenants rent	<u>          </u>	<u>          </u>
96000	Total other general expenses	<u>\$ 157,853</u>	<u>\$ 170,103</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

Line Item Number	Description	Total
70300	Net tenant rental revenue	\$ 1,468,384
70400	Tenant revenue - other	<u>60,833</u>
70500	Total tenant revenue	<u>1,529,217</u>
70600	HUD PHA operating grants	6,435,232
70610	Capital grants	205,298
71100	Investment income - unrestricted	130
71400	Fraud recovery	34,018
71500	Other revenue	<u>974,403</u>
70000	Total revenue	<u>9,178,298</u>
91100	Administrative salaries	666,147
91200	Auditing fees	56,645
91300	Management fees	663,221
91400	Advertising and marketing	4,086
91500	Employee benefit contributions - administrative	325,085
91600	Office expenses	52,524
91700	Legal expense	11,119
91800	Travel	<u>88,361</u>
91000	Total operating - administrative	<u>1,867,188</u>
93100	Water	54,923
93200	Electricity	40,592
93300	Gas	23,636
93800	Other utilities expense	<u>128,719</u>
93000	Total utilities	<u>247,870</u>
94100	Ordinary maintenance & operation - labor	207,537
94200	Ordinary maintenance & operation - materials & other	<u>650,796</u>
94000	Total maintenance	<u>858,333</u>
96110	Property insurance	<u>106,278</u>
96100	Total insurance premiums	<u>106,278</u>
96200	Other general expenses	285,301
96210	Compensated absences	73,020
96400	Bad debt - tenants rent	<u>6,739</u>
96000	Total other general expenses	<u>\$ 365,060</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IV

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>
96720	Interest on Notes Payable (Short and Long Term)	\$ <u>0</u>	\$ <u>0</u>
96700	Total interest expense and amortization cost	<u>0</u>	<u>0</u>
96900	Total operating expenses	<u>638,224</u>	<u>181,084</u>
97000	Excess operating revenue over operating expenses	<u>38,831</u>	<u>(8,410)</u>
97300	Housing assistance payments		
97400	Depreciation expense	<u>139,681</u>	
90000	Total expenses	<u>777,905</u>	<u>181,084</u>
10010	Operating transfers in		23,786
10020	Operating transfers out	<u>(8,410)</u>	<u>(15,376)</u>
10100	Total other financing sources (uses)	<u>(8,410)</u>	<u>8,410</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>(109,260)</u>	<u>0</u>
11020	Required annual debt principal payments	0	0
11030	Beginning equity	2,248,247	0
11040	Prior period adjustments, equity transfers and correction of errors	<u>447,920</u>	<u>0</u>
11170	Administrative fee equity	<u>0</u>	<u>0</u>
	Ending equity (deficit)	<u>2,586,907</u>	<u>0</u>
11180	Housing assistance payments equity	<u>0</u>	<u>0</u>
11190	Unit months available	960	
11210	Number of unit months leased	<u>934</u>	
11270	Excess cash	<u>\$ 164,916</u>	<u>\$ 0</u>
11630	Furniture & Equipment - Dwelling Purchases	<u>\$ 189,494</u>	<u>\$ 0</u>
11640	Furniture & Equipment - Administrative Purchases	<u>\$ 15,804</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, 2016**

Schedule IV

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>77</u>
96720	Interest on Notes Payable (Short and Long Term)	\$ <u>0</u>	\$ <u>0</u>
96700	Total interest expense and amortization cost	<u>0</u>	<u>77</u>
96900	Total operating expenses	<u>470,804</u>	<u>104,043</u>
97000	Excess operating revenue over operating expenses	<u>5,597,740</u>	<u>(19,642)</u>
97300	Housing assistance payments	5,560,012	
97400	Depreciation expense		<u>15,095</u>
90000	Total expenses	<u>6,030,816</u>	<u>119,138</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>37,728</u>	<u>(34,737)</u>
11020	Required annual debt principal payments	0	0
11030	Beginning equity	(58,897)	274,819
11040	Prior period adjustments, equity transfers and correction of errors	<u>6,354</u>	<u>0</u>
11170	Administrative fee equity	<u>25,323</u>	<u>0</u>
	Ending equity (deficit)	<u>(14,815)</u>	<u>240,082</u>
11180	Housing assistance payments equity	<u>(40,138)</u>	<u>0</u>
11190	Unit months available	22,200	
11210	Number of unit months leased	<u>12,054</u>	
11270	Excess cash	<u>\$ 0</u>	<u>\$ 0</u>
11630	Furniture & Equipment - Dwelling Purchases	<u>\$ 0</u>	<u>\$ 0</u>
11640	Furniture & Equipment - Administrative Purchases	<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, 2016**

Schedule IV

Line Item Number	Description	State and Local Woodleaf	Business ASA
96710	Interest of mortgage (or bonds) payable	\$ 151,584	\$ 0
96720	Interest on Notes Payable (Short and Long Term)	\$ 0	\$ 14,338
96700	Total interest expense and amortization cost	<u>151,584</u>	<u>14,338</u>
96900	Total operating expenses	<u>1,018,445</u>	<u>1,198,128</u>
97000	Excess operating revenue over operating expenses	<u>177,428</u>	<u>(218,377)</u>
97300	Housing assistance payments		
97400	Depreciation expense	<u>82,029</u>	<u>21,100</u>
90000	Total expenses	<u>1,100,474</u>	<u>1,219,228</u>
10010	Operating transfers in		
10020	Operating transfers out	<u>          </u>	<u>          </u>
10100	Total other financing sources (uses)	<u>0</u>	<u>0</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>95,399</u>	<u>(239,477)</u>
11020	Required annual debt principal payments	0	0
11030	Beginning equity	487,814	(1,428,631)
11040	Prior period adjustments, equity transfers and correction of errors	<u>0</u>	<u>0</u>
11170	Administrative fee equity	<u>0</u>	<u>0</u>
	Ending equity (deficit)	<u>583,213</u>	<u>(1,668,108)</u>
11180	Housing assistance payments equity	<u>0</u>	<u>0</u>
11190	Unit months available	1,824	
11210	Number of unit months leased	<u>1,752</u>	
11270	Excess cash	<u>\$ 0</u>	<u>\$ 0</u>
11630	Furniture & Equipment - Dwelling Purchases	<u>\$ 0</u>	<u>\$ 0</u>
11640	Furniture & Equipment - Administrative Purchases	<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, 2016**

Schedule IV

Line Item Number	Description	Total
96710	Interest of mortgage (or bonds) payable	\$ <u>151,661</u>
96720	Interest on Notes Payable (Short and Long Term)	\$ <u>14,338</u>
96700	Total interest expense and amortization cost	<u>165,999</u>
96900	Total operating expenses	<u>3,610,728</u>
97000	Excess operating revenue over operating expenses	<u>5,567,570</u>
97300	Housing assistance payments	5,560,012
97400	Depreciation expense	<u>257,905</u>
90000	Total expenses	<u>9,428,645</u>
10010	Operating transfers in	23,786
10020	Operating transfers out	<u>(23,786)</u>
10100	Total other financing sources (uses)	<u>0</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>(250,347)</u>
11020	Required annual debt principal payments	0
11030	Beginning equity	1,523,352
11040	Prior period adjustments, equity transfers and correction of errors	<u>454,274</u>
11170	Administrative fee equity	<u>25,323</u>
	Ending equity (deficit)	<u>1,727,279</u>
11180	Housing assistance payments equity	<u>(40,138)</u>
11190	Unit months available	24,984
11210	Number of unit months leased	<u>14,740</u>
11270	Excess cash	<u>\$ 164,916</u>
11630	Furniture & Equipment - Dwelling Purchases	<u>\$ 189,494</u>
11640	Furniture & Equipment - Administrative Purchases	<u>\$ 15,804</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, 2016**

Prepared by Agency Staff Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date \_\_\_\_\_

Agency Number	Agency Name	Agency Type	RFB #/ RFP #/	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
9004	Eastern Regional Housing Authority	Independent Housing Authorities	None										
There were no purchases that exceeded \$60,000 as on June 30, 2016.													

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

Schedule VI

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA  
MUNICIPAL GENERAL DIVISION  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Public Employees Retirement Association (PERA) Plan</u>	<u>2016</u>
Authority's proportion of the net pension liability (asset)	0.0700%
Authority's proportionate share of the net pension liability (asset)	724,926
Authority's covered-employee payroll	811,053
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.38%
Plan fiduciary net position as a percentage of the total pension liability	76.99%

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

Schedule VII

SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
PLAN MUNICIPAL GENERAL DIVISION  
**FOR THE YEAR ENDED JUNE 30, 2016**

PERA Fund Division

	<u>2016</u>
Contractually required contribution	53,772
Contributions in relation to the contractually required contribution	53,772
Contribution deficiency (excess)	-
Authority's covered-employee payroll	811,053
Contributions as a percentage of covered-employee payroll	6.63%

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Changes of benefit terms:** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>.

**Changes in assumptions:** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-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, 2014, 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 53 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 and the aggregate remaining fund information of the Eastern Regional Housing Authority, (the "Authority") as of and for the year ended June 30, 2016, 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 29, 2016.

**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 2015-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Authority's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2016



## **FEDERAL FINANCIAL ASSISTANCE**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

*Harshwal & Company LLP*

Albuquerque, New Mexico  
September 29, 2016

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule VIII

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Public and Indian Housing		
Public and Indian Housing	14.850	\$ <u>419,887</u>
Total Public and Indian Housing		<u>419,887</u>
Section 8 Housing Choice Vouchers		
Section 8 Housing Choice Vouchers	14.871	<u>6,033,965</u>
Total Section 8 Housing Choice Vouchers		<u>6,033,965</u>
Public Housing Capital Fund		
Public Housing Capital Fund	14.872	<u>227,713</u>
Total Public Housing Capital Fund		<u>227,713</u>
Family Self Sufficiency		
Family Self Sufficiency	14.896	<u>137,713</u>
Total of Family Self Sufficiency		<u>137,713</u>
Total US Department Housing & Urban Development		<u>6,819,278</u>
<b>Total Expenditure of Federal Awards</b>		<b>\$ <u><u>6,819,278</u></u></b>

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2. INDIRECT COST RATE**

The expenditures reported on the Schedule do not include indirect costs. The Authority has elected not to use the 10% de minimis indirect cost rate.

**NOTE 3. SUB-RECIPIENTS**

The Authority did not provide any federal awards to sub-recipients for the year ended 2016.

**NOTE 4. INSURANCE REQUIREMENTS**

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

**NOTE 5. LOANS OR LOAN GUARANTEES**

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

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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 Uniform Guidance 2 CFR 200.516(a)?

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:

\$750,000

Auditee qualified as low risk auditee

Yes  No

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Schedule IX

**SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS**

**2015-002 Lack of Pledged Securities-Compliance and Internal Control-Significant Deficiency-**  
**(Repeated/Modified)**

**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 \$248,218.

The Authority did not make any progress in resolving this finding. However, the Authority's management is working with the Wells Fargo representatives to ensure this issue is resolved in subsequent years.

**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 will increase pledge collateral by \$248,218 to ensure that ERHA has sufficient collateral as required by federal and state law. In addition, ERHA finance and program staff met with Wells Fargo representatives on September 12th, following notification by the auditor, to address the issue which has caused repeated audit findings. Further meetings are scheduled in October 2016 to create a procedure for the ERHA Finance Director to have access to the system which collateralizes our accounts. This will allow our Finance Director to assure that adequate collateral has been assigned to our account according to federal law.

**Estimated Completion Date:**

The process is already engaged, and a meeting will be conducted related to the process in October 2016. ERHA Finance Director will then review collateral amounts every quarter to ensure they are in compliance.

**Responsible party:**

Chris Herbert, Executive Director; Olivia Cruz, Finance Director.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016**

Schedule X

The following summarizes the prior year audit findings:

**FINDING 2014-001** Travel and Per Diem - Resolved

**FINDING 2015-001** Expenditure in Excess of Budget Amounts - Resolved

**FINDING 2015-002** Lack of Pledged Securities-Compliance and Internal Control - Repeated and Modified

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2016**

**AUDITOR PREPARED FINANCIALS**

The Financial statements and notes to the Financial statements for the year ended, June 30, 2016 were prepared by Harshwal & Company, LLP based on management chart of accounts and trial balances including adjusting entries, correcting or closing entries approved by management. These services are allowable under SAS 115.

**EXIT CONFERENCE**

The contents of this report were discussed with the Eastern Regional Housing Authority on September 29, 2016. The following individuals were in attendance.

**Representing Eastern Regional Housing Authority**

---

Chris Herbert	Executive Director
Irene Andazola	Deputy Director

**Representing Harshwal & Company, LLP**

---

Sanwar Harshwal	Managing Partner (CPA)
Mariem Tall	Audit Manager
Albert Hwu	Senior Auditor