

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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

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EASTERN REGIONAL HOUSING AUTHORITY  
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**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>NAME</u>	<u>TITLE</u>
<u>Board of Directors</u>	
Allen B. Sparks	Chairperson
Michael O'Hara	Vice-Chairperson
Mary Beth Fowler	Secretary
Waymon L. Dowdy Sr.	Treasurer
Ella Turner	Commissioner
Bill Birdwell	Commissioner
<u>Administrative Official</u>	
Chris Herbert	Executive Director
Irene Andazola	Deputy Director
Olivia Cruz	Finance 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 of the Eastern Regional Housing Authority (the "Authority"), as of and for the year ended June 30, 2017, 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 did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Authority. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2017, 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.

### **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 48, the Schedule of Contributions on page 49 and the notes to the required supplementary information on page 50 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 omitted 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 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, 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 22, 2017



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit A-1

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 160,602	\$ 30,136
Investments	345,300	
Accounts receivable	28,077	
Due from other funds	<u>1,063,754</u>	
Total current assets	<u>1,597,733</u>	<u>30,136</u>
Noncurrent assets:		
Restricted cash and cash equivalents	41,335	5,443
Nondepreciable capital assets	1,302,177	169,050
Depreciable capital assets, net	<u>843,944</u>	<u>135,584</u>
Total noncurrent assets	<u>2,187,456</u>	<u>310,077</u>
Total assets	<u>3,785,189</u>	<u>340,213</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	515	2,332
Accrued liabilities	317	877
Accrued Interest	7,392	
Due to other funds	25,679	96,773
Other liabilities	15,221	
Current portion of long-term debts	110,000	
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>159,124</u>	<u>99,982</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>42,035</u>	<u>5,443</u>
Total current liabilities (payable from restricted assets)	<u>42,035</u>	<u>5,443</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		
Notes payable, net of current portion	<u>1,870,000</u>	
Total noncurrent liabilities	<u>1,870,000</u>	<u>0</u>
Total liabilities	<u>2,071,159</u>	<u>105,425</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	166,121	304,634
Restricted	386,635	5,443
Unrestricted	<u>1,161,274</u>	<u>(75,289)</u>
Total net position	<u>1,714,030</u>	<u>234,788</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 3,785,189</u>	<u>\$ 340,213</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, 2017**

Exhibit A-1

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 184,035	\$
Investments	321,903	
Accounts receivable	4,671	
Due from other funds		
Total current assets	<u>510,609</u>	<u>0</u>
Noncurrent assets:		
Restricted cash and cash equivalents	32,326	502,561
Nondepreciable capital assets	572,061	
Depreciable capital assets, net	<u>1,427,506</u>	
Total noncurrent assets	<u>2,031,893</u>	<u>502,561</u>
Total assets	<u>2,542,502</u>	<u>502,561</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	1,830	
Accrued liabilities		
Accrued Interest		
Due to other funds	2,200	
Other liabilities	4,745	
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>8,775</u>	<u>632</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>32,296</u>	
Total current liabilities (payable from restricted assets)	<u>32,296</u>	<u>0</u>
Noncurrent liabilities:		
Net pension liability		
Escrow funds held for others, long-term		126,024
Notes payable, net of current portion		
Total noncurrent liabilities	<u>0</u>	<u>126,024</u>
Total liabilities	<u>41,071</u>	<u>126,656</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	1,999,567	
Restricted	32,326	502,561
Unrestricted	<u>469,538</u>	<u>(126,656)</u>
Total net position	<u>2,501,431</u>	<u>375,905</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 2,542,502</u>	<u>\$ 502,561</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, 2017**

Exhibit A-1

	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 682,103	\$
Investments		
Accounts receivable	1,258	
Due from other funds	<u>124,652</u>	<u>(1,188,406)</u>
Total current assets	<u>808,013</u>	<u>(1,188,406)</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Nondepreciable capital assets	30,104	
Depreciable capital assets, net	<u>135,480</u>	
Total noncurrent assets	<u>165,584</u>	<u>0</u>
Total assets	<u>973,597</u>	<u>(1,188,406)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>378,417</u>	
Total deferred outflows of resources	<u>378,417</u>	<u>0</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	1,816	
Accrued liabilities	3,829	
Accrued Interest		
Due to other funds	1,063,754	(1,188,406)
Other liabilities	655,880	
Current portion of long-term debts	324,456	
Current portion of escrow funds held for others		
Total current liabilities (payable from current assets)	<u>2,049,735</u>	<u>(1,188,406)</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	1,124,756	
Escrow funds held for others, long-term		
Notes payable, net of current portion		
Total noncurrent liabilities	<u>1,124,756</u>	<u>0</u>
Total liabilities	<u>3,174,491</u>	<u>(1,188,406)</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	165,584	
Restricted		
Unrestricted	<u>(1,988,061)</u>	
Total net position	<u>(1,822,477)</u>	<u>0</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 1,352,014</u>	<u>\$ (1,188,406)</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, 2017**

Exhibit A-1

	<u>Total</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,056,876
Investments	667,203
Accounts receivable	34,006
Due from other funds	
Total current assets	<u>1,758,085</u>
Noncurrent assets:	
Restricted cash and cash equivalents	581,665
Nondepreciable capital assets	2,073,392
Depreciable capital assets, net	2,542,514
Total noncurrent assets	<u>5,197,571</u>
Total assets	<u>6,955,656</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u>378,417</u>
Total deferred outflows of resources	<u>378,417</u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities (payable from current assets):	
Accounts payable	6,493
Accrued liabilities	5,023
Accrued Interest	7,392
Due to other funds	
Other liabilities	675,846
Current portion of long-term debts	434,456
Current portion of escrow funds held for others	632
Total current liabilities (payable from current assets)	<u>1,129,842</u>
Current liabilities (payable from restricted assets):	
Tenant deposits	<u>79,774</u>
Total current liabilities (payable from restricted assets)	<u>79,774</u>
Noncurrent liabilities:	
Net pension liability	1,124,756
Escrow funds held for others, long-term	126,024
Notes payable, net of current portion	1,870,000
Total noncurrent liabilities	<u>3,120,780</u>
Total liabilities	<u>4,330,396</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	
Total deferred inflows of resources	<u>0</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,635,906
Restricted	926,965
Unrestricted	(559,194)
Total net position	<u>3,003,677</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 7,334,073</u>

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

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Woodleaf Development	Rio Felix FMHA Program	Low Rent Public Housing
<b><i>OPERATING REVENUES</i></b>			
Tenant charges	\$ 963,085	\$ 108,099	\$ 350,271
Management and administrative fees			
Miscellaneous income	1,126,030	2,149	6,515
Total operating revenues	2,089,115	110,248	356,786
<b><i>OPERATING EXPENSES</i></b>			
Contractual services		33,694	265,198
Payroll and benefits	223,069	431	
Repairs and maintenance	30,494	4,180	43,975
Material & supplies	54,501	4,818	63,039
Utilities	92,814	21,594	68,463
Ordinary maintenance and operations	246,917	4,028	164,724
Management and administrative fees	87,066	19,823	175,728
Miscellaneous		11,877	341,042
Depreciation	79,062	15,098	137,943
Total operating expenses	813,923	115,543	1,260,112
Operating income (loss)	1,275,192	(5,295)	(903,326)
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>			
Government subsidies			408,098
Interest income	263	1	157
Housing assistance payments			
Interest expense	(144,638)		
Total non-operating revenues (expenses)	(144,375)	1	408,255
Income (loss) before capital grants and transfers	1,130,817	(5,294)	(495,071)
Capital grants			409,595
<b><i>CHANGE IN NET POSITION</i></b>	1,130,817	(5,294)	(85,476)
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>	583,213	240,082	2,586,907
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	\$ 1,714,030	\$ 234,788	\$ 2,501,431

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, 2017**

	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$	\$
Management and administrative fees		806,994
Miscellaneous income	<u>94,596</u>	<u>309,257</u>
Total operating revenues	<u>94,596</u>	<u>1,116,251</u>
<b><i>OPERATING EXPENSES</i></b>		
Contractual services		
Payroll and benefits		1,006,506
Repairs and maintenance		7,457
Material & supplies		30,037
Utilities		31,087
Ordinary maintenance and operations		157,805
Management and administrative fees	625,500	38,284
Miscellaneous		
Depreciation		<u>19,642</u>
Total operating expenses	<u>625,500</u>	<u>1,290,818</u>
Operating income (loss)	<u>(530,904)</u>	<u>(174,567)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies	6,217,105	79,191
Interest income		
Housing assistance payments	(5,295,481)	
Interest expense		<u>(58,993)</u>
Total non-operating revenues (expenses)	<u>921,624</u>	<u>20,198</u>
Income (loss) before capital grants and transfers	<u>390,720</u>	<u>(154,369)</u>
Capital grants		
<b><i>CHANGE IN NET POSITION</i></b>	390,720	(154,369)
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>	<u>(14,815)</u>	<u>(1,668,108)</u>
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	<u>\$ 375,905</u>	<u>\$ (1,822,477)</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, 2017**

	Intercompany Eliminations	Total
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$	\$ 1,421,455
Management and administrative fees	946,401	1,753,395
Miscellaneous income		1,538,547
	946,401	4,713,397
<b><i>OPERATING EXPENSES</i></b>		
Contractual services		298,892
Payroll and benefits		1,230,006
Repairs and maintenance		86,106
Material & supplies		152,395
Utilities		213,958
Ordinary maintenance and operations		573,474
Management and administrative fees	946,401	1,892,802
Miscellaneous		352,919
Depreciation		251,745
	946,401	5,052,297
Total operating expenses		5,052,297
Operating income (loss)	0	(338,900)
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies		6,704,394
Interest income		421
Housing assistance payments		(5,295,481)
Interest expense		(203,631)
	0	1,205,703
Total non-operating revenues (expenses)		1,205,703
Income (loss) before capital grants and transfers	0	866,803
Capital grants		409,595
<b><i>CHANGE IN NET POSITION</i></b>		1,276,398
<b><i>NET POSITION, BEGINNING OF YEAR</i></b>		1,727,279
<b><i>TOTAL NET POSITION, END OF YEAR</i></b>	\$ 0	\$ 3,003,677

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, 2017**

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	\$ 2,143,465	\$ 110,626
Payments to employees for services	(222,753)	446
Payments to suppliers and contractors	<u>(593,496)</u>	<u>(94,514)</u>
Net cash provided by (used in) operating activities	<u>1,327,216</u>	<u>16,558</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	(100,000)	
Interest payments	(144,638)	
Purchase of capital assets	(939,778)	
Proceeds debt	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) capital financing activities	<u>(1,184,416)</u>	<u>0</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	263	1
Increase in investments	<u>(2,355)</u>	<u>                    </u>
Net cash provided by (used in) investing activities	<u>(2,092)</u>	<u>1</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	140,708	16,559
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>61,229</u>	<u>19,020</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 201,937</u>	<u>\$ 35,579</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, 2017**

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	\$ 356,172	\$ 97,745
Payments to employees for services	1,541	
Payments to suppliers and contractors	<u>(1,085,158)</u>	<u>(717,750)</u>
Net cash provided by (used in) operating activities	<u>(727,445)</u>	<u>(620,005)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments		(5,295,481)
Receipts from intergovernmental HUD subsidy	<u>817,693</u>	<u>6,217,105</u>
Net cash provided by (used in) non-capital and related financing activities	<u>817,693</u>	<u>921,624</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Principal received from debt		
Interest payments		
Purchase of capital assets		
Proceeds debt		<u>(37,454)</u>
Net cash provided by (used in) capital financing activities	<u>0</u>	<u>(37,454)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	157	
Increase in investments	<u>(150)</u>	
Net cash provided by (used in) investing activities	<u>7</u>	<u>0</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	90,255	264,165
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>126,106</u>	<u>238,396</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 216,361</u>	<u>\$ 502,561</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, 2017**

Exhibit A-3

	Administrative Services Department	Total
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 1,118,318	\$ 3,826,326
Payments to employees for services	(361,747)	(582,513)
Payments to suppliers and contractors	(234,113)	(2,725,031)
Net cash provided by (used in) operating activities	<u>522,458</u>	<u>518,782</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments		(5,295,481)
Receipts from intergovernmental HUD subsidy	79,191	7,113,989
Net cash provided by (used in) non-capital and related financing activities	<u>79,191</u>	<u>1,818,508</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Principal received from debt		(100,000)
Interest payments	(58,993)	(203,631)
Purchase of capital assets		(939,778)
Proceeds debt	139,197	101,743
Net cash provided by (used in) capital financing activities	<u>80,204</u>	<u>(1,141,666)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received		421
Increase in investments		(2,505)
Net cash provided by (used in) investing activities	<u>0</u>	<u>(2,084)</u>
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>	681,853	1,193,540
<b><i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i></b>	<u>250</u>	<u>445,001</u>
<b><i>CASH AND CASH EQUIVALENTS, END OF YEAR</i></b>	<u>\$ 682,103</u>	<u>\$ 1,638,541</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, 2017**

	<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)	\$ 1,275,192	\$ (5,295)	\$ (903,326)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses	79,062	15,098	137,943
Changes in assets and liabilities:			
Receivables	(6,867)	378	(614)
Due from other funds	61,217		37,632
Accounts payable	(2,272)	(1,907)	87
Pension plan item			
Accrued liabilities	317	877	
Due to other funds	(78,076)	7,407	(708)
Unearned revenue	(16,578)		
Other liabilities	15,221		1,541
Net cash provided by (used in) operating activities	<u>\$ 1,327,216</u>	<u>\$ 16,558</u>	<u>\$ (727,445)</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, 2017**

	<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)	\$ (530,904)	\$ (174,567)	\$ (338,900)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses		19,642	251,745
Changes in assets and liabilities:			
Receivables		2,068	(5,035)
Due from other funds	3,149	32,537	134,535
Accounts payable		(3,798)	(7,890)
Pension plan item		63,105	63,105
Accrued liabilities		1,870	3,064
Due to other funds		(63,158)	(134,535)
Unearned revenue	(92,250)		(108,828)
Other liabilities		644,759	661,521
Net cash provided by (used in) operating activities	<u>\$ (620,005)</u>	<u>\$ 522,458</u>	<u>\$ 518,782</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, 2017**

**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, 2017. 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.

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**FOR THE YEAR ENDED JUNE 30, 2017**

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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 Authority 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.



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**EASTERN REGIONAL HOUSING AUTHORITY**  
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**FOR THE YEAR ENDED JUNE 30, 2017**

**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.

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**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.

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**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 extent 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 \$203,631. 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, 2017.

**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.

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**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.

**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, 2017, 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, 2017, 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.

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**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.

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

**New Government Accounting Standards** - For the fiscal year ended June 30, 2017, Authority implemented the following GASB statements.

**GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:** This Statement addresses reporting for state and local government OPEB plans that are administered through trusts and replaces GASB Statement No. 43 for those plans. While the financial statements will be very similar to current statements, the pronouncement provides for enhanced note disclosures and new Required Supplementary Information (RSI). RSI will consist of (1) schedule of changes in net OPEB liability and related ratios; (2) schedule of employer contributions (if actuarially determined); and (3) schedule of investment returns (annual money-weighted rate of return). Each schedule should be for the most recent 10 years.

**GASB Statement 77, Tax Abatement Disclosures:** The statement requires disclosure about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues (such as when a city or county enters into an agreement that reduces a school district's tax revenue). Disclosure requirements include the number of tax abatement agreements entered into during the reporting period; the total number in effect at end of the reporting period; the dollar amount by which tax revenues were reduced during the period; and a description of other commitments made in the agreements. Disclosures should be organized by each major program and should continue until the tax abatement agreement expires.

**GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans:** This statement addresses an issue related to union-sponsored plans that are not governmental plans but provide benefits to governmental employees as well as employees of other employers. Even though the plans meet the requirements of GASB 68, they are not governmental plans and report under Financial Accounting Standards Board (FASB) guidance. Because of this, governments were not able to get the information from the plans that was required by GASB 68. The pronouncement excludes such plans from GASB 68 and instead requires pension expense to be recognized equal to the employer's required contributions during the reporting period. There is a specific note disclosure required and 10-year required supplementary information (RSI) schedule of employers' required contributions with retroactive reporting for all 10 years.

**GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14:** This Statement requires that component units incorporated as a nonprofit, when the primary government is the sole member, should be reported as a blended component unit. Component units that are included in accordance with GASB 39 are excluded from this statement.

**GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73:** The provisions of this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68.

**Subsequent Events** - Management has evaluated events through September 22, 2017, the date the financial statements were available to be issued.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
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FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2017.

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, 2017, is as follows:

	<u>Well Fargo Bank</u>	<u>Wells Fargo Investment</u>	<u>Total</u>
Total amounts of deposits	\$ 1,495,403	\$ 345,300	\$ 1,840,703
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>1,245,403</u>	<u>95,300</u>	<u>1,340,703</u>
Collateral requirement (50% of uninsured funds)	622,702	47,650	670,352
Pledged collateral	<u>823,488</u>	<u>47,650</u>	<u>871,138</u>
Over (Under) collateralized	<u>\$ 200,786</u>	<u>\$ 0</u>	<u>\$ 200,786</u>

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**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, 2017, \$1,340,703 of the Authority's deposits totaling \$1,840,703 was exposed to custodial credit risk.

**Custodial Credit Risk Deposits**

Account balance	\$ 1,840,703
FDIC insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the Authority's name	871,138
Uninsured and uncollateralized	<u>469,565</u>
Total deposits	<u>\$ 1,840,703</u>

As of June 30, 2017, 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	\$ 1,056,876
Restricted cash per Exhibit A-1	581,665
Investments	<u>667,203</u>
Total cash and cash equivalents per Exhibit A-1	2,305,744
Add: outstanding checks and other reconciling items	(464,241)
Less: petty cash	<u>(800)</u>
Reconciled balance of deposits	<u>\$ 1,840,703</u>

**NOTE 3. ACCOUNTS RECEIVABLE**

The Authority's accounts receivable at June 30, 2017,

	<u>Tenant Accounts Receivable</u>	<u>Other Receivable</u>	<u>Total Receivable</u>
Low Rent Public Housing	\$ 4,671	\$	\$ 4,671
Administrative Services Department		1,258	1,258
Woodleaf Development	<u>28,077</u>		<u>28,077</u>
Totals	<u>\$ 32,748</u>	<u>\$ 1,258</u>	<u>\$ 34,006</u>



**STATE OF NEW MEXICO  
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**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, 2017 is as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Woodleaf Development	\$ 1,063,754	Woodleaf Development	\$ 25,679
Administrative Service	124,652	Low Rent Public Housing	2,200
Section 8 Housing Program		Rio Felix FMHA Program	96,773
Low Rent Public Housing	<u>                    </u>	Administrative Service	<u>1,063,754</u>
Total	<u>\$ 1,188,406</u>	Total	<u>\$ 1,188,406</u>

**NOTE 5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 1,031,135	\$	\$	\$ 1,031,135
Construction in progress	<u>102,478</u>	<u>939,779</u>	<u>                    </u>	<u>1,042,257</u>
Total capital assets, not being depreciated	<u>1,133,613</u>	<u>939,779</u>	<u>0</u>	<u>2,073,392</u>
Capital assets, being depreciated:				
Buildings and improvements	9,841,670			9,841,670
Equipment	<u>848,999</u>	<u>                    </u>	<u>                    </u>	<u>848,999</u>
Total capital assets, being depreciated	10,690,669	0	0	10,690,669
Less accumulated depreciation	<u>(7,896,410)</u>	<u>(251,745)</u>	<u>                    </u>	<u>(8,148,155)</u>
Total capital assets, being depreciated, net	<u>2,794,259</u>	<u>(251,745)</u>	<u>0</u>	<u>2,542,514</u>
Total capital assets, net	<u>\$ 3,927,872</u>	<u>\$ 688,034</u>	<u>\$ 0</u>	<u>\$ 4,615,906</u>

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
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FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2017, 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, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year
Woodleaf Development	\$ 2,080,000	\$	\$ (100,000)	\$ 1,980,000	\$ 110,000
WFB, National Association - Line of Credit	90,000	139,198		229,198	229,198
Administrative Services Development - RIII	<u>95,258</u>			<u>95,258</u>	<u>95,258</u>
Totals	<u>\$ 2,265,258</u>	<u>\$ 139,198</u>	<u>\$ (100,000)</u>	<u>\$ 2,304,456</u>	<u>\$ 434,456</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
2018	\$ 110,000	\$ 137,156	\$ 247,156	\$ 324,456	\$	\$ 324,456
2019	115,000	129,141	244,141			
2020	125,000	120,591	245,591			
2021	135,000	111,328	246,328			
2022	140,000	101,531	241,531			
2023 - 2027	885,000	316,528	1,201,528			
2028	<u>470,000</u>	<u>33,488</u>	<u>503,488</u>			
Total	<u>\$ 1,980,000</u>	<u>\$ 949,763</u>	<u>\$ 2,929,763</u>	<u>\$ 324,456</u>	<u>\$ 0</u>	<u>\$ 324,456</u>

**STATE OF NEW MEXICO  
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**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. \$ 1,980,000

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 \$139,198 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 August 30, 2017. At June 30, 2017, the amount outstanding under this line of credit was \$229,198. 229,198

\$ 2,304,456

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, 2017 was \$126,656, 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, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>	Due within <u>one year</u>
Compensated Absences	\$ <u>223</u>	\$ <u>3,686</u>	\$ <u>(223)</u>	\$ <u>3,686</u>	\$ <u>3,686</u>
	<u>\$ 223</u>	<u>\$ 3,686</u>	<u>\$ (223)</u>	<u>\$ 3,686</u>	<u>\$ 3,686</u>

During the year ended June 30, 2017, Compensated absences balances \$3,686 is included in the accrued liabilities section of the financial statement.

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**FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2017.

**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. Excess of expenditures over appropriations. The following funds exceeded approved budgetary Authority for the year ended June 30, 2017:

Rio Felix FMHA Development Fund	\$ 29,730
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- B. Deficit net position of individual funds. The below funds reflected a deficit net position as of June 30, 2017:

Administrative Services Department	1,822,477
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**STATE OF NEW MEXICO**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at [http://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2016.pdf](http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.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 \$59,711, and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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, 2016. Only employer contributions for the pay period end dates that fell within the period of June 30, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2017, the Authority reported a liability of \$1,124,756 for its proportionate share of the net pension liability. At June 30, 2016, the Authority's proportion was 0.0704%, which was an increase of 0.0004% from its proportion, measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized PERA Fund Division Municipal General, pension expense of \$126,643. At June 30, 2017, the Housing Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**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	\$ 45,220	\$ 0
Changes in assumptions	65,767	0
Net difference between projected and actual earnings on pension plan investments	206,953	0
Changes in proportion and differences between Authority contributions and proportionate share of contributions	766	0
Authority contributions subsequent to the measurement date	<u>59,711</u>	<u>0</u>
Total	<u>\$ 378,417</u>	<u>\$ 0</u>

\$59,711 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2016 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>
2018	\$ 70,360
2019	70,360
2020	125,780
2021	52,206
Thereafter	<u>-</u>
Total	<u>\$ 318,706</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, 2015 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, 2016 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, 2016. 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, 2017**

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

Actuarial valuation date		June 30, 2015
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		7.48% annual rate, net of investment expense
• Projected benefit payment		100 years
• Payroll growth		2.75% for first 10 years, then 3.25% annual rate
• Projected salary increases		2.75% to 14.00% annual rate
		2.25% annual rate first 10 years
• Includes inflation at		2.75% all other years

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>
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15	5.77
Real Assets	20	7.35
Total	<u>100</u>	



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EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**Discount rate:** The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

<u>PERA Fund Division (A)</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 1,676,910</u>	<u>\$ 1,124,756</u>	<u>\$ 666,771</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 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, 2017.

**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.

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EASTERN REGIONAL HOUSING AUTHORITY  
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FOR THE YEAR ENDED JUNE 30, 2017**

**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.

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017</u>
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	9/1/2042	31417DAQ6	\$ 807,623
Pledged by Wells Fargo Bank, BNY Mellon	FNMA FNMS	8/1/2025	31418WQP8	<u>63,515</u>
Total Wells Fargo Bank Pledged Securities				<u>\$ 871,138</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, 2017**

Schedule II

Account Name	Account Type	Deposits		Investments	Total
		Wells Fargo Bank	Wells Fargo Investment	Wells Fargo Bank	
Woodleaf Development General	Checking	173,814			173,814
Woodleaf Security Deposits	Checking	41,335			41,335
Rio Felix Cash - Operational	Checking	5,494			5,494
Rio Felix Security Deposits	Checking	5,443			5,443
Rio Felix Reserve	Checking	22,540			22,540
Rio Felix Tax & Insurance	Checking	3,524			3,524
SSM General	Checking	127,485			127,485
SSM Security Deposits	Checking	15,331			15,331
Vaughn General	Checking	7,674			7,674
Vaughn Security Deposits	Checking	3,232			3,232
ASA General	Checking	18,687			18,687
Lovington General	Checking	69,471			69,471
Lovington CD	Checking			200,100	200,100
Lovington Security Deposit	Checking	10,579			10,579
FSS Escrow Section 8	Checking	126,657			126,657
Section 8	Checking	408,099			408,099
Eunice Security Deposit	Checking	3,184			3,184
Eunice General	Checking	10,095			10,095
TDS-ERHA Unidos LLC	Checking	2,501			2,501
R & R Wells Fargo	Money Market		30,599		30,599
ASA Development	Money Market	118,355			118,355
Woodleaf Debt Service Fund	Money Market		251,544		251,544
Woodleaf Expense Fund	Money Market		4,291		4,291
Woodleaf Surplus Fund	Money Market		3,333		3,333
Woodleaf Bond Fund	Money Market		55,533		55,533
Certificate of Deposit- Sandstone	Money Market			96,430	96,430
Certificate of Deposit- EHA	Money Market			15,224	15,224
Certificate of Deposit- EHA	Money Market			10,149	10,149
Total amount of deposit in bank		1,173,500	345,300	321,903	1,840,703
Reconciling items:					
Less: outstanding checks per bank reconciliation, and other reconciling items		127,890			127,890
Plus: deposits in transit per bank reconciliation		592,131			592,131
Total reconciling items		464,241	0	0	464,241
Reconciled balance		<u>\$ 1,637,741</u>	<u>\$ 345,300</u>	<u>\$ 321,903</u>	<u>2,304,944</u>
Plus: Petty cash					800
Less: Restricted cash and cash equivalents per Exhibit A-1					(581,665)
Less: Investments per Exhibit A-1					(667,203)
Cash and cash equivalents per Exhibit A-1					<u>\$ 1,056,876</u>

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

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

Schedule III

**SUPPORTING DATA REQUIRED BY THE BOND INDENTURE COMPUTATION OF DEBT  
SERVICE COVERAGE RATIO RHA HOUSING DEVELOPMENT CORPORATION  
(WOODLEAF DEVELOPMENT)  
FOR THE YEAR ENDED JUNE 30, 2017**

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 333,408
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>247,156</u>
Debt Service Ratio	<u>1.35</u>
Debt Service Ratio required by bond indenture	<u>1.25</u>

Calculation of Net Revenues Available for Debt Service on the Bonds

Total revenues*	1,068,269
Total operating expenses and interest expense	(958,561)
Plus: Recorded bond amortization and depreciation expense	79,062
Interest expense related to 1997A Series bonds	<u>144,638</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>333,408</u>

Debt Service for the year ended June 30, 2018

Principal reduction on 1997A Series bonds during the year ended June 30, 2018	110,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2018	<u>137,156</u>
Maximum Annual Debt Service as defined in the bond indenture	<u>\$ 247,156</u>

NOTE:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2017, ("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.

\* As of October 1, 2014, the Eunice Housing Authority has been transferred to the ERHA and the Eunice Fund's activity of Eunice Housing Authority was combined with Woodleaf Development. During the 2016/2017 year, The Eunice Fund's revenue was adjusted from the Woodleaf Development fund for the purpose of properly presenting the Debt Coverage Ratio. The total adjusted Woodleaf Development Fund's revenue was as follows:

Total Gross Revenue (Woodleaf Development)	2,089,378
Less: Eunice Fund's Revenue	(1,021,109)
Total Revenue	1,068,269

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	10.405 Farm Labor Housing Loans and Grants	Subtotal	Total
111 Cash - Unrestricted	\$ 184,035.00	\$ -	\$ 160,602.00	\$ 682,103.00	\$ 30,136.00	\$ 1,056,876.00	\$ 1,056,876.00
112 Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-
113 Cash - Other Restricted	-	502,561.00	-	-	5,443.00	508,004.00	508,004.00
114 Cash - Tenant Security Deposits	32,326.00	-	41,335.00	-	-	\$ 73,661.00	\$ 73,661.00
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
100 Total Cash	216,361.00	502,561.00	201,937.00	682,103.00	35,579.00	1,638,541.00	1,638,541.00
121 Accounts Receivable - PHA Projects	-	-	-	1,258.00	-	1,258.00	1,258.00
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-
124 Accounts Receivable - Other Government	-	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-
126 Accounts Receivable - Tenants	4,671.00	-	28,077.00	-	-	\$ 32,748.00	\$ 32,748.00
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	-	-
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128 Fraud Recovery	-	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	4,671.00	-	28,077.00	1,258.00	-	\$ 34,006.00	\$ 34,006.00
131 Investments - Unrestricted	321,903.00	-	-	-	-	\$ 321,903.00	\$ 321,903.00
132 Investments - Restricted	-	-	345,300.00	-	-	345,300.00	345,300.00
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	-	-	-	-	-
143 Inventories	-	-	-	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-
144 Inter Program Due From	-	-	1,063,754.00	124,652.00	-	1,188,406.00	1,188,406.00
145 Assets Held for Sale	-	-	-	-	-	-	-
150 Total Current Assets	542,935.00	502,561.00	1,639,068.00	808,013.00	35,579.00	3,528,156.00	3,528,156.00
161 Land	572,061.00	-	259,919.00	30,104.00	169,050.00	\$ 1,031,134.00	\$ 1,031,134.00
162 Buildings	5,720,603.00	-	3,296,666.00	206,154.00	618,248.00	\$ 9,841,671.00	\$ 9,841,671.00
163 Furniture, Equipment & Machinery - Dwellings	323,414.00	-	62,791.00	452,786.00	10,008.00	\$ 848,999.00	\$ 848,999.00
164 Furniture, Equipment & Machinery - Administration	-	-	-	-	-	-	-
165 Leasehold Improvements	-	-	-	-	-	-	-
166 Accumulated Depreciation	(4,616,511.00)	-	(2,515,512.00)	(523,460.00)	(492,672.00)	\$ (8,148,155.00)	\$ (8,148,155.00)
167 Construction in Progress	-	-	1,042,258.00	-	-	1,042,258.00	1,042,258.00
168 Infrastructure	-	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	1,999,567.00	-	2,146,122.00	165,584.00	304,634.00	\$ 4,615,907.00	\$ 4,615,907.00
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-	-	-	-
180 Total Non-Current Assets	1,999,567.00	-	2,146,122.00	165,584.00	304,634.00	\$ 4,615,907.00	\$ 4,615,907.00
200 Deferred Outflow of Resources	-	-	-	378,417.00	-	378,417.00	378,417.00
290 Total Assets and Deferred Outflow of Resources	2,542,502.00	502,561.00	3,785,190.00	1,352,014.00	340,213.00	8,522,480.00	8,522,480.00

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

311 Bank Overdraft	-	-	-	-	-	-	-	-
312 Accounts Payable <= 90 Days	1,830.00	-	515.00	1,816.00	3,209.00	\$ 7,370.00	\$ 7,370.00	
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	
321 Accrued Wage/Payroll Taxes Payable	-	-	-	162.00	-	162.00	162.00	
322 Accrued Compensated Absences - Current Portion	-	-	317.00	3,667.00	-	\$ 3,984.00	\$ 3,984.00	
324 Accrued Contingency Liability	-	-	-	-	-	-	-	
325 Accrued Interest Payable	-	-	7,392.00	-	-	7,392.00	7,392.00	
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	
332 Account Payable - PHA Projects	-	-	-	-	-	-	-	
333 Accounts Payable - Other Government	-	-	-	-	-	-	-	
341 Tenant Security Deposits	32,296.00	-	42,035.00	-	5,443.00	\$ 79,774.00	\$ 79,774.00	
342 Unearned Revenue	-	-	-	-	-	-	-	
343 Current Portion of Long-term Debt - Capital Projects/Mortgage	-	-	110,000.00	324,456.00	-	434,456.00	434,456.00	
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	
345 Other Current Liabilities	4,746.00	632.00	15,221.00	655,880.00	-	676,479.00	676,479.00	
346 Accrued Liabilities - Other	-	-	-	-	-	-	-	
347 Inter Program - Due To	2,200.00	-	25,679.00	1,063,754.00	96,773.00	\$ 1,188,406.00	\$ 1,188,406.00	
348 Loan Liability - Current	-	-	-	-	-	-	-	
310 Total Current Liabilities	41,072.00	632.00	201,159.00	2,049,735.00	105,425.00	2,398,023.00	2,398,023.00	
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	1,870,000.00	-	-	1,870,000.00	1,870,000.00	
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	
353 Non-current Liabilities - Other	-	126,024.00	-	-	-	126,024.00	126,024.00	
354 Accrued Compensated Absences - Non Current	-	-	-	-	-	-	-	
355 Loan Liability - Non Current	-	-	-	-	-	-	-	
356 FASB 5 Liabilities	-	-	-	-	-	-	-	
357 Accrued Pension and OPEB Liabilities	-	-	-	1,124,756.00	-	1,124,756.00	1,124,756.00	
350 Total Non-Current Liabilities	-	126,024.00	1,870,000.00	1,124,756.00	-	3,120,780.00	3,120,780.00	
300 Total Liabilities	41,072.00	126,656.00	2,071,159.00	3,174,491.00	105,425.00	5,518,803.00	5,518,803.00	
400 Deferred Inflow of Resources	-	-	-	-	-	-	-	
508.4 Net Investment in Capital Assets	1,999,568.00	-	166,122.00	165,584.00	304,634.00	\$ 2,635,908.00	\$ 2,635,908.00	
511.4 Restricted Net Position	32,326.00	502,561.00	386,635.00	-	5,443.00	926,965.00	926,965.00	
512.4 Unrestricted Net Position	469,536.00	(126,656.00)	1,161,274.00	(1,988,061.00)	(75,289.00)	(559,196.00)	(559,196.00)	
513 Total Equity - Net Assets / Position	2,501,430.00	375,905.00	1,714,031.00	(1,822,477.00)	234,788.00	3,003,677.00	3,003,677.00	
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 2,542,502.00	\$ 502,561.00	\$ 3,785,190.00	\$ 1,352,014.00	\$ 340,213.00	8,522,480.00	8,522,480.00	



**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

	Project Total	CFP 14.872	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	10.405 Farm Labor Housing Loans and Grants	Subtotal	Total
70300 Net Tenant Rental Revenue	\$ 344,696.00		\$ -	\$ 963,085.00	\$ -	\$ 108,408.00	\$ 1,416,189.00	\$ 1,416,189.00
70400 Tenant Revenue - Other	11,385.00		-	54,921.00	-	(309.00)	65,997.00	65,997.00
70500 Total Tenant Revenue	356,081.00		-	1,018,006.00	-	108,099.00	1,482,186.00	1,482,186.00
70600 HUD PHA Operating Grants	408,098.00	409,595.00	6,217,104.00	-	-	-	7,034,797.00	7,034,797.00
70610 Capital Grants	-	-	-	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-	-
70700 Total Fee Revenue	408,098.00	409,595.00	6,217,104.00	-	-	-	7,034,797.00	7,034,797.00
70800 Other Government Grants	-	-	-	-	-	-	-	-
71100 Investment Income - Unrestricted	157.00	-	-	263.00	-	-	420.00	420.00
71200 Mortgage Interest Income	-	-	-	-	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-	-	-	-
71400 Fraud Recovery	-	-	25,248.00	-	25,248.00	-	50,496.00	50,496.00
71500 Other Revenue	705.00	-	69,348.00	1,071,109.00	1,170,195.00	2,149.00	2,313,506.00	2,313,506.00
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-
72000 Investment Income - Restricted	-	-	-	-	-	-	-	-
70000 Total Revenue	765,041.00	409,595.00	6,311,700.00	2,089,378.00	1,195,443.00	110,248.00	10,881,405.00	10,881,405.00
91100 Administrative Salaries	61,496.00	-	-	32,201.00	615,850.00	1,660.00	711,207.00	711,207.00
91200 Auditing Fees	20,799.00	-	-	4,975.00	4,975.00	11,467.00	42,216.00	42,216.00
91300 Management Fee	101,299.00	-	625,500.00	69,295.00	18,627.00	-	814,721.00	814,721.00
91310 Book-keeping Fee	-	-	-	-	-	-	-	-
91400 Advertising and Marketing	762.00	-	-	1,105.00	1,170.00	-	3,037.00	3,037.00
91500 Employee Benefit contributions - Administrative	88,698.00	-	-	27,207.00	289,021.00	5,657.00	410,583.00	410,583.00
91600 Office Expenses	6,823.00	-	-	4,471.00	31,805.00	-	43,099.00	43,099.00
91700 Legal Expense	641.00	-	-	1,892.00	663.00	77.00	3,273.00	3,273.00
91800 Travel	14,610.00	-	-	14,345.00	12,565.00	-	41,520.00	41,520.00
91810 Allocated Overhead	-	-	-	-	-	-	-	-
91900 Other	-	-	-	-	-	-	-	-
91000 Total Operating - Administrative	295,128.00	-	625,500.00	155,491.00	974,676.00	18,861.00	2,069,656.00	2,069,656.00
92000 Asset Management Fee	-	-	-	-	-	-	-	-
92100 Tenant Services - Salaries	-	-	-	-	-	-	-	-
92200 Relocation Costs	-	-	-	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-
92400 Tenant Services - Other	-	-	-	-	-	-	-	-
92500 Total Tenant Services	-	-	-	-	-	-	-	-
93100 Water	12,689.00	-	-	38,912.00	4,776.00	6,759.00	63,136.00	63,136.00
93200 Electricity	11,475.00	-	-	20,907.00	7,489.00	2,522.00	42,393.00	42,393.00
93300 Gas	20,429.00	-	-	8,776.00	(16.00)	513.00	29,702.00	29,702.00
93400 Fuel	-	-	-	-	-	-	-	-
93500 Labor	-	-	-	-	-	-	-	-
93600 Sewer	-	-	-	-	-	-	-	-
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-
93800 Other Utilities Expense	24,665.00	-	-	24,220.00	18,839.00	57,852.00	125,576.00	125,576.00
93000 Total Utilities	69,258.00	-	-	92,815.00	31,088.00	67,646.00	260,807.00	260,807.00
94100 Ordinary Maintenance and Operations - Labor	166,310.00	-	-	91,824.00	-	-	258,134.00	258,134.00
94200 Ordinary Maintenance and Operations - Materials and Other	132,661.00	336,561.00	-	137,185.00	18,629.00	-	625,036.00	625,036.00
94300 Ordinary Maintenance and Operations Contracts	-	-	-	-	-	-	-	-
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	-	-	-
94000 Total Maintenance	298,971.00	336,561.00	-	229,009.00	18,629.00	-	883,170.00	883,170.00
95100 Protective Services - Labor	-	-	-	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-
95300 Protective Services - Other	-	-	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	-	-	-	-

See independent auditors' report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

96110 Property Insurance	59,184.00		-	14,796.00	23,063.00	13,098.00	110,141.00	110,141.00
96120 Liability Insurance	-		-	-	-	-	-	-
96130 Workmen's Compensation	-		-	-	-	-	-	-
96140 All Other Insurance	-		-	-	-	-	-	-
96100 Total insurance Premiums	59,184.00		-	14,796.00	23,063.00	13,098.00	110,141.00	110,141.00
96200 Other General Expenses	44,794.00		-	148,779.00	156,186.00	-	349,759.00	349,759.00
96210 Compensated Absences	12,268.00		-	6,158.00	67,535.00	-	85,961.00	85,961.00
96300 Payments in Lieu of Taxes	-		-	-	-	-	-	-
96400 Bad debt - Tenant Rents	6,006.00		-	87,812.00	-	838.00	94,656.00	94,656.00
96500 Bad debt - Mortgages	-		-	-	-	-	-	-
96600 Bad debt - Other	-		-	-	-	-	-	-
96800 Severance Expense	-		-	-	-	-	-	-
96000 Total Other General Expenses	63,068.00		-	242,749.00	223,721.00	838.00	530,376.00	530,376.00
96710 Interest of Mortgage (or Bonds) Payable	-		-	144,638.00	58,993.00	-	203,631.00	203,631.00
96720 Interest on Notes Payable (Short and Long Term)	-		-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-		-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-		-	144,638.00	58,993.00	-	203,631.00	203,631.00
96900 Total Operating Expenses	785,609.00	336,561.00	625,500.00	879,498.00	1,330,170.00	100,443.00	4,057,781.00	4,057,781.00
97000 Excess of Operating Revenue over Operating Expenses	(20,568.00)	73,034.00	5,686,200.00	1,209,880.00	(134,727.00)	9,805.00	6,823,624.00	6,823,624.00
97100 Extraordinary Maintenance	-		-	-	-	-	-	-
97200 Casualty Losses - Non-capitalized	-		-	-	-	-	-	-
97300 Housing Assistance Payments	-	5,295,480.00	-	-	-	-	5,295,480.00	5,295,480.00
97350 HAP Portability-In	-		-	-	-	-	-	-
97400 Depreciation Expense	137,943.00		-	79,062.00	19,642.00	15,099.00	251,746.00	251,746.00
97500 Fraud Losses	-		-	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-		-	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-		-	-	-	-	-	-
97800 Dwelling Units Rent Expense	-		-	-	-	-	-	-
90000 Total Expenses	923,552.00	336,561.00	5,920,980.00	958,560.00	1,349,812.00	115,542.00	9,605,007.00	9,605,007.00
10010 Operating Transfer In	73,034.00		-	-	-	-	73,034.00	73,034.00
10020 Operating transfer Out		(73,034.00)	-	-	-	-	(73,034.00)	(73,034.00)
10030 Operating Transfers from/to Primary Government	-		-	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-		-	-	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-		-	-	-	-	-	-
10060 Proceeds from Property Sales	-		-	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-		-	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-		-	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-		-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-		-	-	-	-	-	-
10093 Transfers between Program and Project - In	-		-	-	-	-	-	-
10094 Transfers between Project and Program - Out	-		-	-	-	-	-	-
10100 Total Other financing Sources (Uses)	-		-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (85,477.00)	\$ -	\$ 390,720.00	\$ 1,130,818.00	\$ (154,369.00)	\$ (5,294.00)	1,276,398.00	1,276,398.00
11020 Required Annual Debt Principal Payments	-		-	-	-	-	-	-
11030 Beginning Equity	\$ 2,586,907.00		\$ (14,815.00)	\$ 583,213.00	\$ (1,668,108.00)	\$ 240,082.00	1,727,279.00	1,727,279.00
11040 Prior Period Adjustments, Equity Transfers and Correction of	-		-	-	-	-	-	-
11050 Changes in Compensated Absence Balance	-		-	-	-	-	-	-
11060 Changes in Contingent Liability Balance	-		-	-	-	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-		-	-	-	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-		-	-	-	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-		-	-	-	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-		-	-	-	-	-	-
11170 Administrative Fee Equity	-		-	-	-	-	-	-
11180 Housing Assistance Payments Equity	-		\$ 375,905.00	-	-	-	\$ 375,905.00	\$ 375,905.00
11190 Unit Months Available	2,088.00		22,200.00	1,824.00	-	-	26,112.00	26,112.00
11210 Number of Unit Months Leased	2,078.00		11,905.00	1,738.00	-	-	15,721.00	15,721.00
11270 Excess Cash	\$ 438,770.00		-	-	-	-	\$ 438,770.00	\$ 438,770.00
11610 Land Purchases	-		-	-	-	-	-	-
11620 Building Purchases	-		-	-	-	-	-	-
11630 Furniture & Equipment - Dwelling Purchases	-		-	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-		-	-	-	-	-	-
11650 Leasehold Improvements Purchases	-		-	-	-	-	-	-
11660 Infrastructure Purchases	-		-	-	-	-	-	-
13510 CFFP Debt Service Payments	-		-	-	-	-	-	-
13901 Replacement Housing Factor Funds	-		-	-	-	-	-	-

See independent auditors' report

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

Schedule V

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA  
MUNICIPAL GENERAL DIVISION  
FOR THE YEAR ENDED JUNE 30, 2017**

Public Employees Retirement Association (PERA) Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.0704%	0.0700%	0.0711%
Authority's proportionate share of the net pension liability (asset)	1,124,756	724,926	546,075
Authority's covered-employee payroll	806,905	811,053	809,163
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.39%	89.38%	67.49%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	-

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Eastern Regional Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

Schedule VI

**SCHEDULE OF CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)  
PLAN MUNICIPAL GENERAL DIVISION  
FOR THE YEAR ENDED JUNE 30, 2017**

PERA Fund Division

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	59,711	53,772	55,805
Contributions in relation to the contractually required contribution	59,711	53,772	55,805
Contribution deficiency (excess)	-	-	-

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Eastern Regional Housing Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
**FOR THE YEAR ENDED JUNE 30, 2017**

***Changes of benefit terms:*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <https://www.saonm.org>.

***Changes in assumptions:*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org>.

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Eastern Regional Housing Authority, (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 22, 2017.

**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 item FS 2017-001 to be significant deficiency.

### **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 22, 2017



## **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, 2017. 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, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item FA 2017-001 . Our opinion on each major federal program is not modified with respect to these matters.

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

### **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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider as items FA 2017-001 to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 22, 2017**

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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>408,098</u>
Total Public and Indian Housing		<u>408,098</u>
Section 8 Housing Choice Vouchers		
Section 8 Housing Choice Vouchers	14.871	<u>5,920,981</u>
Total Section 8 Housing Choice Vouchers		<u>5,920,981</u>
Public Housing Capital Fund		
Public Housing Capital Fund	14.872	<u>238,353</u>
Total Public Housing Capital Fund		<u>238,353</u>
Family Self Sufficiency		
Family Self Sufficiency	14.896	<u>138,000</u>
Total of Family Self Sufficiency		<u>138,000</u>
Total US Department Housing & Urban Development		<u>6,705,432</u>
<b>Total Expenditure of Federal Awards</b>		<b>\$ <u><u>6,705,432</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, 2017**

**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 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 2017.

**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, 2017**

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  None reported

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, 2017

Schedule IX

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

**FS 2017-001 Expenditure in Excess of Budget Amounts (Significant Deficiency)**

**Condition:**

The Authority over expended its budget for the Rio Felix FMHA Development Fund for the year ended June 30, 2017 by \$29,730.

**Criteria:**

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

**Cause:**

The Authority over expended its budget in the Rio Felix FMHA Development Fund because of inadequate monitoring of the budget.

**Effect:**

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

**Recommendation:**

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

**Management Response:**

The Authority has a budgetary procedure in place and will communicate with the management company regarding this procedure to insure prevention of expenditures in excess of approved budget.

**Estimated Completion Date:**

October 15, 2017

**Responsible party:**

Chris Herbert, Executive Director and Irene Murillo, Deputy Director



**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IX

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

**FA 2017-001 Special Tests and Provisions - Section 8 (Significant Deficiency)**

**Federal program information:**

<b>Federal agency:</b>	U.S Department of Housing and Urban Development
<b>Title:</b>	Section 8 Housing Choice Vouchers
<b>CFDA number:</b>	14.871
<b>Questioned Costs:</b>	Unknown

**Condition:**

During testwork over Tenant files, we noted that in 3 out of 30 tenants tested, non-life threatening deficiencies were not corrected within the 30 days time frame.

**Criteria:**

Per 24 CFR 982.404 (a) (3), the PHA must not make any housing payments for a dwelling unit that fails to meet the Housing Quality Standards (HQS), unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days.

**Cause:**

Procedures were not in place to ensure the Authority maintained proper annual inspection processes to maintain compliance with U.S Department of Housing and Urban Development.

**Effect:**

The Authority is not in compliance with the requirement for Housing Quality Standards.

**Recommendation:**

The Authority should develop and implement a system of internal controls to ensure that the annual inspections are performed and correction to the defect found are made in a timely manner on all units. The body charged with governance should provide effective oversight of these procedures to ensure they are effectively operating.

**Management Response:**

The ERHA Management has met with staff to review HUD policy on Housing Quality Standards, to insure that deficiencies are corrected within thirty days.

**Estimated Completion Date:**

September 4, 2017

**Responsible party:**

Carol Cheadle, Section 8 Supervisor

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule X

The following summarizes the prior year audit findings:

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

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2017**

**AUDITOR PREPARED FINANCIALS**

The Financial statements and notes to the Financial statements for the year ended, June 30, 2017 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, 2017. The following individuals were in attendance.

**Representing Eastern Regional Housing Authority**

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

**Representing Harshwal & Company, LLP**

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