

---

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

***HARSHWAL & COMPANY LLP***  
***Certified Public Accountants***  
***6565 Americas Pkwy, Suite 800***  
***Albuquerque, NM 87110***  
***(505) 814-1201***

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
TABLE OF CONTENTS  
JUNE 30, 2019**

	<b><u>Exhibit/ Statement/ Schedule</u></b>	<b><u>Page</u></b>
<b>Introductory Section</b>		
Table of Contents		i
Official Roster		1
<b>Financial Section</b>		
Independent Auditor's Report		3
Basic Financial Statements:		
Statement of Net Position - Proprietary Funds	A-1	7
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	A-2	11
Statement of Cash Flows - Proprietary Funds	A-3	14
Notes to The Financial Statements		19
<b>Required Supplementary Information</b>		
Schedule of Proportionate Share of The Net Pension Liability of PERA Municipal General Division	V	42
Schedule of Contributions Public Employees Retirement Association (PERA) Plan Municipal General Division	VI	43
Notes to Supplementary Information		44
<b>Supplementary Schedules</b>		
Collateral Pledged by Depository for Public Funds	I	46
Schedule of Deposit and Investment Accounts	II	47
Supporting Data Required by the Bond Indenture Computation of Debt Service Coverage Ratio RHA Housing Development Corporation (Woodleaf Development)	III	48
Financial Data Schedule	IV	49
<b>Compliance Section</b>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		52
<b>Federal Financial Assistance</b>		
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		55
Schedule of Expenditures of Federal Awards	VII	58

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
TABLE OF CONTENTS  
JUNE 30, 2019**

	<b><u>Exhibit/ Statement/ Schedule</u></b>	<b><u>Page</u></b>
Notes to Schedule of Expenditures of Federal Awards		59
Schedule of Findings and Questioned Costs	VIII	60
Prior Year Audit Findings	IX	64
<b>Other Disclosures</b>		65
<b>Corrective Action Plan</b>		66

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2019**

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

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Mr. Brian S.Colón,  
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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2019, 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 that the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, the notes to the required supplementary information on pages 42 - 44 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 auditing standards generally accepted in the United States of America, which consisted of inquires 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 financial statements that collectively comprise the Authority's basic 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 as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, 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 solely 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 the effectiveness of the Authority's 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*

Albuquerque, New Mexico  
September 30, 2019



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2019**

Exhibit A-1

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 104,190	\$ 23,678
Investments	373,959	-
Accounts receivable	52,366	60
Due from other funds	<u>1,269,149</u>	<u>-</u>
Total current assets	<u>1,799,664</u>	<u>23,738</u>
Noncurrent assets:		
Restricted cash and cash equivalents	45,020	7,289
Non depreciable capital assets	259,920	169,050
Depreciable capital assets, net	<u>1,777,614</u>	<u>105,389</u>
Total noncurrent assets	<u>2,082,554</u>	<u>281,728</u>
Total assets	<u>3,882,218</u>	<u>305,466</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	-	4,329
Accrued liabilities	1,627	651
Accrued interest	7,392	-
Due to other funds	2,467	73,272
Other liabilities	10,410	-
Current portion of long-term debts	134,423	-
Current portion of escrow funds held for others	<u>-</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>156,319</u>	<u>78,252</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>45,370</u>	<u>7,118</u>
Total current liabilities (payable from restricted assets)	<u>45,370</u>	<u>7,118</u>
Noncurrent liabilities:		
Net pension liability	-	-
Escrow funds held for others, long-term	-	-
Notes payable, net of current portion	<u>2,179,129</u>	<u>-</u>
Total noncurrent liabilities	<u>2,179,129</u>	<u>-</u>
Total liabilities	<u>2,380,818</u>	<u>85,370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	294,981	274,439
Restricted	418,979	7,118
Unrestricted	<u>787,440</u>	<u>(61,461)</u>
Total net position	<u>1,501,400</u>	<u>220,096</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 3,882,218</u>	<u>\$ 305,466</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**  
**JUNE 30, 2019**

Exhibit A-1

	<u>Low Rent Public Housing</u>	<u>Section 8 Housing Program</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 198,041	\$ -
Investments	257,785	-
Accounts receivable	6,141	-
Due from other funds	<u>-</u>	<u>-</u>
Total current assets	<u>461,967</u>	<u>-</u>
Noncurrent assets:		
Restricted cash and cash equivalents	32,866	324,782
Non depreciable capital assets	572,060	-
Depreciable capital assets, net	<u>1,163,537</u>	<u>-</u>
Total noncurrent assets	<u>1,768,463</u>	<u>324,782</u>
Total assets	<u>2,230,430</u>	<u>324,782</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	902	-
Accrued liabilities	2,233	-
Accrued interest	-	-
Due to other funds	2,879	-
Other liabilities	5,100	-
Current portion of long-term debts	-	-
Current portion of escrow funds held for others	<u>-</u>	<u>633</u>
Total current liabilities (payable from current assets)	<u>11,114</u>	<u>633</u>
Current liabilities (payable from restricted assets):		
Tenant deposits	<u>32,866</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>32,866</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	-	-
Escrow funds held for others, long-term	-	90,715
Notes payable, net of current portion	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>-</u>	<u>90,715</u>
Total liabilities	<u>43,980</u>	<u>91,348</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,735,597	-
Restricted	32,866	324,782
Unrestricted	<u>417,987</u>	<u>(91,348)</u>
Total net position	<u>2,186,450</u>	<u>233,434</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 2,230,430</u>	<u>\$ 324,782</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**  
**JUNE 30, 2019**

Exhibit A-1

	Administrative Services Department	Intercompany Eliminations
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,325	\$ -
Investments	-	-
Accounts receivable	-	-
Due from other funds	78,618	(1,347,767)
Total current assets	115,943	(1,347,767)
Noncurrent assets:		
Restricted cash and cash equivalents	-	-
Non depreciable capital assets	30,104	-
Depreciable capital assets, net	157,830	-
Total noncurrent assets	187,934	-
Total assets	303,877	(1,347,767)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	328,425	-
Total deferred outflows of resources	328,425	-
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities (payable from current assets):		
Accounts payable	-	-
Accrued liabilities	5,601	-
Accrued interest	-	-
Due to other funds	1,269,149	(1,347,767)
Other liabilities	-	-
Current portion of long-term debts	95,258	-
Current portion of escrow funds held for others	-	-
Total current liabilities (payable from current assets)	1,370,008	(1,347,767)
Current liabilities (payable from restricted assets):		
Tenant deposits	-	-
Total current liabilities (payable from restricted assets)	-	-
Noncurrent liabilities:		
Net pension liability	1,203,749	-
Escrow funds held for others, long-term	-	-
Notes payable, net of current portion	-	-
Total noncurrent liabilities	1,203,749	-
Total liabilities	2,573,757	(1,347,767)
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	40,475	-
Total deferred inflows of resources	40,475	-
<b>NET POSITION</b>		
Net investment in capital assets	187,934	-
Restricted	-	-
Unrestricted	(2,169,864)	-
Total net position	(1,981,930)	-
Total liabilities, deferred inflows of resources, and fund equity	\$ 632,302	\$ (1,347,767)

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**  
**JUNE 30, 2019**

Exhibit A-1

	<u>Total</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 363,234
Investments	631,744
Accounts receivable	58,567
Due from other funds	<u>-</u>
Total current assets	<u>1,053,545</u>
Noncurrent assets:	
Restricted cash and cash equivalents	409,957
Non depreciable capital assets	1,031,134
Depreciable capital assets, net	<u>3,204,370</u>
Total noncurrent assets	<u>4,645,461</u>
Total assets	<u>5,699,006</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u>328,425</u>
Total deferred outflows of resources	<u>328,425</u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities (payable from current assets):	
Accounts payable	5,231
Accrued liabilities	10,112
Accrued interest	7,392
Due to other funds	-
Other liabilities	15,510
Current portion of long-term debts	229,681
Current portion of escrow funds held for others	<u>633</u>
Total current liabilities (payable from current assets)	<u>268,559</u>
Current liabilities (payable from restricted assets):	
Tenant deposits	<u>85,354</u>
Total current liabilities (payable from restricted assets)	<u>85,354</u>
Noncurrent liabilities:	
Net pension liability	1,203,749
Escrow funds held for others, long-term	90,715
Notes payable, net of current portion	<u>2,179,129</u>
Total noncurrent liabilities	<u>3,473,593</u>
Total liabilities	<u>3,827,506</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	<u>40,475</u>
Total deferred inflows of resources	<u>40,475</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,492,951
Restricted	783,745
Unrestricted	<u>(1,117,246)</u>
Total net position	<u>2,159,450</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 6,027,431</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, 2019**

Exhibit A-2

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>	<u>Low Rent Public Housing</u>
<b><i>OPERATING REVENUES</i></b>			
Tenant charges	\$ 1,011,285	\$ 130,225	\$ 326,393
Management and administrative fees	-	-	-
Miscellaneous income	<u>40,790</u>	<u>419</u>	<u>3,954</u>
Total operating revenues	<u>1,052,075</u>	<u>130,644</u>	<u>330,347</u>
<b><i>OPERATING EXPENSES</i></b>			
Contractual services	-	49,495	-
Payroll and benefits	252,851	1,216	283,324
Repairs and maintenance	57,578	6,164	28,603
Material & supplies	57,437	7,307	65,978
Utilities	110,043	21,129	77,747
Ordinary maintenance and operations	166,977	3,205	175,981
Management and administrative fees	97,637	21,822	383,989
Miscellaneous	-	11,605	4,264
Depreciation	<u>136,768</u>	<u>15,098</u>	<u>126,944</u>
Total operating expenses	<u>879,291</u>	<u>137,041</u>	<u>1,146,830</u>
Operating income (loss)	<u>172,784</u>	<u>(6,397)</u>	<u>(816,483)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>			
Government subsidies	-	-	473,554
Interest income	6,599	-	2,479
Housing assistance payments	-	-	-
Interest expense	<u>(129,141)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(122,542)</u>	<u>-</u>	<u>476,033</u>
Income (loss) before capital grants and transfers	<u>50,242</u>	<u>(6,397)</u>	<u>(340,450)</u>
Capital grants	-	-	315,912
Transfer in	-	-	121,891
Transfer (out)	<u>-</u>	<u>-</u>	<u>(121,891)</u>
Change in net position	50,242	(6,397)	(24,538)
Net position, beginning of year	<u>1,405,898</u>	<u>226,493</u>	<u>2,210,988</u>
Restatement	<u>45,260</u>	<u>-</u>	<u>-</u>
Total net position, end of year	<u>\$ 1,501,400</u>	<u>\$ 220,096</u>	<u>\$ 2,186,450</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, 2019**

	Section 8 Housing Program	Administrative Services Department
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$ -	\$ -
Management and administrative fees	-	830,269
Miscellaneous income	<u>17,423</u>	<u>206,860</u>
Total operating revenues	<u>17,423</u>	<u>1,037,129</u>
<b><i>OPERATING EXPENSES</i></b>		
Contractual services	-	-
Payroll and benefits	-	841,273
Repairs and maintenance	-	17,407
Material & supplies	-	53,184
Utilities	-	35,301
Ordinary maintenance and operations	-	48,455
Management and administrative fees	642,437	17,594
Miscellaneous	-	-
Depreciation	<u>-</u>	<u>16,501</u>
Total operating expenses	<u>642,437</u>	<u>1,029,715</u>
Operating income (loss)	<u>(625,014)</u>	<u>7,414</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies	6,619,238	-
Interest income	-	-
Housing assistance payments	(5,861,088)	-
Interest expense	<u>-</u>	<u>(192)</u>
Total non-operating revenues (expenses)	<u>758,150</u>	<u>(192)</u>
Income (loss) before capital grants and transfers	<u>133,136</u>	<u>7,222</u>
Capital grants	-	-
Transfer in	-	-
Transfer (out)	<u>-</u>	<u>-</u>
Change in net position	133,136	7,222
Net position, beginning of year	<u>100,298</u>	<u>(1,989,152)</u>
Restatement	<u>-</u>	<u>-</u>
Total net position, end of year	<u>\$ 233,434</u>	<u>\$ (1,981,930)</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, 2019**

	Intercompany <u>Eliminations</u>	<u>Total</u>
<b><i>OPERATING REVENUES</i></b>		
Tenant charges	\$ -	\$ 1,467,903
Management and administrative fees	1,163,479	1,993,748
Miscellaneous income	<u>-</u>	<u>269,446</u>
Total operating revenues	<u>1,163,479</u>	<u>3,731,097</u>
<b><i>OPERATING EXPENSES</i></b>		
Contractual services	-	49,495
Payroll and benefits	-	1,378,664
Repairs and maintenance	-	109,752
Material & supplies	-	183,906
Utilities	-	244,220
Ordinary maintenance and operations	-	394,618
Management and administrative fees	1,163,479	2,326,958
Miscellaneous	-	15,869
Depreciation	<u>-</u>	<u>295,311</u>
Total operating expenses	<u>1,163,479</u>	<u>4,998,793</u>
Operating income (loss)	<u>-</u>	<u>(1,267,696)</u>
<b><i>NON-OPERATING REVENUES (EXPENSES)</i></b>		
Government subsidies	-	7,092,792
Interest income	-	9,078
Housing assistance payments	-	(5,861,088)
Interest expense	<u>-</u>	<u>(129,333)</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>1,111,449</u>
Income (loss) before capital grants and transfers	<u>-</u>	<u>(156,247)</u>
Capital grants	-	315,912
Transfer in	-	121,891
Transfer (out)	<u>-</u>	<u>(121,891)</u>
Change in net position	-	159,665
Net position, beginning of year	<u>-</u>	<u>1,954,525</u>
Restatement	<u>-</u>	<u>45,260</u>
Total net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,159,450</u></u>

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



**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit A-3

	<u>Woodleaf Development</u>	<u>Rio Felix FMHA Program</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 1,058,554	\$ 130,584
Payments to employees for services	(257,874)	(1,499)
Payments to suppliers and contractors	<u>(513,695)</u>	<u>(117,830)</u>
Net cash provided by (used in) operating activities	<u>286,985</u>	<u>11,255</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>-</u>	<u>-</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Sale of capital assets	-	4,299
Interest payments	(129,141)	-
Purchase of capital assets	-	-
Debt proceed	22,571	-
Debt payment	<u>(115,000)</u>	<u>-</u>
Net cash provided by (used in) capital financing activities	<u>(221,570)</u>	<u>4,299</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	6,599	-
Increase in investments	<u>13,919</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>20,518</u>	<u>-</u>
Net increase (decrease) in cash	85,933	15,554
Cash and cash equivalents, beginning of year	<u>63,277</u>	<u>15,413</u>
Cash and cash equivalents, end of year	<u><u>\$ 149,210</u></u>	<u><u>\$ 30,967</u></u>

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

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 333,002	\$ 17,423
Payments to employees for services	(283,416)	-
Payments to suppliers and contractors	<u>(736,242)</u>	<u>(642,437)</u>
Net cash provided by (used in) operating activities	<u>(686,656)</u>	<u>(625,014)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments	-	(5,861,088)
Receipts from intergovernmental HUD subsidy	<u>789,466</u>	<u>6,619,238</u>
Net cash provided by (used in) non-capital and related financing activities	<u>789,466</u>	<u>758,150</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Sale of capital assets	-	-
Interest payments	-	-
Purchase of capital assets	-	-
Debt proceed	-	-
Debt payment	<u>-</u>	<u>(1,078)</u>
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(1,078)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	2,479	-
Increase in investments	<u>(2,359)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>120</u>	<u>-</u>
Net increase (decrease) in cash	102,930	132,058
Cash and cash equivalents, beginning of year	<u>127,977</u>	<u>192,724</u>
Cash and cash equivalents, end of year	<u>\$ 230,907</u>	<u>\$ 324,782</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, 2019**

Exhibit A-3

	<u>Administrative Services Department</u>	<u>Total</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>		
Cash received from customers	\$ 1,060,579	\$ 2,600,142
Payments to employees for services	(841,273)	(1,384,062)
Payments to suppliers and contractors	(124,084)	(2,134,288)
	<u>95,222</u>	<u>(918,208)</u>
<b><i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i></b>		
Housing assistance payments	-	(5,861,088)
Receipts from intergovernmental HUD subsidy	-	7,408,704
	<u>-</u>	<u>1,547,616</u>
<b><i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i></b>		
Sale of capital assets	-	4,299
Interest payments	(192)	(129,333)
Purchase of capital assets	(57,705)	(57,705)
Debt proceed	-	22,571
Debt payment	-	(116,078)
	<u>(57,897)</u>	<u>(276,246)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Interest received	-	9,078
Increase in investments	-	11,560
	<u>-</u>	<u>20,638</u>
Net increase (decrease) in cash	37,325	373,800
Cash and cash equivalents, beginning of year	-	399,391
Cash and cash equivalents, end of year	<u>\$ 37,325</u>	<u>\$ 773,191</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, 2019**

Exhibit A-3

	<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)	\$ 172,784	\$ (6,397)	\$ (816,483)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses	136,768	15,098	126,944
Changes in assets and liabilities:			
Receivables	(35,126)	(60)	(657)
Due from other funds	41,605	2,499	3,312
Accounts payable	(41)	398	(2,481)
Pension plan item	-	-	-
Accrued liabilities	(382)	(283)	(92)
Due to other funds	(23,982)	-	2,879
Other liabilities	<u>(4,641)</u>	<u>-</u>	<u>(78)</u>
Net cash provided by (used in) operating activities	<u>\$ 286,985</u>	<u>\$ 11,255</u>	<u>\$ (686,656)</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, 2019**

Exhibit A-3

	<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)	\$ (625,014)	\$ 7,414	\$ (1,267,696)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and pension expenses	-	16,501	295,311
Changes in assets and liabilities:			
Receivables	-	2,458	(33,385)
Due from other funds	-	20,992	68,408
Accounts payable	-	(1,298)	(3,422)
Pension plan item	-	97,791	97,791
Accrued liabilities	-	(1,331)	(2,088)
Due to other funds	-	(47,305)	(68,408)
Other liabilities	-	-	(4,719)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ <u>(625,014)</u>	\$ <u>95,222</u>	\$ <u>(918,208)</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, 2019**

**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, 2019. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements.

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

Reporting Entity - The Authority's combined financial statements include all of the Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether: (1) the organization is legally separate (can sue and be sued in their own name), (2) the Authority hold the corporate powers of the organization, (3) the Authority appoints a voting majority of the organization's board, (4) the Authority is able to impose its will on the organization, (5) the organization has the potential to impose a financial/benefit/burden on the Authority, (6) there is a fiscal dependency by the organization of the Authority. Based on the aforementioned criteria, the Authority determined it had blended component units as follows. The Authority has created, in accordance with the Regional Housing Law, Section 11-3A-1, NMSA 1978, the following non-profit corporations to issue bonds for the acquisition and rehabilitation of apartment projects: RHA Housing Development Corporation (Woodleaf) is a blended component unit.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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 Labour 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.

**A. 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.

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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**A. Government-Wide and Fund Financial Statements - Cont'd**

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.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority reports all proprietary 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.

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.



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**C. 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.

**D. 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.

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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

***E. 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.

***F. 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.

***G. 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.

***H. Capital Assets***

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during the current fiscal year was \$129,333. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**H. Capital Assets - Cont'd**

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

**I. 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, 2019.

**J. 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.

**K. Accrued Expenses**

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

**L. 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.

**M. 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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

***N. Taxes***

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

***O. 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, 2019, the Authority had pension related to deferred outflows of resource items that qualify for reporting in this category.

***P. 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, 2019, the Authority had pension related deferred inflows of resources items that qualify for reporting in this category.

***Q. 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.

***R. 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.

***S. 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.”

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

***T. 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.

***U. 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.

***V. Subsequent Events***

Management has evaluated events through September 30, 2019, the date the financial statements were available to be issued.

**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, 2019. 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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS- CONT'D**

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, 2019, is as follows:

	<u>Pioneer Bank</u>	<u>Well Fargo Investment</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 1,121,621	\$ 373,959	\$ 40,824	\$ 1,536,404
FDIC	<u>(250,000)</u>	<u>(250,000)</u>	<u>(40,824)</u>	<u>(540,824)</u>
Total uninsured public funds	<u>871,621</u>	<u>123,959</u>	<u>-</u>	<u>995,580</u>
Collateral requirement (50% of uninsured funds)	435,811	61,980	-	497,791
Pledged collateral	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Over (Under) collateralized	<u>\$ 2,064,189</u>	<u>\$ (61,980)</u>	<u>\$ -</u>	<u>\$ 2,002,209</u>

**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, 2019, \$995,580 of the Authority's deposits totaling \$1,536,404 was exposed to custodial credit risk.

The cash on deposit with Bond guidelines is, in effect, loan proceeds or payments made by the Authority but not yet disbursed. Such deposits are subject to the collateral requirements of Bond agreement. Such deposits total \$373,959.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS - CONT'D**

*Custodial Credit Risk Deposits*

Account balance	\$ <u>1,536,404</u>
FDIC insured	540,824
Collateral:	
Collateral held by the pledging bank, not in the Authority's name	2,500,000
Over collateralized	<u>(1,504,420)</u>
Total deposits	\$ <u><u>1,536,404</u></u>

As of June 30, 2019, 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	\$ 363,234
Restricted cash per Exhibit A-1	409,957
Investments	<u>631,744</u>
Total cash and cash equivalents per Exhibit A-1	1,404,935
Add: outstanding checks and other reconciling items	132,269
Less: petty cash	<u>(800)</u>
Reconciled balance of deposits	\$ <u><u>1,536,404</u></u>

**NOTE 3 - ACCOUNTS RECEIVABLE**

The Authority's accounts receivable at June 30, 2019.

	<u>Tenant Accounts Receivable</u>
Low Rent Public Housing	\$ 6,141
Woodleaf Development	52,366
Rio Felix FMHA Program	<u>60</u>
Total	\$ <u><u>58,567</u></u>

**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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 4 - INTERFUND BALANCES AND TRANSFERS- CONT'D**

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Woodleaf Development	\$1,269,149	Woodleaf Development	\$ 2,467
		Low Rent Public Housing	2,879
		Rio Felix FMHA Program	73,272
Administrative Service Department	<u>78,618</u>	Administrative Service Department	<u>1,269,149</u>
Total	<u>\$1,347,767</u>	Total	<u>\$1,347,767</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 is as follows:

	<u>Balance June 30, 2018</u>	<u>Adjustment</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated:					
Land	\$ 1,031,134	\$ -	\$ -	\$ -	\$ 1,031,134
Construction in progress	<u>4,299</u>	<u>-</u>	<u>-</u>	<u>(4,299)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,035,433</u>	<u>-</u>	<u>-</u>	<u>(4,299)</u>	<u>1,031,134</u>
Capital assets, being depreciated:					
Buildings and improvements	10,950,531	45,260	-	-	10,995,791
Equipment	<u>848,999</u>	<u>-</u>	<u>57,705</u>	<u>-</u>	<u>906,704</u>
Total capital assets, being depreciated	11,799,530	45,260	57,705	-	11,902,495
Less accumulated depreciation	<u>(8,402,814)</u>	<u>-</u>	<u>(295,311)</u>	<u>-</u>	<u>(8,698,125)</u>
Total capital assets, being depreciated, net	<u>3,396,716</u>	<u>45,260</u>	<u>(237,606)</u>	<u>-</u>	<u>3,204,370</u>
Total capital assets, net	<u>\$ 4,432,149</u>	<u>\$ 45,260</u>	<u>\$ (237,606)</u>	<u>\$ (4,299)</u>	<u>\$ 4,235,504</u>

Eastern Regional Housing Authority (ERHA) and Tissera Del Sol Housing Corporation (TDSHC) formed a New Mexico Limited Liability Company known as TDS-ERHA Unidos, LLC, and entered into an operating agreement on October 21, 2016.



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS - CONT'D**

The purpose of the company is to acquire, build, own, maintain, and operate 16 affordable units in a housing apartment complex located in Eunice, New Mexico. As per the agreement entered into by the members, the share of Profit/loss and membership units and Initial Capital Contribution between Tissera Del Sol Housing Corporation (TDSHC) and Eastern Regional Housing Authority (ERHA) is 51% and 49% respectively, in TDS-ERHA Unidos LLC.

In May 2018, the Construction in Progress (CIP) for the housing apartment was ready to be placed into service, and thus transferred to Building and Improvements with the share of ownership of the ERHA being 49%.

In January 2019, the first amendment to the Operating Agreement ("Amendment") of TDS-ERHA UNIDOS, LLC, a New Mexico limited liability company ("the Company") was made, entered into pursuant to Section 12.1 of the Company's Operating Agreement, and effective on the 1st day of January, 2019.

In consideration of the mutual promises, covenants, agreements and other good and valuable consideration, the Company amended its Operating Agreement to switch the membership interests so that ERHA is a 51% member and TDS is a 49% member pursuant to Article II of the Operating Agreement. The Amended Operating Agreement to switch the membership interests is treated as a prior period adjustment. The adjustment resulted in a prior period adjustment of \$45,260 to the financial statements as follows.

	<u>ERHA</u>	<u>TDSHC</u>	<u>Total</u>
Old share (49% ERHA and 51% TDSHC)	\$ 1,108,861	\$ 1,154,122	\$ 2,262,983
New share (51% ERHA and 49% TDSHC)	<u>1,154,121</u>	<u>1,108,862</u>	<u>2,262,983</u>
Net adjustments	<u>\$ 45,260</u>	<u>\$ (45,260)</u>	<u>\$ -</u>

**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, 2018, 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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 7 - LONG-TERM LIABILITIES**

The following summarizes changes in long-term liabilities during the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
Woodleaf Development	\$ 1,870,000	\$ -	\$ (115,000)	\$ 1,755,000	\$ 125,000
N/P NMMFA NM Housing Trust Fund	535,981	22,571	-	558,552	9,423
Administrative Services Development - RIII	<u>95,258</u>	<u>-</u>	<u>-</u>	<u>95,258</u>	<u>95,258</u>
Total	<u>\$ 2,501,239</u>	<u>\$ 22,571</u>	<u>\$ (115,000)</u>	<u>\$ 2,408,810</u>	<u>\$ 229,681</u>

Annual debt service requirements to maturity for Woodleaf Development loan and Administrative Services Development - RIII loan (current and long-term portions) are as follows:

Fiscal Year Ending June 30	Bond			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 125,000	\$ 120,591	\$ 245,591	\$ 95,258	\$ -	\$ 95,258
2021	135,000	111,328	246,328	-	-	-
2022	140,000	101,531	241,531	-	-	-
2023	155,000	91,022	246,022	-	-	-
2024	165,000	79,622	244,622	-	-	-
2025-2027	<u>1,035,000</u>	<u>179,372</u>	<u>1,214,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,755,000</u>	<u>\$ 683,466</u>	<u>\$ 2,438,466</u>	<u>\$ 95,258</u>	<u>\$ -</u>	<u>\$ 95,258</u>

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

7.125% revenue bond payable, due in annual principal and 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.	\$ 1,755,000
3% N/P New Mexico Mortgage Finance Authority (NMMFA) NM Housing Trust Fund (\$702,187), due in monthly principal and interest installments of approximately \$2,960 with a maturity date of October 2048, secured by a first mortgage and a Land Use Restriction Agreement against the real property.	558,552
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.	<u>95,258</u>
	<u>\$ 2,408,810</u>

On December 15, 2016, Eastern Regional Housing Authority has taken a loan of \$702,186 with co-borrower Tierra del Sol Housing Corporation from New Mexico Mortgage Finance Authority (NMMFA) for construction of an apartment project containing 16 rental housing units for income eligible persons or families at NW corner of Ave. M & 23rd Street, in the city of Eunice, County of Lea, New Mexico.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 7 - LONG-TERM LIABILITIES - CONT'D**

As of June 30, 2019, the Housing Authority has received \$558,552 from the loan amount. The loan will bear interest at the rate of 3% per annum from the date on which each draw request is funded and will be repaid in accordance with the Note terms. 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,	Principal	Interest	Total
2020	9,423	12,218	21,641
2021	16,541	20,557	37,098
2022	17,044	20,054	37,098
2023	17,563	19,535	37,098
2024	18,097	19,001	37,098
2025 - 2029	99,084	86,406	185,490
2030 - 2034	115,097	70,393	185,490
2035-2039	133,700	51,790	185,490
2040-2044	155,309	30,181	185,490
2045-2049	120,328	6,423	126,751
Total	<u>\$ 702,186</u>	<u>\$ 336,558</u>	<u>\$ 1,038,744</u>

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above.

The Section 8 Housing Program has a long-term obligation for Family Self Sufficiency (FSS) Escrow for Section 8 money being held for the benefit of the program participants. The money is to assist the participants in achieving home ownership. The money can be drawn upon completion of the program or under certain other circumstances. The total amount as of June 30, 2019 was \$91,348, of which \$633 is shown as short-term relating to the current year's graduates of the program.

**NOTE 8 - COMPENSATED ABSENCES**

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2019</u>	Due within <u>one year</u>
Compensated Absences	\$ <u>10,970</u>	\$ <u>6,597</u>	\$ <u>(10,970)</u>	\$ <u>6,597</u>	\$ <u>6,597</u>
	<u>\$ 10,970</u>	<u>\$ 6,597</u>	<u>\$ (10,970)</u>	<u>\$ 6,597</u>	<u>\$ 6,597</u>

During the year ended June 30, 2019, Compensated absences balances \$6,597 is included in the accrued liabilities section of the financial statement.

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019.

**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, 2019:

Rio Felix FMHA Development Fund	\$	1,929
---------------------------------	----	-------

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 13 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - CONT'D**

- B. Deficit net position of individual funds. The below funds reflected a deficit net position as of June 30, 2019:

Administrative Services Department	\$ 1,981,930
------------------------------------	--------------

**NOTE 14 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION**

**General Information about the Pension Plan**

Plan description

*Public Employees Retirement 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 14 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D**

**General Information about the Pension Plan - Cont'd**

TIER II:

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee Contribution increased 1.50% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions:

See PERA's compressive annual financial report for Contribution provided description.

**PERA Contribution Rates and Pension Factors in effect during FY18**

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.00%	2.50%	90.00%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.40%	2.00%	2.00%	90.00%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.50%	2.00%	90.00%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.00%	2.50%	90.00%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.00%	2.50%	90.00%

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**PERA Contribution Rates and Pension Factors in effect during FY18**

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	Percentage of the Final Average Salary
<b>MUNICIPAL PLANS 1 - 5</b>						
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.00%	2.00%	90.00%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.50%	2.00%	90.00%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.50%	2.00%	90.00%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.00%	2.50%	90.00%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.50%	3.00%	90.00%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.00%	2.00%	90.00%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.50%	2.00%	90.00%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.50%	2.00%	90.00%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.00%	2.50%	90.00%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.50%	3.00%	90.00%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.00%	3.00%	90.00%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.00%	3.00%	90.00%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.00%	3.00%	90.00%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.00%	3.00%	90.00%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the Authority reported a liability of \$1,203,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Authority's proportion was 0.0755%, which was an increase of 0.0015% from its proportion, measured as of June 30, 2017.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 14 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D**

**General Information about the Pension Plan - Cont'd**

For the year ended June 30, 2019, the Authority recognized pension expense of \$158,597. At June 30, 2019, the Housing Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,791	\$ 31,604
Changes in assumptions	109,137	6,921
Net difference between projected and actual earnings on pension plan investments	89,276	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	34,415	1,950
Authority contributions subsequent to the measurement date	<u>60,806</u>	<u>-</u>
Total	<u>\$ 328,425</u>	<u>\$ 40,475</u>

\$60,806 reported as deferred outflows of resources related to pensions resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>
2020	142,025
2021	64,255
2022	16,340
2023	<u>4,524</u>
Total	<u>\$ 227,144</u>

**Actuarial assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
• Investment rate of return	7.25% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.00%



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 14 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D**

**General Information about the Pension Plan - Cont'd**

Actuarial assumptions - cont'd

• Projected salary increases		3.25% to 13.50% annual rate
• Includes inflation at		2.50% annual rate
		2.75% all other years
Mortality Assumption		The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates		July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	<u>100%</u>	

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 14 - PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION - CONT'D**

**General Information about the Pension Plan - Cont'd**

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the employer name's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<u>PERA Fund Division (A)</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 1,854,897</u>	<u>\$ 1,203,749</u>	<u>\$ 665,472</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 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, 2019.

**NOTE 15 - RIO FELIX FMHA PROGRAM**

Management agreement for USDA rural development (USDA RD) financed farm labour 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.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 15 - RIO FELIX FMHA PROGRAM- CONT'D**

- 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.
- 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 labour, 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.

**NOTE 16 - PROFESSIONAL SERVICES AGREEMENT**

**City of Artesia Housing Authority**

Eastern Regional Housing Authority (ERHA) entered into professional services agreement with the City of Artesia Housing Authority (AHA) on May 07, 2019. Whereas ERHA operates Low Rent Public Housing Program in compliance with HUD regulations, and has agreed to undertake the operational responsibilities for the Low Rent Public Housing Program on AHA's behalf, and to assist AHA in its financial reporting requirements.

ERHA started its responsibilities on July 01, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2019**

<u>Public Employees Retirement Association (PERA) Plan</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.0755%	0.0740%	0.0704%	0.0700%	0.0711%
Authority's proportionate share of the net pension liability (asset)	1,203,749	1,016,823	1,124,756	724,926	546,075
Authority's covered-employee payroll	821,704	821,687	806,905	811,053	809,163
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	146.49%	123.75%	139.39%	89.38%	67.49%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

\*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, 2019**

<u>PERA Fund Division</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	60,806	60,804	59,711	53,772	55,805
Contributions in relation to the contractually required contribution	60,806	60,804	59,711	53,772	55,805
Annual 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 SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

***Changes of benefit terms:*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 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, 2018 report is available at <http://www.nmpera.org>.

## **SUPPORTING SCHEDULES**



**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019</u>
Pledged by Pioneer Bank, FHL Bank	FEDERAL FARM CR BKS CONS	1/19/2021	3133EGMP7	<u>2,500,000</u>
	Total Pioneer Bank Pledged Securities			<u>\$ 2,500,000</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, 2019**

Schedule II

Account Name	Account Type	Deposits			Investments	
		Pioneer Bank	Wells Fargo Bank	Wells Fargo Investment	Pioneer Bank	Total
Woodleaf Development General	Checking	\$122,786	\$ -	\$ -	\$ -	\$ 122,786
Woodleaf Security Deposits	Checking	45,020	-	-	-	45,020
Rio-Operations I -Previous Mngt	Checking	-	200	-	-	200
Rio Felix Cash - Operational	Checking	-	3,793	-	-	3,793
Rio Felix Security Deposits	Checking	-	7,289	-	-	7,289
Rio Felix Reserve	Checking	-	14,158	-	-	14,158
Rio Felix Tax & Insurance	Checking	-	5,660	-	-	5,660
SSM General	Checking	77,827	-	-	-	77,827
SSM Security Deposits	Checking	15,510	-	-	-	15,510
Vaughn General	Checking	5,420	-	-	-	5,420
Vaughn Security Deposits	Checking	2,483	-	-	-	2,483
ASA General	Checking	29,541	9,704	-	-	39,245
Lovington General	Checking	120,885	-	-	-	120,885
Lovington Security Deposit	Checking	11,098	-	-	-	11,098
FSS Escrow Section 8	Checking	91,348	-	-	-	91,348
Section 8 Hsng Voucher	Checking	284,323	-	-	-	284,323
Eunice Security Deposit	Checking	3,775	-	-	-	3,775
Eunice General	Checking	10,938	-	-	-	10,938
TDS-ERHA Unidos LLC	Checking	-	20	-	-	20
ASA Development	Checking	42,882	-	-	-	42,882
R & R Wells Fargo	Money Market	-	-	36,590	-	36,590
Woodleaf Debt Service Fund	Money Market	-	-	251,543	-	251,543
Woodleaf Expense Fund	Money Market	-	-	5,891	-	5,891
Woodleaf Surplus Fund	Money Market	-	-	16,902	-	16,902
Woodleaf Bond Fund	Money Market	-	-	63,033	-	63,033
Certificate of Deposit- SSM	Money Market	-	-	-	97,728	97,728
Certificate of Deposit- Lovington	Money Market	-	-	-	134,417	134,417
Certificate of Deposit- EHA	Money Market	-	-	-	15,384	15,384
Certificate of Deposit- EHA	Money Market	-	-	-	10,256	10,256
<b>Total amount of deposit in bank</b>		<b>863,836</b>	<b>40,824</b>	<b>373,959</b>	<b>257,785</b>	<b>1,536,404</b>
Reconciling items:						
Less: outstanding checks per bank reconciliation, and other reconciling items		137,692	184	-	-	137,876
Plus: deposits in transit per bank reconciliation		<u>5,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,607</u>
<b>Total reconciling items</b>		<b><u>132,085</u></b>	<b><u>(184)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(132,269)</u></b>
<b>Reconciled balance</b>		<b><u>\$731,751</u></b>	<b><u>\$ 40,640</u></b>	<b><u>\$ 373,959</u></b>	<b><u>\$ 257,785</u></b>	<b><u>1,404,135</u></b>
Plus: Petty cash						800
Less: Restricted cash and cash equivalents per Exhibit A-1						(409,957)
Less: Investments per Exhibit A-1						<u>(631,744)</u>
<b>Cash and cash equivalents per Exhibit A-1</b>						<b><u>\$ 363,234</u></b>

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

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

Schedule III

**SUPPORTING DATA REQUIRED BY THE BOND INDENTURE COMPUTATION OF DEBT  
SERVICE COVERAGE RATIO RHA HOUSING DEVELOPMENT CORPORATION  
(WOODLEAF DEVELOPMENT)  
FOR THE YEAR ENDED JUNE 30, 2019**

Debt Service Ratio Calculation

Net revenue available for debt service	\$ 373,858
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>245,591</u>
Debt Service Ratio	<u>1.52</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*	1,058,674
Total operating expenses and interest expense	(950,725)
Plus: Recorded bond amortization and depreciation expense	136,768
Interest expense related to 1997A Series bonds	<u>129,141</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>373,858</u>

Debt Service for the year ended June 30, 2020

Principal reduction on 1997A Series bonds during the year ended June 30, 2020	125,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2020	<u>120,591</u>
Maximum Annual Debt Service as defined in the bond indenture	<u>\$ 245,591</u>

**NOTE:**

The computation of Debt Service Coverage Ratio for the year ended June 30, 2019, ("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 2017/2018 year, The Eunice Fund's revenue and expenses were adjusted from the Woodleaf Development fund for the purpose of properly presenting the Debt Coverage Ratio. The total adjusted Woodleaf Development Fund's revenue and expenses were as follows:

	Revenue	Expenses
Total Gross Revenue (Woodleaf Development)	\$ 1,058,674	\$ 1,008,431
Less: Eunice Fund's Revenue and Expenses	<u>-</u>	<u>(57,706)</u>
Total Woodleaf's revenue and expenses	<u>\$ 1,058,674</u>	<u>\$ 950,725</u>

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

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**YEAR ENDED JUNE 30, 2019**

Schedule IV

FDS Line Items	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	10.405 Farm Labor Housing Loans and Grants	Total
111 Cash - Unrestricted	\$ 198,041		\$ 104,190	\$ 37,325	\$ 23,849	\$ 363,405
113 Cash - Other Restricted		324,782			7,118	331,900
114 Cash - Tenant Security Deposits	32,866		45,020			77,886
100 Total Cash	230,907	324,782	149,210	37,325	30,967	773,191
126 Accounts Receivable - Tenants	6,141		52,366		60	58,567
120 Total Receivables, Net of Allowances for Doubtful Accounts	6,141	-	52,366	-	60	58,567
131 Investments - Unrestricted	257,785					257,785
132 Investments - Restricted			373,959			373,959
144 Inter Program Due From	-		1,269,149	78,618		1,347,767
150 Total Current Assets	494,833	324,782	1,844,684	115,943	31,027	2,811,269
161 Land	572,061		259,919	30,104	169,050	1,031,134
162 Buildings	5,720,603		4,450,787	206,154	618,248	10,995,792
163 Furniture, Equipment & Machinery - Dwellings	311,146		62,791	470,236	10,008	854,181
166 Accumulated Depreciation	(4,868,213)		(2,735,963)	(518,560)	(522,867)	(8,645,603)
160 Total Capital Assets, Net of Accumulated Depreciation	1,735,597	-	2,037,534	187,934	274,439	4,235,504
180 Total Non-Current Assets	1,735,597	-	2,037,534	187,934	274,439	4,235,504
200 Deferred Outflow of Resources				328,425		328,425
290 Total Assets and Deferred Outflow of Resources	2,230,430	324,782	3,882,218	632,302	305,466	7,375,198
312 Accounts Payable <= 90 Days	902		552	185	4,980	6,619
321 Accrued Wage/Payroll Taxes Payable				2,126		2,126
322 Accrued Compensated Absences - Current Portion	2,233		1,075	3,290		6,598
325 Accrued Interest Payable			7,392			7,392
341 Tenant Security Deposits	32,866		45,370		7,118	85,354
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-		115,000			115,000
345 Other Current Liabilities	5,100		10,410			15,510
347 Inter Program - Due To	2,879		2,467	1,269,149	73,272	1,347,767
310 Total Current Liabilities	43,980	-	182,266	1,274,750	85,370	1,586,366
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-		1,640,000			1,640,000
352 Long-term Debt, Net of Current - Operating Borrowings			558,552	95,258		653,810
353 Non-current Liabilities - Other		91,348				91,348
357 Accrued Pension and OPEB Liabilities	-			1,203,749		1,203,749
350 Total Non-Current Liabilities	-	91,348	2,198,552	1,299,007	-	3,588,907
300 Total Liabilities	43,980	91,348	2,380,818	2,573,757	85,370	5,175,273
400 Deferred Inflow of Resources				40,475		40,475
508.4 Net Investment in Capital Assets	1,735,598		294,981	187,934	274,439	2,492,952
511.4 Restricted Net Position	32,866	324,782	418,979		7,118	783,745
512.4 Unrestricted Net Position	417,986	(91,348)	787,440	(2,169,864)	(61,461)	(1,117,247)
513 Total Equity - Net Assets / Position	2,186,450	233,434	1,501,400	(1,981,930)	220,096	2,159,450
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	2,230,430	324,782	3,882,218	632,302	305,466	7,375,198

See accompanying independent auditor's report

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
**YEAR ENDED JUNE 30, 2019**

Schedule IV

FDS Line Items	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	10.405 Farm Labor Housing Loans and Grants	Total
70300 Net Tenant Rental Revenue	\$ 324,921		\$ 1,011,285			\$ 1,336,206
70400 Tenant Revenue - Other	5,153		40,790		130,225	176,168
70500 Total Tenant Revenue	330,074	-	1,052,075	-	130,225	1,512,374
70600 HUD PHA Operating Grants	473,554	6,619,238				7,092,792
70610 Capital Grants	315,912					315,912
71100 Investment Income - Unrestricted	2,479		6,599			9,078
71400 Fraud Recovery		12,328		12,328		24,656
71500 Other Revenue	273	5,095		1,024,801	419	1,030,588
70000 Total Revenue	1,122,292	6,636,661	1,058,674	1,037,129	130,644	9,985,400
91100 Administrative Salaries	84,473		151,112	503,081	6,159	744,825
91200 Auditing Fees	17,056		4,264	4,264	4,034	29,618
91300 Management Fee	103,372	642,437	69,978		10,560	826,347
91400 Advertising and Marketing	3,085		133	1,176	3,302	7,696
91500 Employee Benefit contributions - Administrative	100,032		73,914	184,577	7,714	366,237
91600 Office Expenses	5,471		3,387	37,300	1,720	47,878
91700 Legal Expense	994		3,247	1,804	2,831	8,876
91800 Travel	19,975		24,981	7,570	1,386	53,912
91900 Other				97,791		97,791
91000 Total Operating - Administrative	334,458	642,437	331,016	837,563	37,706	2,183,180
93100 Water	14,683		65,651	2,740	6,724	89,798
93200 Electricity	14,356		16,318	6,569	1,893	39,136
93300 Gas	36,850		5,378		804	43,032
93800 Other Utilities Expense	18,603		23,249	25,992	21,092	88,936
93000 Total Utilities	84,492	-	110,596	35,301	30,513	260,902
94100 Ordinary Maintenance and Operations - Labor	171,898		86,082		18,655	276,635
94200 Ordinary Maintenance and Operations - Materials and Other	352,208		181,191	47,659		581,058
94300 Ordinary Maintenance and Operations Contracts	-				8,421	8,421
94000 Total Maintenance	524,106	-	267,273	47,659	27,076	866,114
95200 Protective Services - Other Contract Costs					892	892
95000 Total Protective Services	-	-	-	-	892	892
96110 Property Insurance	30,012		7,503	8,120	13,437	59,072
96130 Workmen's Compensation					689	689
96140 All Other Insurance					25	25
96100 Total insurance Premiums	30,012	-	7,503	8,120	14,151	59,786
96200 Other General Expenses	22,692		9,553	44,786	11,605	88,636
96210 Compensated Absences	22,051		16,582	39,785		78,418
96400 Bad debt - Tenant Rents	2,075					2,075
96000 Total Other General Expenses	46,818	-	26,135	84,571	11,605	169,129
96710 Interest of Mortgage (or Bonds) Payable			129,141	192		129,333
96700 Total Interest Expense and Amortization Cost	-	-	129,141	192	-	129,333
96900 Total Operating Expenses	1,019,886	642,437	871,664	1,013,406	121,943	3,669,336
97000 Excess of Operating Revenue over Operating Expenses	102,406	5,994,224	187,010	23,723	8,701	6,316,064
97300 Housing Assistance Payments		5,861,088				5,861,088
97400 Depreciation Expense	126,944		136,768	16,501	15,098	295,311
90000 Total Expenses	1,146,830	6,503,525	1,008,432	1,029,907	137,041	9,825,735
10010 Operating Transfer In	121,891					121,891
10020 Operating transfer Out	(121,891)					(121,891)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(24,538)	133,136	50,242	7,222	(6,397)	159,665
11030 Beginning Equity	2,210,988	100,298	1,405,898	(1,989,152)	226,493	1,954,525
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-		45,260			45,260
11180 Housing Assistance Payments Equity		233,434				233,434
11190 Unit Months Available	2,088	22,200	1,824		240	26,352
11210 Number of Unit Months Leased	2,062	11,134	1,751		203	15,150
11270 Excess Cash	385,480					385,480

See accompanying independent auditor's report

## **COMPLIANCE SECTION**

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

Mr. Brian S.Colón,  
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, 2019, 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 30, 2019.

**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 have not been 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 2019-001 to be significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 on 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 response was 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*

Albuquerque, New Mexico  
September 30, 2019



## **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. Brian S. Colón,  
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, 2019. 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, 2019.

### **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 2019-001. 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 the 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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items FA 2019-001, which we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Harshwal & Company LLP*

**Albuquerque, New Mexico  
September 30, 2019**

**STATE OF NEW MEXICO**  
**EASTERN REGIONAL HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Schedule VII

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
U.S. Department of Housing and Urban Development		
Public and Indian Housing		
Public and Indian Housing	14.850	\$ <u>473,554</u>
Total Public and Indian Housing		<u>473,554</u>
Section 8 Housing Choice Vouchers		
Section 8 Housing Choice Vouchers	14.871	<u>6,503,525</u>
Total Section 8 Housing Choice Vouchers		<u>6,503,525</u>
Public Housing Capital Fund		
Public Housing Capital Fund	14.872	<u>315,912</u>
Total Public Housing Capital Fund		<u>315,912</u>
Family Self Sufficiency		
Family Self Sufficiency	14.896	<u>122,419</u>
Total of Family Self Sufficiency		<u>122,419</u>
Total U.S. Department Housing & Urban Development		<u>7,415,410</u>
<b>Total Expenditure of Federal Awards</b>		<b>\$ <u>7,415,410</u></b>

See the accompanying notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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 2019.

**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, 2019**

Schedule VIII

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Noncompliance material to the financial statement noted	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	Yes

***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

STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

Schedule VIII

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FS 2019-001 Expenditure in Excess of Budget Amounts (Significant Deficiency) (Prior Year Finding FS 2018-001) - Repeated and Modified**

**Condition:**

The Authority over expended its budget for the Rio Felix FMHA Development Fund for the year ended June 30, 2019 by \$1,929. The Authority did make progress in resolving this finding.

**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 the 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:**

Eastern Regional Housing Authority is in the process of selling Rio Felix Apartments, however; will communicate with Management Company on Eastern Regional Housing Authority Budgetary Process for any future management contracts.

**Estimated Completion Date:**

October 09, 2019

**Responsible party:**

Eastern Regional Housing Authority Management Staff



**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule VIII

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**FA 2019-001 Noncompliance with Special Tests and Provisions HQS Enforcement (Significant Deficiency)**

**Federal program information:**

Funding Agency: Department of Housing and Urban Development  
Program Title: 8 Housing Choice Voucher Program  
CFDA Number: 14.871  
Compliance Requirement: Special Tests of Provisions

**Condition:**

During our audit, we noted the following:

- There were two out of thirty tenant files tested that did not have a correction of a non-life threatening HQS deficiency within the 30-day period as required.

**Criteria:**

Per According to 24 CFR sections 982.158(d) and 982.404), the Housing Authority must “verify that the files document that the PHA required correction of any cited life threatening HQS deficiencies within 24 hours of the inspection and of all other HQS deficiencies within 30 calendar days of the inspection or within a PHA approved extension”.

**Cause:**

The Housing Authority did not follow up on some HQS deficiencies in a timely matter on tenants HQS inspections.

**Questioned Costs:**

None

**Effect:**

The Housing Authority was not in compliance with the HQS enforcement requirements for the current year.

**Recommendation:**

We recommend that the Housing Authority implement a process to ensure that all HQS deficiencies are followed up on within the 30-day period and all appropriate failed inspections are remediated.

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule VIII

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - CONT'D**

**FA 2019-001 Noncompliance with Special Tests and Provisions HQS Enforcement (Significant Deficiency) - Cont'd**

**Management Response:**

Eastern Regional Housing Authority will meet with all staff to ensure that re-inspection of non-life threatening HQS deficiencies will be conducted within 30 calendar days. Further training will be conducted to newly added staff.

**Estimated Completion Date:**

September 27, 2019

**Responsible party:**

Section 8 Program Supervisor

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

Schedule IX

The following summarizes the prior year audit finding:

FINDING FS 2018-001      Expenditure in Excess of Budget Amounts - Repeated and Modified

**STATE OF NEW MEXICO  
EASTERN REGIONAL HOUSING AUTHORITY  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2019**

**AUDITOR PREPARED FINANCIALS**

The Financial statements and notes to the Financial statements for the year ended, June 30, 2019 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 23, 2019. The following individuals were in attendance.

**Representing Eastern Regional Housing Authority**

---

Chris Herbert	Executive Director
Waymon L. Dowdy Sr.	Chairperson
Irene Murillo	Deputy Director
Olivia Cruz	Finance Director

**Representing Harshwal & Company, LLP**

---

Sanwar Harshwal	Managing Partner (CPA)
Mariem Tall	Audit Manager

---

# EASTERN REGIONAL HOUSING AUTHORITY

Eastern Regional Housing Authority  
106 E. Reed Street  
P.O. Drawer 2057  
Roswell, NM 88202-2057  
Tel (575) 622-0881  
Fax (575) 622-7507  
TTY 1-800-659-1779

## CORRECTIVE ACTION PLAN

September 27, 2019

Eastern Regional Housing Authority respectfully submits the following corrective action plan for the year ended June 30, 2019.

Federal award findings and questioned costs

2019-002 Noncompliance with Special Tests and Provisions HQS Enforcement (Significant Deficiency)

Eastern Regional Housing Authority will meet with all staff to ensure that re-inspection of non-life threatening HQS deficiencies will be conducted within 30 calendar days. Further training will be conducted to newly added staff.

Estimated Completion Date:

September 27, 2019

Responsible Party:

Section 8 Program Supervisor

Sincerely,



Chris Herbert  
Executive Director

