

December 19, 2013

Ms. Claudia Armijo  
Legal Counsel Attorney Services  
Legislative Oversight Committee  
Santa Fe, NM 87501

Re: 2013 Annual Regional Housing Authority ("RHA") Report

Dear Ms. Armijo:

The Legislature of the State of New Mexico, during the 2009 Legislative Session, enacted Senate Bill 20 (Laws of New Mexico 2009, Chapter 28) amending the Regional Housing Law 11-3A-20 NMSA 1978, to re-define the activities of the regional housing authorities and to mandate that MFA provide oversight of certain activities, to include submission of an Annual Report relative to their operations and fiscal elements to the Department of Finance (DFA), Legislative Oversight Committee (LOC), Legislative Finance Committee (LFC), and U.S. Department of Housing and Urban Development (HUD).

Below is the annual progress report for the Regional Housing Authorities, which includes activities that are required by SB-20 to be reported:

**Western Regional Housing Authority (WRHA):**

1. Submission of Audits to the State Auditor, MFA, LFC, DFA, and MFA-LOC
  - a. FY 2013 Financial Statements audit ending June 30, 2013, initial reviews indicates no findings, concerns, or comments. (see comments at the end of this report)
2. Report on new Regional Board Appointees to MFA & the Governor's Office
  - a. New Board appointees are under review. Currently, Hidalgo and Socorro counties are vacant. MFA has recommended a candidate from Socorro County to the Governor's office. Pending approval and appointment at this time.
3. Report of new Executive Directors hired to MFA
  - a. Cathy De Marco has been the Executive Director since June 2003
4. Creation/dissolution of nonprofit entities of the Regional's to MFA & State Board of Finance.
  - a. WRHA has not created or dissolved any non-profit entities.
5. Assets valued over \$100K sold, transferred, or liquidated to MFA
  - a. WRHA has not sold, transferred, or liquidated any properties

6. Any contracts exceeding \$100K to MFA
  - a. WRHA has not entered into any contracts exceeding \$100K to MFA
7. Annual scores for Section Eight Management Assessment Program (SEMAP) to MFA
  - a. HUD rated this agency as a “High Performer” with a score of 130 out of a possible 130 points.
8. Annual scores for Public Housing Assessment System (PHAS) to MFA
  - a. PHAS score was 100 percent giving WRHA a “Higher Performer” status.
9. MFA Management Operation Review (MOR), where applicable, to MFA
  - a. Not applicable as WRHA does not have Project Based Section 8 properties

10. Operations Activity to include the following activities being reported:

Annual units leased up versus annual HUD budget allocation for year – Housing Assistance Payments (HAP) Annual Contribution Contract (ACC) versus HAP expenditures

- 87 percent – (Units leased = 7986, Units budgeted = 9,110)

Number of people on waiting list and approximate waiting time

- 84 people with a 1-3 month wait time

Vacancy rate for Public Housing units

- 2 percent

Fraud Recovery Collections

- January '13 – Oct '13 \$17,292.80

5-year Capital Improvement Plan for HUD Public Housing units

- WRHA has a 5-year Capital Improvement Plan for Public Housing for years 2012-2016

Status of implementation and reporting of a 3-5 year Asset Inventory Plan of all subsidized housing units

- WRHA reports its fixed assets through an electronic spreadsheet that includes various data and follows the State policy on disposition of properties and capital asset inventory.

Affordable Rental and Homeownership Development activities

- No development activities are under way at this time

Non HUD program activity –

- Linkages Permanent Supportive Housing Program is a state funded program designed to provide permanent supportive housing rental subsidies and supportive services to homeless individuals with serious mental illnesses including Native Americans living off reservations. Southwest New Mexico is one of three regions chosen to administer this Program. La Frontera provides the supportive services to the clients and Western Regional is the housing administrator. WRHA currently has 12 families receiving housing subsidy throughout Grant, Luna, Hidalgo and Catron Counties.

- Rental Assistance Program (RAP) this program is designed to assist eligible

homeless or precariously housed persons find and maintain safe, decent affordable rental housing. Eligible clients may receive assistance with Security and Utility Deposits, up to 11 months rental assistance, and delinquent rent and utility bills. Since July 2013, WRHA has assisted 32 families throughout their area.

Collaboration and Consolidation Efforts: The Executive Director, Cathy De Marco has attended several monthly meetings with Lordsburg, Bayard, and Santa Clara officials to determine and ascertain possible consolidations with their local PHA's. Consolidation and collaboration efforts are difficult in the sense that the local PHA's board of commissioners is resistant to regionalizing because they are allowed only one representative from each county and fundamentally lose control of the PHA. The other mitigating factor is the cost of consolidating. Current RHA Executive Director's (Ms. De Marco and Mr. Herbert) have spent copious hours traveling and providing training and technical assistance to PHA's in their specific areas. Lack of resources and state funding to the RHA's affect the amount of time they are able to devote to consolidation/collaboration efforts.

### **Eastern Regional Housing Authority (ERHA):**

1. Submission of Audits to the State Auditor, MFA, LFC, DFA, and MFA-LOC
  - a. FY 2013 Financial Statements audit ending June 30, 2013, initial reviews indicates two findings, no concerns, and no comments. (see comments at the end of this report)
2. Report on New Regional Board Appointees to MFA & the Governor's Office
  - a. New board appointees are under review. Currently, Chavez, Eddy and Guadalupe counties have vacant positions. MFA has submitted recommendations for the three vacancies to the Governor's office. Pending approval and appointments at this time.
3. Report of new Executive Directors hired to MFA
  - a. Chris Herbert has been the Executive Director since 2005
4. Creation/dissolution of nonprofit entities of the Regional's to MFA & State Board of Finance.
  - a. ERHA has not created or dissolved any non-profit entities
5. Assets valued over \$100K sold, transferred, or liquidated to MFA
  - a. Colonial Hillcrest, La Posada and Casa Hermosa apartments were sold in the last fiscal year. Sales were approved by the State Auditor, MFA Board of Directors and ERHA Board of Commissioners.
6. Any contracts exceeding \$100K to MFA
  - a. ERHA has not entered into any contracts exceeding \$100K
7. Annual scores for Section Eight Management Assessment Program (SEMAP) to MFA
  - a. Annual scores for the SEMAP rate this agency as a "Standard Performer" with a score of 85 of 130 possible points.
8. Annual scores for Public Housing Assessment System (PHAS) to MFA
  - a. This report has not been rated by HUD at this reporting time – will be available in

March 2014.

9. MFA Management Operation Review (MOR), where applicable, to MFA
  - a. Since MFA has not been the Project Based Contract Administrator for the past two years, MOR's have not been conducted since March 2011.

10. Operations Activity to include the following activities being reported to MFA, LFC, DFA, MFA-LOC:

Annual units leased up versus annual HUD budget allocation for year – Housing Assistance Payments (HAP) Annual Contribution Contract (ACC) versus HAP expenditures

- 100 percent (Units leased = 1,850 , Units budgeted = 1,850)

Number of people on waiting list and approximate waiting time

- 400 people with a one year wait list

Vacancy rate for Public Housing units

- 1 percent

Fraud recovery Collections

- January '13 through October '13 = \$8,590

5-year Capital Improvement Plan for HUD Public Housing units

- ERHA has a 5-year Capital Improvement Plan for Public Housing for years 2012-2016

Status of implementation and reporting of a 3-5 year Asset Inventory Plan of all subsidized housing units

Status of implementation and reporting of a 3-5 year Asset Inventory Plan of all subsidized housing units

Affordable Rental and Homeownership Development activities

- WRHA reports its fixed assets through an electronic spreadsheet that includes various data and follows the State policy on disposition of properties and capital asset inventory.

Non HUD program activity

- None at this time

Due to operational issues throughout the past year, MFA contracted Rural Community Assistance Corporation (RCAC) to conduct an Organizational Assessment and Implementation of Strategic Planning and to provide training and technical assistance during the process. As a result of the assessment, RCAC conducted a strategic planning session with ERHA's Board of Commissioners in April 2013 to review and evaluate the effectiveness of the following: Board Governance, Administrative/Management Structure, Operations, Management Information Systems, and Financial and Grants Management Systems. The final Organizational Assessment Report indicates deficiencies in each area as well as specific recommendations for each deficiency. At this time, ERHA management is in the process of addressing those deficiencies by developing current policies and procedures and providing extensive staff training. MFA will continue to provide oversight, training and technical assistance as funds permit.

Collaboration/Consolidation Efforts: ERHA has successfully consolidated with Vaughn Housing Authority and are currently under a management contract with Eunice Housing Authority; full assumption of the ACC will occur by July 1, 2014.

#### **Northern Regional Housing Authority (NRHA):**

HUD issued a Scope of Work to MFA for the purpose of NRHA to enable, organize, divest, and assume the Taos County housing programs. This process is in effect and should be completed by March 31, 2014; at which time all documents will be submitted to the local HUD office for review and subsequently will be forwarded to HUD National Headquarters for final approval of the consolidation between NRHA and Taos County housing programs.

MFA in conjunction with HUD, Taos County and the NRHA Board of Commissioners have begun divestiture and assumption details in an effort to transfer real property assets from Taos County to NRHA. Resolutions between NRHA and Taos County have been approved. Five vacant commissioner positions have been reduced to two – one pending approval from MFA and consequently the Governor's office. Also pending approval from NRHA at this time is an agreement between NRHA and Taos County to have NRHA assume on a temporary basis, the day-to-day management of the Taos County housing programs. In addition, NRHA released an RFP on December 2, 2013 which is targeted to professional housing authority management contractors for the purpose of providing the necessary fiscal, operational and overall management of the housing programs until an Executive Director is hired.

MFA and the NRHA Board of Commissioners have been holding monthly commissioner meetings and collectively have created and approved new policies and procedures, procuring warranty deeds for 6 (six) properties in preparation for transfers, and completing numerous tasks related to the "Attachment A" scope of work to meet HUD's submittal deadline of March 31, 2014.

**NOTE: Audited Financial Statements:**

MFA is in receipt of the 2013 Financial Statement Audits for ERHA and WRHA; however, due to timing of the release of the audits, internal review by the MFA staff and submission and approval of the audits to the Federal Audit Clearinghouse, we are unable to report the conditions of the audits for both Regionals at this time. The auditing firms who conduct the audits for both agencies are required to submit the audits to the clearinghouse upon release; conversely that action will take approximately two weeks.

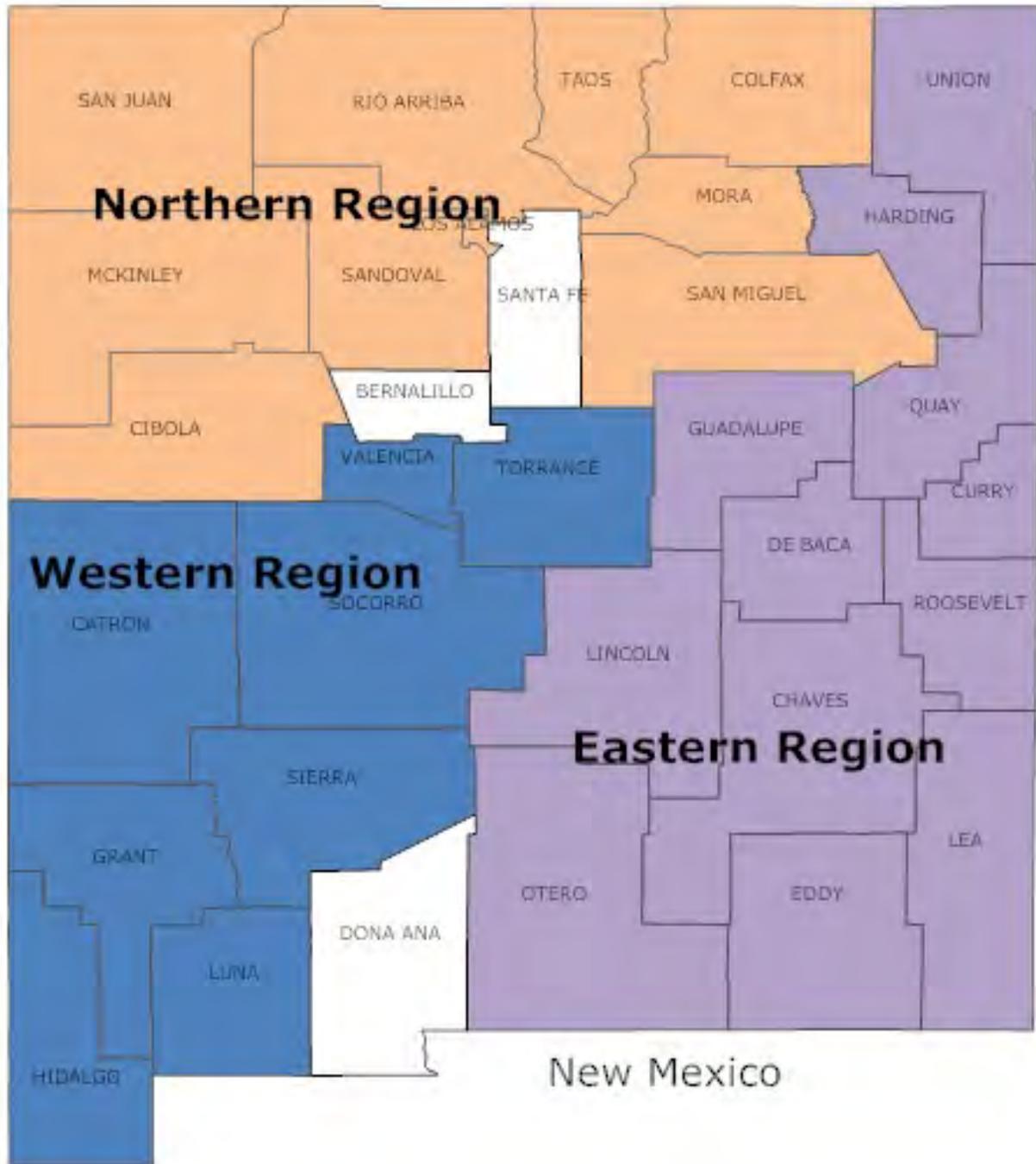
Should additional information be required, please do not hesitate to contact me.

Sincerely,

Joseph Montoya  
Deputy Director of Programs

Enclosures

# Regional Housing Authority Regions



# Public Housing Authorities in New Mexico by Region

## PHAs in Eastern Regional

*Already consolidated: Eunice, Vaughn*

Public Housing Authority	Low-Rent Units	Section 8 Units	Troubled/ Sub-standard
Alamogordo	221	0	✓
Artesia	138	0	✓
Clayton	50	0	
Clovis	132	608	
Fort Sumner	47	0	✓
Lovington	50	0	✓
Tucumcari	90	140	

## PHAs in Western Regional

*No consolidations to date*

Public Housing Authority	Low-Rent Units	Section 8 Units	Troubled/ Sub-standard
Bayard	70	0	
El Camino Real	0	440	
Lordsburg	100	0	✓
Mountainair	0	136	
Santa Clara	32	0	✓
Truth or Consequences	100	190	✓

# Public Housing Authorities in New Mexico by Region

## PHAs in Northern Regional

*In process of consolidation: Taos County*

Public Housing Authority	Low-Rent Units	Section 8 Units	Troubled/ Sub-standard
Chama	38	0	✓
Cimarron	16	0	✓
Cuba	28	0	✓
Gallup	267	63	✓
Grants	20	98	✓
Las Vegas	267	0	✓
Maxwell	22	0	

Public Housing Authority	Low-Rent Units	Section 8 Units	Troubled/ Sub-standard
Pecos	32	0	✓
Raton	156	0	
Rio Arriba	53	25	✓
San Juan	0	320	
San Miguel	0	177	✓
Springer	56	0	
Wagon Mound	19	0	✓

**EASTERN REGIONAL  
HOUSING AUTHORITY  
Roswell, NM**

**Basic Financial Statements and Supplementary Information  
For the year ended June 30, 2013  
and Independent Auditor's Report**

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

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

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

**OFFICIAL ROSTER  
JUNE 30, 2013**

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**Board of Commissioners**

Waymon L. Dowdy Sr.  
Allen B Sparks  
Mary Beth Fowler  
Michael O'Hara  
Ella Turner  
Bill Birdwell  
Dr. Fundador Adajar

Chairperson  
Vice-Chairperson  
Secretary  
Treasurer  
Commissioner  
Commissioner  
Commissioner

**Executive Staff**

Chris Herbert  
Irene Andazola  
Olivia Cruz  
Carol Cheadle

Executive Director  
Deputy Director  
Finance Director  
Section 8 Supervisor



# Strickler & Prieto, LLP

201 E. Main, Suite 500  
El Paso, Texas 79901  
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www.cpa-sp.com

## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas, New Mexico State Auditor  
and the Board of Commissioners of the  
Eastern Regional Housing Authority  
Roswell, New Mexico

### **Report on 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, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Authority's individual enterprise funds, including budgetary comparisons, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the individual enterprise funds and budgetary comparisons of the Authority for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial information listed as supporting Schedules I, II and III in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Financial Data Schedule is presented as supporting Schedule IV for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and is not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Steickler & Prieto, LLP

September 13, 2013

**BASIC FINANCIAL STATEMENTS**

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

**Exhibit A-1**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Woodleaf Development</u>	<u>Rio Felix FmHA Program</u>	<u>Low Rent Public Housing</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,140	\$ 60	\$ 56,354	\$ 39,781	\$ 17,120
Investments	-	-	-	-	96,353
Accounts receivable	-	-	708	743	9,368
Due from other funds	-	-	609,410	-	22
Total current assets	8,140	60	666,472	40,524	122,863
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	-	-	392,157	3,092	19,250
Nondepreciable capital assets	-	-	259,919	169,050	335,734
Depreciable capital assets, net	-	-	1,178,957	195,968	1,943,705
Unamortized debt issue costs	-	-	141,383	-	-
Total noncurrent assets	-	-	1,972,416	368,110	2,298,689
Total assets	\$ 8,140	\$ 60	\$ 2,638,888	\$ 408,634	\$ 2,421,552
<b>LIABILITIES AND NET POSITION</b>					
Accounts payable	\$ -	\$ -	\$ 1,432	\$ 448	\$ 3,381
Accrued liabilities	-	-	4,571	536	3,638
Accrued interest	-	-	7,392	-	-
Due to other funds	-	-	-	80,498	22
Compensated absences	-	-	165	22	121
Unearned revenues	-	-	12,254	425	2,014
Current portion of long term debt	-	-	80,000	4,392	-
Current portion of escrow funds held for others	-	-	-	-	-
Total current liabilities (payable from current assets)	-	-	105,814	86,321	9,176
<b>CURRENT LIABILITIES (payable from restricted assets)</b>					
Tenant deposits	-	-	46,991	3,091	19,251
Total current liabilities (payable from restricted assets)	-	-	46,991	3,091	19,251
<b>NONCURRENT LIABILITIES</b>					
Other noncurrent liabilities	-	-	-	-	-
Escrow funds held for others, long-term	-	-	-	-	-
Notes payable, net of current portion	-	-	2,265,000	17,634	-
Deferred loss on advance refunding	-	-	-	-	-
Total noncurrent liabilities	-	-	2,265,000	17,634	-
Total liabilities	-	-	2,417,805	107,046	28,427
<b>NET POSITION</b>					
Net investment in capital assets	-	-	(906,124)	342,992	2,279,439
Restricted (HUD reserves)	-	-	345,166	-	-
Unrestricted	8,140	60	782,041	(41,404)	113,686
Total net position	8,140	60	221,083	301,588	2,393,125
Total liabilities and net position	\$ 8,140	\$ 60	\$ 2,638,888	\$ 408,634	\$ 2,421,552

Continued

See accompanying notes to financial statements.

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

**Exhibit A-1**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 270,152	\$ 134,901	\$ -	\$ 526,508
Investments	-	-	-	-	96,353
Accounts receivable	-	-	-	-	10,819
Due from other funds	-	-	80,498	(689,930)	-
Total current assets	-	270,152	215,399	(689,930)	633,680
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	-	79,782	250	-	494,531
Nondepreciable capital assets	-	-	30,104	-	794,807
Depreciable capital assets, net	-	-	221,132	-	3,539,762
Unamortized debt issue costs	-	-	-	-	141,383
Total noncurrent assets	-	79,782	251,486	-	4,970,483
Total assets	\$ -	\$ 349,934	\$ 466,885	\$ (689,930)	\$ 5,604,163
<b>LIABILITIES AND NET POSITION</b>					
Accounts payable	\$ -	\$ -	\$ 4,326	\$ -	\$ 9,587
Accrued liabilities	-	-	15,027	-	23,772
Accrued interest	-	-	-	-	7,392
Due to other funds	-	-	609,410	(689,930)	-
Compensated absences	-	-	740	-	1,048
Unearned revenues	-	270,152	-	-	284,845
Current portion of long term debt	-	-	97,179	-	181,571
Current portion of escrow funds held for others	-	633	-	-	633
Total current liabilities (payable from current assets)	-	270,785	726,682	(689,930)	508,848
<b>CURRENT LIABILITIES (payable from restricted assets))</b>					
Tenant deposits	-	-	-	-	69,333
Total current liabilities (payable from restricted assets)	-	-	-	-	69,333
<b>NONCURRENT LIABILITIES</b>					
Other noncurrent liabilities	-	-	-	-	-
Escrow funds held for others, long term	-	79,149	-	-	79,149
Notes payable, net of current portion	-	-	-	-	2,282,634
Deferred loss on advance refunding	-	-	-	-	-
Total noncurrent liabilities	-	79,149	-	-	2,361,783
Total liabilities	-	349,934	726,682	(689,930)	2,939,964
<b>NET POSITION</b>					
Net investment in capital assets	-	-	251,236	-	1,967,543
Restricted (HUD reserves)	-	-	250	-	345,416
Unrestricted	-	-	(511,283)	-	351,240
Total net position	-	-	(259,797)	-	2,664,199
Total liabilities and net position	\$ -	\$ 349,934	\$ 466,885	\$ (689,930)	\$ 5,604,163

Concluded

See accompanying notes to financial statements.

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Colonial Hillcrest Development</b>	<b>La Posada Development</b>	<b>Woodleaf Development</b>	<b>Rio Felix FmHA Program</b>	<b>Low Rent Public Housing</b>
Operating revenues:					
Tenant charges	\$ 116,713	\$ 17,942	\$ 1,102,896	\$ 33,903	\$ 133,553
Management and administrative fees	-	-	-	-	-
Miscellaneous income	10,431	1,429	19,225	2,282	24,182
Total operating revenues	127,144	19,371	1,122,121	36,185	157,735
Operating expenses:					
Contractual services	25,931	22,107	38,111	11,800	29,154
Personnel expenses	113,716	11,687	216,428	35,691	174,178
Repairs and maintenance	38,814	3,330	216,736	4,215	43,524
Supplies and materials	21,243	3,464	40,015	4,507	188,111
Utilities	115,886	13,840	185,758	63,670	57,730
Ordinary maintenance and operations	95,747	(17,790)	190,741	2,099	33,946
Management and administrative fees	41,995	7,225	74,412	5,400	59,515
Depreciation and amortization	32,775	4,158	96,740	15,095	127,552
Total operating expenses	486,107	48,021	1,058,941	142,477	713,710
Operating income (loss)	(358,963)	(28,650)	63,180	(106,292)	(555,975)
Non-operating revenues (expenses):					
Government subsidies	371,532	61,955	-	34,982	241,627
Interest income	-	2	7	-	50
Housing assistance payments	-	-	-	-	-
Interest expense	(88,605)	(14,425)	(169,753)	(248)	(7,468)
Gain sale of assets	201,670	50,113	-	-	-
Total non-operating revenues (expenses)	484,597	97,645	(169,746)	34,734	234,209
Income (loss) before capital grants and transfers:	125,634	68,995	(106,566)	(71,558)	(321,766)
Capital grants	-	-	-	-	252,695
Transfers in	-	-	50,000	5,480	26,018
Transfers out	-	-	-	-	(26,018)
Change in net position	125,634	68,995	(56,566)	(66,078)	(69,071)
Net position - beginning of year, as previously reported	(117,494)	(68,935)	277,649	367,666	2,462,196
Net position - restatement	-	-	-	-	-
Net position - beginning of year, as restated	(117,494)	(68,935)	277,649	367,666	2,462,196
Net position - end of year	\$ 8,140	\$ 60	\$ 221,083	\$ 301,588	\$ 2,393,125

Continued

See accompanying notes to financial statements.

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

Exhibit A-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Casa Hermosa Development</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Development</u>	<u>Intercompany Eliminations</u>	<u>Totals</u>
Operating revenues:					
Tenant charges	\$ 134,682	\$ -	\$ 3,507	\$ -	\$ 1,543,196
Management and administrative fees	-	-	819,262	(819,262)	-
Miscellaneous income	3,683	8,424	103,858	-	173,514
Total operating revenue	138,365	8,424	926,627	(819,262)	1,716,710
Operating expenses:					
Contractual services	30,860	-	85,073	-	243,036
Personnel expenses	95,552	-	824,483	-	1,471,735
Repairs and maintenance	9,465	-	29,920	-	346,004
Supplies and materials	2,292	-	24,824	-	284,456
Utilities	73,568	-	12,933	-	523,385
Ordinary maintenance and operations	49,552	300	847,907	-	1,202,502
Management and administrative fees	10,870	619,845	-	(819,262)	-
Depreciation and amortization	15,133	-	27,192	-	318,645
Total operating expenses	287,292	620,145	1,852,332	(819,262)	4,389,763
Operating income (loss)	(148,927)	(611,721)	(925,705)	-	(2,673,053)
Non-operating revenues (expenses):					
Government subsidies	-	5,364,018	-	-	6,074,114
Interest income	-	-	-	-	59
Housing assistance	-	(4,744,173)	-	-	(4,744,173)
Interest expense	-	-	(16,131)	-	(295,630)
Gain on sale of assets	2,048,256	-	831,309	-	3,131,348
Total non-operating revenues (expenses)	2,048,256	619,845	815,178	-	4,164,718
Income (loss) before capital grants and transfers:	1,899,329	8,124	(110,527)	-	1,491,665
Capital grants	-	-	-	-	252,695
Transfers in	-	-	-	-	81,498
Transfers out	-	-	(55,480)	-	(81,498)
Change in net position	1,899,329	8,124	(166,007)	-	1,744,360
Net position - beginning of year, as previously reported	(1,899,329)	1,347,179	(93,790)	-	2,275,142
Net position - restatement	-	(1,355,303)	-	-	(1,355,303)
Net position - beginning of year, as restated	(1,899,329)	(8,124)	(93,790)	-	919,839
Net position - end of year	\$ -	\$ -	\$ (259,797)	\$ -	\$ 2,664,199

Concluded

See accompanying notes to financial statements.

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

**Exhibit A-3**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Colonial Hillcrest Development	La Posada Development	Woodleaf Development	Rio Felix FmHA Program
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 134,889	\$ 19,974	\$ 1,120,889	\$ 36,980
Payments to employees for services	(139,850)	(11,687)	(212,529)	(35,664)
Payments to suppliers and contractors	(336,243)	(32,940)	(749,238)	(91,485)
Payments to (from) other funds	20,152	(12,500)	137,601	30,796
Net cash provided by (used in) operating activities	(321,052)	(37,153)	296,723	(59,373)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Housing assistance payments	-	-	-	-
Receipts from intergovernmental HUD subsidy	371,532	61,955	-	34,982
Long-term receivable	102,754	-	-	-
Net cash provided by (used in) non-capital and related financing activities	474,286	61,955	-	34,982
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Principal payments on debt	(1,221,200)	(198,800)	(75,000)	(4,344)
Interest payments	(123,303)	(20,070)	(169,753)	(248)
Purchase of capital assets	-	-	-	-
Proceeds from capital assets	812,184	116,945	-	-
Net cash provided by (used in) capital financing activities	(532,319)	(101,925)	(244,753)	(4,592)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	-	-	7	-
Change in investments	7	-	-	-
Net cash provided by (used in) investing activities	7	-	7	-
Net increase (decrease) in cash	(379,078)	(77,123)	51,977	(28,983)
Cash and cash equivalents, beginning of year	387,218	77,183	396,534	71,856
Cash and cash equivalents, end of year	\$ 8,140	\$ 60	\$ 448,511	\$ 42,873
Displayed as:				
Cash	\$ 8,140	\$ 60	\$ 56,354	\$ 39,781
Restricted Cash	-	-	392,157	3,092
	\$ 8,140	\$ 60	\$ 448,511	\$ 42,873
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH:</b>				
Provided by (used in) operating activities:				
Net operating income (loss)	\$ (358,963)	\$ (28,650)	\$ 63,180	\$ (106,292)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	32,775	4,158	96,740	15,095
Changes in assets and liabilities:				
Receivables	18,572	3,301	5,864	957
Due from other funds	66,004	-	137,601	5,480
Accounts payable	(20,843)	(764)	(3,467)	206
Accrued liabilities	(1,820)	-	3,811	116
Due to other funds	(45,852)	(12,500)	-	25,316
Deferred revenue	(1,189)	(423)	(4,794)	216
Tenant deposits	(9,638)	(2,275)	(2,300)	(378)
Escrow funds held by others	-	-	-	-
Compensated absences	(98)	-	88	(89)
Net cash provided by (used in) operating activities	\$ (321,052)	\$ (37,153)	\$ 296,723	\$ (59,373)

See accompanying notes to financial statements.

Continued

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

**Exhibit A-3**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Low Rent Public Housing	Casa Hermosa Development	Section 8 Housing Program	Administrative Services Development	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 153,837	\$ 231,123	\$ 1,124	\$ 926,627	\$ 2,625,443
Payments to employees for services	(172,241)	(98,159)	-	(820,305)	(1,490,435)
Payments to suppliers and contractors	(586,290)	(178,225)	(620,145)	(1,001,997)	(3,596,563)
Payments to (from) other funds	66,516	(891,722)	-	(44,954)	(694,111)
Net cash provided by (used in) operating activities	<u>(538,178)</u>	<u>(936,983)</u>	<u>(619,021)</u>	<u>(940,629)</u>	<u>(3,155,666)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Housing assistance payments	-	-	(4,744,173)	-	(4,744,173)
Receipts from intergovernmental HUD subsidy	574,654	-	4,278,867	-	5,321,990
Long-term receivable	-	-	-	-	102,754
Net cash provided by (used in) non-capital and related financing activities	<u>574,654</u>	<u>-</u>	<u>(465,306)</u>	<u>-</u>	<u>680,571</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>					
Principal payments on debt	(131,060)	(1,530,000)	-	(384,441)	(3,544,845)
Interest payments	(7,418)	-	-	(25,142)	(345,934)
Purchase of capital assets	(54,993)	-	-	(47,296)	(102,289)
Proceeds from capital assets	-	2,434,732	-	1,522,385	4,886,246
Net cash provided by (used in) capital financing activities	<u>(193,471)</u>	<u>904,732</u>	<u>-</u>	<u>1,065,506</u>	<u>893,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	-	-	-	-	7
Change in investments	(49)	-	-	-	(42)
Net cash provided by (used in) investing activities	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35)</u>
Net increase (decrease) in cash	(157,044)	(32,251)	(1,084,327)	124,877	(1,581,952)
Cash and cash equivalents, beginning of year	193,414	32,251	1,434,261	10,274	2,602,991
Cash and cash equivalents, end of year	<u>\$ 36,370</u>	<u>\$ -</u>	<u>\$ 349,934</u>	<u>\$ 135,151</u>	<u>\$ 1,021,039</u>
Displayed as:					
Cash	\$ 17,120	\$ -	\$ 270,152	\$ 134,901	\$ 526,508
Restricted cash	19,250	-	79,782	250	494,531
	<u>\$ 36,370</u>	<u>\$ -</u>	<u>\$ 349,934</u>	<u>\$ 135,151</u>	<u>\$ 1,021,039</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH:</b>					
Provided by (used in) operating activities:					
Net operating income (loss)	\$ (555,975)	\$ (148,927)	\$ (611,721)	\$ (925,705)	\$ (2,673,053)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	127,552	15,133	-	27,192	318,645
Changes in assets and liabilities:					
Receivables	9,616	14,811	-	-	53,121
Due from other funds	(80,354)	-	-	(92,769)	35,962
Accounts payable	(13,646)	(1,618)	-	(1,340)	(41,472)
Accrued liabilities	2,030	(2,602)	-	4,196	5,731
Due to other funds	(13,794)	(891,722)	-	47,815	(890,737)
Deferred revenue	(16,402)	(2,733)	-	-	(25,325)
Tenant deposits	2,888	80,680	-	-	68,977
Escrow funds held by others	-	-	(7,300)	-	(7,300)
Compensated absences	(93)	(5)	-	(18)	(215)
Net cash provided by (used in) operating activities	<u>\$ (538,178)</u>	<u>\$ (936,983)</u>	<u>\$ (619,021)</u>	<u>\$ (940,629)</u>	<u>\$ (3,155,666)</u>

See accompanying notes to financial statements

Concluded

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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**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 Authority 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, 2013. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements.

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

**Reporting Entity**—The Authority's combined financial statements include all of the authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether: (1) the organization is legally separate (can sue and be sued in their own name), (2) the Authority hold the corporate powers of the organization, (3) the Authority appoints a voting majority of the organizations board, (4) the Authority is able to impose its will on the organization, (5) the organization has the potential to impose a financial/benefit/burden on the Authority. (6) there is a fiscal dependency by the organization of the Authority.

Based on the aforementioned criteria, the Authority determined it had blended component units as follows. The Authority has created, in accordance with the Regional Housing Law, Section 11-3A-1, NMSA 1978, the following non-profit corporations to issue bonds for the acquisition and rehabilitation of apartment projects: RHA Housing Development Corporation (Woodleaf), Southeastern New Mexico Affordable Housing Corporation (Casa Hermosa), and Carlsbad Housing Corporation (Colonial Hillcrest and La Posada). These are blended component units.

*Programs and Developments:* The Authority, through related non-profit organizations, owns various apartment complexes, and is also a designated public housing authority ("PHA") by HUD, and participates in various rental assistance programs which include:

- Colonial Hillcrest and La Posada Development (Enterprise Fund) - Two apartment complexes in Carlsbad, New Mexico owned by Carlsbad Housing Corporation and operated by the Authority. Colonial Hillcrest is a 74 unit low income multi-family development and La Posada is a 12 unit low income multi-family development. The complexes were sold during 2013.
- Woodleaf Development (Enterprise Fund) - A 152 unit apartment complex in Hobbs, New Mexico, which is owned by RHA Housing Development Corporation and managed by the Authority.
- Farmers Home Administration (Enterprise Fund) - Farm Labor Housing Project (Rio Felix) - A development which is located in Hagerman, New Mexico, and is owned and managed by the Authority. The project was constructed as a result of substantial grant and a small loan within a 1% interest rate from the Farmers Home Administration ("FmHA"). Tenants of the project pay a basic rent of 30% of their adjusted income as rent and FmHA subsidizes the difference between the tenant rent and basic rent for qualifying applicants.
- Low Rent Public Housing (Enterprise Fund) - A program with a combined total of 84 rental units in Roswell, Capitan, and Carrizozo, New Mexico. The developments are owned and managed by the Authority. Participants in this program pay rent equal to 30% of their adjusted income. HUD, through the Authority, pays the balance of the rent.
- Casa Hermosa Development (Enterprise Fund) - An 88 unit multi-family rental housing project for low and moderate income persons located in Hobbs, New Mexico, owned by Southeastern New Mexico Affordable Housing Corporation and operated by the Authority. The complex was sold during 2013.
- Section 8 Housing Voucher Program (Enterprise Fund) - A rent subsidy program funded by HUD. The subsidy is equal to the difference between a payment standard based on HUD published fair market rents and a percentage of the tenant's adjusted monthly income.
- Administrative Services Department (Enterprise Fund) - The department of the Authority which manages the above listed developments and provides support to the above listed programs for which it receives management and/or administrative fees.

***Government-Wide and Fund Financial Statements***—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Authority's enterprise programs are accounted for as one business-type activity for financial reporting purposes. Major individual enterprise funds are reported as separate columns in the fund financial statements. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenue from fees and charges of the activity; (b) which are governed by laws and regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs.

***Measurement focus, Basis of Accounting, and Financial Statement Presentation***—The government reports all proprietary funds as major funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds (including administrative fees paid to the Administrative Services Department from the other programs), and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided such as rental fees; and 2) operating grants and contributions such as weatherization assistance. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for rent and Section 8 rent vouchers. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. Revenues are recognized as soon as they are both measurable and available.

**Revenue Recognition**—The Authority has entered into annual contributions contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as government subsidies revenue in the accompanying revenues, except for capital related contributions, which are recorded as non-operating revenues.

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance, if any, are deferred until earned.

**Deposits and Investments**—The Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an agency of the United States. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value.

**Receivables and Payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inter-program receivables and payables arose from loans and reimbursable expenses between developments and programs. Accounts receivable and accounts payable relate to operating trade activities.

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Restricted Assets**—Certain resources set aside for the repayment of security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. Assets held in replacement reserves and other escrows as required by bond indenture agreements are classified as restricted.

**Prepaid Items**—Certain payments to vendors for items that include insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the authority during the current fiscal year was \$296,637. No interest was included as part of the cost of capital assets under construction.

The following estimated useful lives are used in providing for depreciation of property and equipment.

Buildings	40 years
Buildings improvements	7-20 years
Equipment and office equipment	3 - 10 years

**Analysis of impairment**—Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2013.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

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

**Unearned Revenues**—Accounting principles generally accepted in the United State of America require that the grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as deferred revenues. As of June 30, 2013, unearned revenue consisted of prepaid rents from tenants of \$14,693 and grant revenues received but not yet earned of \$270,152.

**Compensated Absences**—Vested or accumulated vacation leave that is expecting to be liquidated with 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 the provisions of Governmental Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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

**Bond Issue Costs**—The Authority capitalizes underwriter fees, legal fees, bond counsel, and related costs of refinancing as bond issue costs. Bond issuance costs and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the bonds using a method that approximates the effective interest method. See Note 7 regarding the deferred loss on advance refunding.

**Revenues and Expenses**—Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primary of charges for services paid by tenants and by grantor agencies. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

**Allocation Expenses**—For purposes of the statement of revenues, expenses and changes in fund net position, payroll taxes and fringe benefits were allocated to operations and administration based on direct salaries.

**Components of Net Position**—Components of net position include the following:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position - Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the statement of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position - Consists of assets and deferred outflows less related liabilities and deferred inflows reported in the balance sheet that are not subject to restraints on their use.

**Budget**—Budget for Low Rent Public Housing is adopted and amended on a HUD-prescribed basis on an annual basis.

The Public Housing Authority follows these procedures in establishing the budgetary process:

1. The executive director and the fee accountant prepare the budget in accordance with the US Department of Housing and Urban Development ("HUD") Guidelines.
2. Capital expenditures for the Capital Funds Program (CFP) are budgeted for grant purposes. Expenditures capitalized are reflected as increases to capital assets and reported on the statement of net position. The Authority does not budget for depreciation expense.
2. HUD reviews the proposed budget and makes corrections, revisions and amendments as necessary.
3. The executive director submits the budget to the Public Housing Authority's board of commissioners for approval.
4. The board of commissioners approves the budget.

The budget is a guideline to operations and is not a legally enforceable document. The Authority's level of budgetary control is at the total fund level and the individual capital projects level. The budget for the Low Rent Public Housing and Section 8 Housing program are approved by HUD.

**New Government Accounting Standards**—In March 2012, Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented for year ending June 30, 2014.

In March 2012, Statement No. 66 Technical Corrections 2012, an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, Statement No. 67 Financial Reporting for Pension Plans, an amendment of GASB Statements No. 25, which is effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2012, Statement No. 68 Accounting and Financial Reporting for Pensions, an amendment of GASB Statements No. 27, which is effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

**Subsequent Events**—Management has evaluated events through September 13, 2013, the date the financial statements were available to be issued.

**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, 2013.

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

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

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

**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, 2013, \$789,734 of the Authority's deposits totaling \$1,289,734 were exposed to custodial credit risk.

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, 2013 is as follows:

	<b>Wells Fargo Bank</b>	<b>Wells Fargo Investment</b>	<b>Total</b>
Total deposits in bank	\$ 944,564	\$ 345,166	\$ 1,289,730
FDIC/SPIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>\$ 694,564</u>	<u>\$ 95,166</u>	<u>\$ 789,730</u>
Pledged securities	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	<u>(347,282)</u>	<u>(47,583)</u>	<u>(394,865)</u>
Under collateralization	<u>\$ (347,282)</u>	<u>\$ (47,583)</u>	<u>\$ (394,865)</u>

Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from depositors' other accounts at the same FDIC-insured depository institutions (IDI). Instead, noninterest-bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount of \$250,000 per depositor, at each separately chartered IDI.

As of June 30, 2013 the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. Cash and cash equivalents consists of the following:

Cash and cash equivalents	\$ 526,508
Restricted cash	494,531
Investments	<u>96,353</u>
Total cash and cash equivalents	<u>1,117,392</u>
Add: outstanding checks and other reconciling items	173,825
Less: petty cash	<u>(1,487)</u>
Reconciled balance of deposits	<u>\$ 1,289,730</u>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013 consisted of the following:

Charges for services	\$ 26,057
Less allowance for doubtful accounts	<u>(15,238)</u>
Net receivables	<u>\$ 10,819</u>

**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. Interfund balances are expected to be repaid within one year from the date of the financial statements. The composition of interfund balances as of June 30, 2013 is as follows:

Due from other funds	Due to other funds	Amount
Administrative Service	Rio Felix	\$ 80,498
Low Rent - Vaughn	Low Rent - Sandstone	22
Woodleaf	Administrative Service	<u>609,410</u>
		<u>\$ 689,930</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 916,622	\$ -	\$ (121,815)	\$ 794,807
Capital assets, being depreciated:				
Buildings	11,736,855	-	(2,677,139)	9,059,716
Equipment	626,228	102,288	(56,869)	671,647
Total capital assets, being depreciated	12,363,083	102,288	(2,734,008)	9,731,363
Less accumulated depreciation for:				
Buildings	\$ (7,184,879)	(263,333)	1,787,341	(5,660,871)
Equipment	(554,004)	(33,595)	56,869	(530,730)
Total accumulated depreciation	(7,738,883)	(296,928)	1,844,210	(6,191,601)
Total capital assets, being depreciated, net	4,624,200	(194,640)	(889,798)	3,539,762
Capital assets, net	\$ 5,540,822	\$ (194,640)	\$ (1,011,613)	\$ 4,334,569

Depreciation expense for the year ended June 30, 2013 was \$296,928.

**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. Repayments of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of the conduit debt obligation outstanding as of June 30, 2013 was \$2,203,000.

During the year ended June 30, 2004 the Authority issued \$3,300,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Washington Place Apartments, a 76 unit multifamily housing complex located in Hobbs, New Mexico. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. \$400,000 of these bonds were called for redemption on May 17, 2013 and \$2,900,000 on June 17, 2013.

7. **LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended June 30, 2013, were as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Woodleaf development	\$ 2,420,000	\$ -	\$ (75,000)	\$ 2,345,000	\$ 80,000
Colonial Hillcrest development	1,221,200	-	(1,221,200)	-	-
La Posada development	198,800	-	(198,800)	-	-
Casa Hermosa development	1,530,000	-	(1,530,000)	-	-
Rio Felix FmHA development	26,370	-	(4,344)	22,026	4,392
Low rent public housing	131,060	-	(131,060)	-	-
Line of Credit	273,327	-	(273,327)	-	-
Administrative services development	4,255	-	(4,255)	-	-
Administrative services development - RIII	95,258	-	-	95,258	95,258
Administrative services development - Canon copier	5,370	-	(3,449)	1,921	1,921
<b>Totals</b>	<b>\$ 5,905,640</b>	<b>\$ -</b>	<b>\$(3,441,435)</b>	<b>\$ 2,464,205</b>	<b>\$ 181,571</b>

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

Year Ended June 30,	Bond			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 80,000	\$ 164,231	\$ 244,231	101,571	200	101,771
2015	90,000	158,175	248,175	4,437	156	4,593
2016	95,000	151,584	246,584	4,481	111	4,592
2017	100,000	144,638	244,638	4,526	87	4,613
2018	110,000	137,156	247,156	4,190	42	4,232
2019 - 2023	670,000	553,613	1,223,613	-	-	-
2024 - 2028	1,200,000	258,994	1,458,994	-	-	-
<b>Total</b>	<b>\$2,345,000</b>	<b>\$1,568,391</b>	<b>\$ 3,913,391</b>	<b>119,205</b>	<b>596</b>	<b>119,801</b>

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

7.125% revenue bond payable, due in annual principal and semiannual interest installments of approximately \$245,000 with a maturity date of December 2027, secured by pledged revenues from the Woodleaf Development and assets held by the bond trustee as established by the bond indenture.	\$ 2,345,000
1% mortgage payable, due in monthly principal and interest installments of \$211 with a maturity date of May 2019, secured by real estate.	12,132
1% mortgage payable, due in monthly principal and interest installments of \$1,721 with a maturity date of May 2019, secured by real estate.	9,894
14.50% note payable, due in monthly principal and interest installments of \$317 with a maturity date of December 2013, secured by office equipment.	1,921
0% interest note payable due to Region III with no stated maturity. Debt was incurred in Region IV in prior years and absorbed by the Authority as part of the combination of the two offices. The Authority is currently awaiting guidance from the State on how to properly dispose of this debt.	<u>95,258</u>
	<u>\$ 2,464,205</u>

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above. As of June 30, 2013, the Authority was in violation of certain debt covenants. Since the Authority has been in violation of this bond covenant for several years without having their bonds called, we are continuing to report the bonds as long term debt.

The Section 8 Housing Program has a long-term obligation for Family Self Sufficiency (FSS) Escrow for Section 8 money being held for the benefit of the program participants. The money is to assist the participants in achieving home ownership. The money can be drawn upon completion of the program or under certain other circumstances. The total amount as June 30, 2013 was \$79,782, of which \$633 is shown as short-term relating to the current year's graduates of the program.

#### 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 July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	<u>\$ 1,264</u>	<u>\$ 3,642</u>	<u>\$ (3,858)</u>	<u>\$ 1,048</u>	<u>\$ 1,048</u>

**9. RESTRICTED NET POSITION**

As of June 30, 2013, restricted net position consisted of \$345,416 in HUD reserves.

**10. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers compensation; and natural disasters. The Authority is insured through the Risk management Division of the General Services department which is accounted for as internal service fund of the State of New Mexico. In general, the Risk Management Division responds to suits against the State of New Mexico and state agencies, manages funds to provide unemployment compensation, tort liability insurance, worker's compensation and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of the Risk Management Division were not available and not included in this report. However, the Authority is not liable for more than the premiums paid.

**11. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

*Funding Policy*—Plan members are required to contribute 7.0% of their gross salary. The Authority is required to contribute 7.0% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$57,017, \$55,441 and \$65,162, respectively, which equal the amount of required contributions for each fiscal year.

**12. POST EMPLOYMENT HEALTH CARE BENEFITS**

The Retiree Health Care Act (Chapter 10, Article 76 NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. The Public Housing Authority has elected not to participate in the post-employment health insurance plan and there is no required contributions for fiscal year ending June 30, 2013.

**13. ECONOMIC DEPENDENCY**

Substantially all revenues of the Public Housing Authority are received from programs directed by 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.

**14. 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.

**15. 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, 2013:

Woodleaf Development	\$	5,998
Rio Felix FmHA Development Fund	\$	802
Low Rent Public Housing Program	\$	3,724
Administrative Services Department	\$	1,188

B. Deficit net position of individual funds. One fund reflected a deficit net position as of June 30, 2013:

Administrative Services Development	\$	259,797
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**16. NET POSITION RESTATEMENT**

The Authority's net position has been adjusted for an error in previously issued financial statements relating to the improper accounting for unearned grant proceeds. The adjustment to beginning net position for the Authority was \$1,355,303.

**SUPPLEMENTARY INFORMATION**

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

Statement A-1

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - WOODLEAF DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 1,060,976	\$ 1,102,628	\$ 1,102,896	\$ 268
Other tenant revenue	19,493	19,226	19,225	(1)
Total revenues	<u>1,080,469</u>	<u>1,121,854</u>	<u>1,122,121</u>	<u>267</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	115,887	216,428	216,428	-
Contractual services	38,010	38,111	38,111	-
Other operating expenses	33,951	176,099	190,741	(14,642)
Repairs and maintenance	263,926	222,482	216,736	5,746
Supplies and materials	34,097	40,202	40,015	187
Utilities	173,207	189,285	185,758	3,527
Management and administrative fees	71,955	74,412	74,412	-
Depreciation and amortization	9,779	95,924	96,740	(816)
Total operating expenses	<u>740,812</u>	<u>1,052,943</u>	<u>1,058,941</u>	<u>(5,998)</u>
Operating income (loss)	<u>339,657</u>	<u>68,911</u>	<u>63,180</u>	<u>(5,731)</u>
<b>Non-operating revenue (expenses):</b>				
Interest income	47	7	7	-
Interest expense	(174,919)	(169,753)	(169,753)	-
Total non-operating revenues (expenses)	<u>(174,872)</u>	<u>(169,746)</u>	<u>(169,746)</u>	<u>-</u>
Income (loss) before transfers	164,785	(100,835)	(106,566)	(5,731)
Transfers in	-	50,000	50,000	-
Change in net position	164,785	(50,835)	(56,566)	(5,731)
NET POSITION, BEGINNING OF YEAR	<u>277,649</u>	<u>277,649</u>	<u>277,649</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 442,434</u>	<u>\$ 226,814</u>	<u>\$ 221,083</u>	<u>\$ (5,731)</u>

See accompanying notes to financial statements

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

Statement A-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - COLONIAL HILLCREST  
DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 142,720	\$ 116,713	\$ 116,713	\$ -
Other tenant revenue	13,470	10,431	10,431	-
<b>Total revenues</b>	<u>156,190</u>	<u>127,144</u>	<u>127,144</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	134,844	113,716	113,716	-
Contractual services	48,864	26,135	25,931	204
Other operating expenses	26,117	95,982	95,747	235
Repairs and maintenance	35,675	39,087	38,814	273
Supplies and materials	21,866	21,765	21,243	522
Utilities	117,145	115,886	115,886	-
Management and administrative fees	44,569	41,995	41,995	-
Depreciation and amortization	8,040	32,775	32,775	-
<b>Total operating expenses</b>	<u>437,120</u>	<u>487,341</u>	<u>486,107</u>	<u>1,234</u>
<b>Operating income (loss)</b>	<u>(280,930)</u>	<u>(360,197)</u>	<u>(358,963)</u>	<u>1,234</u>
<b>Non-operating revenue (expenses):</b>				
HUD operating subsidy	350,515	371,532	371,532	-
Interest expense	(91,257)	(88,605)	(88,605)	-
Gain/loss sale of assets	-	201,670	201,670	-
<b>Total non-operating revenues (expenses)</b>	<u>259,258</u>	<u>484,597</u>	<u>484,597</u>	<u>-</u>
<b>Change in net position</b>	<u>(21,672)</u>	<u>124,400</u>	<u>125,634</u>	<u>1,234</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>(117,494)</u>	<u>(117,494)</u>	<u>(117,494)</u>	<u>-</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (139,166)</u>	<u>\$ 6,906</u>	<u>\$ 8,140</u>	<u>\$ 1,234</u>

See accompanying notes to financial statements

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

Statement A-3

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - LA POSADA DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 31,041	\$ 17,942	\$ 17,942	\$ -
Other tenant revenue	2,798	1,429	1,429	-
Total revenues	<u>33,839</u>	<u>19,371</u>	<u>19,371</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	31,617	11,687	11,687	-
Contractual services	25,810	22,107	22,107	-
Other operating expenses	5,659	(17,790)	(17,790)	-
Repairs and maintenance	5,845	3,330	3,330	-
Supplies and materials	4,414	3,464	3,464	-
Utilities	17,115	13,840	13,840	-
Management and administrative fees	8,211	7,225	7,225	-
Depreciation and amortization	1,309	4,158	4,158	-
Total operating expenses	<u>99,980</u>	<u>48,021</u>	<u>48,021</u>	<u>-</u>
Operating income (loss)	<u>(66,141)</u>	<u>(28,650)</u>	<u>(28,650)</u>	<u>-</u>
<b>Non-operating revenue (expenses):</b>				
HUD operating subsidy	61,374	61,955	61,955	-
Interest income	1	1	2	1
Interest expense	(14,857)	(14,425)	(14,425)	-
Gain/loss sale of assets	-	50,113	50,113	-
Total non-operating revenues (expenses)	<u>46,518</u>	<u>97,644</u>	<u>97,645</u>	<u>1</u>
Change in net position	(19,623)	68,994	68,995	1
NET POSITION, BEGINNING OF YEAR	<u>(68,935)</u>	<u>(68,935)</u>	<u>(68,935)</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ (88,558)</u>	<u>\$ 59</u>	<u>\$ 60</u>	<u>\$ 1</u>

See accompanying notes to financial statements.

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

Statement A-4

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - CASA HERMOSA DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 280,994	\$ 134,682	\$ 134,682	\$ -
Other tenant revenue	10,569	3,683	3,683	-
<b>Total revenues</b>	<b>291,563</b>	<b>138,365</b>	<b>138,365</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	167,519	95,552	95,552	-
Contractual services	35,756	30,860	30,860	-
Other operating expenses	63,505	49,552	49,552	-
Repairs and maintenance	24,523	9,465	9,465	-
Supplies and materials	11,208	2,292	2,292	-
Utilities	138,743	73,568	73,568	-
Management and administrative fees	22,092	10,870	10,870	-
Depreciation and amortization	8,085	15,133	15,133	-
<b>Total operating expenses</b>	<b>471,431</b>	<b>287,292</b>	<b>287,292</b>	<b>-</b>
Operating income (loss)	(179,868)	(148,927)	(148,927)	-
<b>Non-operating revenue (expenses):</b>				
Interest income	1	-	-	-
Gain/loss sale of assets	-	2,048,256	2,048,256	-
<b>Total non-operating revenues (expenses)</b>	<b>1</b>	<b>2,048,256</b>	<b>2,048,256</b>	<b>-</b>
Change in net position	(179,867)	1,899,329	1,899,329	-
NET POSITION, BEGINNING OF YEAR	(1,899,329)	(1,899,329)	(1,899,329)	-
NET POSITION, END OF YEAR	\$ (2,079,196)	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

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

Statement A-5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - RIO FELIX FmHA DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 37,885	\$ 33,903	\$ 33,903	\$ -
Other tenant revenue	1,425	2,282	2,282	-
Total revenues	<u>39,310</u>	<u>36,185</u>	<u>36,185</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	16,023	35,691	35,691	-
Contractual services	7,747	11,766	11,800	(34)
Other operating expenses	2,226	2,099	2,099	-
Repairs and maintenance	25,720	4,215	4,215	-
Supplies and materials	5,083	4,507	4,507	-
Utilities	22,373	62,902	63,670	(768)
Management and administrative fees	5,400	5,400	5,400	-
Depreciation and amortization	-	15,095	15,095	-
Total operating expenses	<u>84,572</u>	<u>141,675</u>	<u>142,477</u>	<u>(802)</u>
Operating income (loss)	<u>(45,262)</u>	<u>(105,490)</u>	<u>(106,292)</u>	<u>(802)</u>
<b>Non-operating revenue (expenses):</b>				
HUD operating subsidy	26,175	34,982	34,982	-
Interest expense	(285)	(248)	(248)	-
Total non-operating revenues (expenses)	<u>25,890</u>	<u>34,734</u>	<u>34,734</u>	<u>-</u>
Income (loss) before transfers:	<u>(19,372)</u>	<u>(70,756)</u>	<u>(71,558)</u>	<u>(802)</u>
Transfers in	-	5,480	5,480	-
Change in net position	<u>(19,372)</u>	<u>(65,276)</u>	<u>(66,078)</u>	<u>(802)</u>
NET POSITION, BEGINNING OF YEAR	<u>367,666</u>	<u>367,666</u>	<u>367,666</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 348,294</u>	<u>\$ 302,390</u>	<u>\$ 301,588</u>	<u>\$ (802)</u>

See accompanying notes to financial statements.

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

Statement A-6

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - LOW RENT PUBLIC HOUSING  
PROGRAM FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 132,969	\$ 133,626	\$ 133,553	\$ (73)
Other tenant revenue	7,765	5,321	24,182	18,861
Total revenues	<u>140,734</u>	<u>138,947</u>	<u>157,735</u>	<u>18,788</u>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	158,493	174,440	174,178	262
Contractual services	27,152	29,171	29,154	17
Other operating expenses	89,387	33,659	33,946	(287)
Repairs and maintenance	35,842	41,662	43,524	(1,862)
Supplies and materials	119,399	188,297	188,111	186
Utilities	80,552	56,517	57,730	(1,213)
Management and administrative fees	60,900	59,515	59,515	-
Depreciation and amortization	-	126,725	127,552	(827)
Total operating expenses	<u>571,725</u>	<u>709,986</u>	<u>713,710</u>	<u>(3,724)</u>
Operating income (loss)	<u>(430,991)</u>	<u>(571,039)</u>	<u>(555,975)</u>	<u>15,064</u>
<b>Non-operating revenue (expenses):</b>				
HUD operating subsidy	266,278	241,627	241,627	-
Interest income	53	50	50	-
Interest expense	(10,014)	(7,468)	(7,468)	-
Total non-operating revenues (expenses)	<u>256,317</u>	<u>234,209</u>	<u>234,209</u>	<u>-</u>
Income (loss) before capital grants	(174,674)	(336,830)	(321,766)	15,064
Capital grants	<u>290,598</u>	<u>252,695</u>	<u>252,695</u>	<u>-</u>
Change in net position	115,924	(84,135)	(69,071)	15,064
NET POSITION, BEGINNING OF YEAR	<u>2,462,196</u>	<u>2,462,196</u>	<u>2,462,196</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 2,578,120</u>	<u>\$ 2,378,061</u>	<u>\$ 2,393,125</u>	<u>\$ 15,064</u>

See accompanying notes to financial statements

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

Statement A-7

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - SECTION 8 HOUSING PROGRAM FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Other tenant revenue	\$ 56,562	\$ 8,424	\$ 8,424	\$ -
OPERATING EXPENSES:				
Other operating expenses	-	300	300	-
Management and administrative fees	620,332	619,845	619,845	-
Total operating expenses	620,332	620,145	620,145	-
Operating income (loss)	(563,770)	(611,721)	(611,721)	-
Non-operating revenue (expenses):				
HUD operating subsidy	4,130,607	4,175,366	5,364,018	1,188,652
Housing assistance	(4,990,249)	(4,645,939)	(4,744,173)	(98,234)
Total non-operating revenues (expenses)	(859,642)	(470,573)	619,845	1,090,418
Change in net position	(1,423,412)	(1,082,294)	8,124	1,090,418
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	1,347,179	1,347,179	1,347,179	-
NET POSITION, RESTATEMENT	(1,355,303)	(1,355,303)	(1,355,303)	-
NET POSITION, BEGINNING OF YEAR, AS RESTATED	(8,124)	(8,124)	(8,124)	-
NET POSITION, END OF YEAR	\$ (1,431,536)	\$ (1,090,418)	\$ -	\$ 1,090,418

See accompanying notes to financial statements.

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

Statement A-8

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL - ADMINISTRATIVE SERVICES  
DEPARTMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Tenant charges	\$ 10,191	\$ 3,507	\$ 3,507	\$ -
Management and administrative fees	833,458	819,262	819,262	-
Other tenant revenue	46,652	103,858	103,858	-
<b>Total revenues</b>	<b>890,301</b>	<b>926,627</b>	<b>926,627</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>				
Personnel expenses	659,542	825,517	824,483	1,034
Contractual services	87,035	83,346	85,073	(1,727)
Other operating expenses	75,963	846,347	847,907	(1,560)
Repairs and maintenance	30,494	30,818	29,920	898
Supplies and materials	21,058	25,445	24,824	621
Utilities	13,820	13,187	12,933	254
Depreciation and amortization	-	26,484	27,192	(708)
<b>Total operating expenses</b>	<b>887,912</b>	<b>1,851,144</b>	<b>1,852,332</b>	<b>(1,188)</b>
<b>Operating income (loss)</b>	<b>2,389</b>	<b>(924,517)</b>	<b>(925,705)</b>	<b>(1,188)</b>
<b>Non-operating revenue (expenses):</b>				
Interest expense	(2,389)	(14,905)	(16,131)	(1,226)
Gain/loss sale of assets	-	831,309	831,309	-
<b>Total non-operating revenues (expenses)</b>	<b>(2,389)</b>	<b>816,404</b>	<b>815,178</b>	<b>(1,226)</b>
<b>Income (loss) before transfers:</b>	<b>-</b>	<b>(108,113)</b>	<b>(110,527)</b>	<b>(2,414)</b>
Transfers out	-	(55,480)	(55,480)	-
<b>Change in net position</b>	<b>-</b>	<b>(163,593)</b>	<b>(166,007)</b>	<b>(2,414)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>(93,790)</b>	<b>(93,790)</b>	<b>(93,790)</b>	<b>-</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ (93,790)</b>	<b>\$ (257,383)</b>	<b>\$ (259,797)</b>	<b>\$ (2,414)</b>

See accompanying notes to financial statements.

**SUPPORTING SCHEDULES**

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

**Schedule I**

**SCHEDULE OF PLEDGED COLLATERAL  
YEAR ENDED JUNE 30, 2013**

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<b><u>Name of Depository</u></b>	<b><u>Description of Pledged Collateral</u></b>
Pledged by Wells Fargo Bank, N.A.	None

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

**Schedule II**

**SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

Account Name	Wells Fargo Bank	Wells Fargo Investment	Wells Fargo Bank	Total
Checking accounts:				
Clovis Security Deposits	\$ 250	\$ -	\$ -	\$ 250
Administrative Services General	56,518	-	-	56,518
Administrative Services Development	148,825	-	-	148,825
Colonial General	8,608	-	-	8,608
La Posada General	60	-	-	60
Woodleaf Development General	64,252	-	-	64,252
Woodleaf Security Deposits	46,991	-	-	46,991
Rio Felix General	1,944	-	-	1,944
Rio Felix Security Deposits	3,092	-	-	3,092
Rio Felix Tax and Insurance	547	-	-	547
Rio Felix Reserve	39,233	-	-	39,233
SSM General	85,788	-	-	85,788
SSM Security Deposits	17,052	-	-	17,052
Vaughn General	1,310	-	-	1,310
Vaughn Security Deposits	2,197	-	-	2,197
Casa Security Deposits	-	-	-	-
Section 8 Housing Vouchers	285,230	-	-	285,230
Section 8	86,314	-	-	86,314
Money market accounts:				
Woodleaf Repaid Fund	-	43,650	-	43,650
Woodleaf Debt Service Fund	-	251,544	-	251,544
Woodleaf Expense Fund	-	1,269	-	1,269
Woodleaf Surplus Fund	-	7,453	-	7,453
Woodleaf Bond Fund	-	41,250	-	41,250
Certificate of Deposit - Sandstone	-	-	96,353	96,353
Total amount of deposit in bank	848,211	345,166	96,353	1,289,730
Reconciling items:				
Less: outstanding checks per bank reconciliation	(173,825)	-	-	(173,825)
Total reconciling items	(173,825)	-	-	(173,825)
Reconciled balance	\$ 674,386	\$ 345,166	\$ 96,353	\$ 1,115,905
Plus: petty cash				1,487
Less: investments				(96,353)
Less: restricted cash and cash equivalents				(494,531)
				<u>\$ 526,508</u>

**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)  
YEAR ENDED JUNE 30, 2013**

*Debt Service Ratio Calculation*

Net revenue available for debt service	\$ 209,928
Divided by	
Maximum Annual Debt Service as defined in the bond trust indenture	<u>244,231</u>
Debt Service Ratio	<u>0.86</u>
Debt Service Ratio required by bond indenture	<u>1.25</u>

*Calculation of Net Revenues Available for Debt Service on the Bonds*

Total gross revenues	\$ 1,172,129
Total operating expenses and interest expense	(1,228,694)
Plus: Recorded bond amortization and depreciation expense	96,740
Interest expense related to 1997A Series bonds	<u>169,753</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	<u>\$ 209,928</u>

*Debt Service for the year ended June 30, 2013:*

Principle reduction on 1997A Series bonds during the year ended June 30, 2013	\$ 80,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2013	<u>164,231</u>
<i>Maximum Annual Debt Services as defined in the bond indenture</i>	<u>\$ 244,231</u>

**Note:**

The computation of Debt Service Coverage Ratio for the year ended June 30, 2013, ("the computation") is not calculated on GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

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

**Schedule IV**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice voucher 14.871	Colonial/La Posada/Casa Hermosa Housing Assistance 14.195
111	Cash - unrestricted	\$ 17,120	\$ -	\$ 270,152	\$ 8,200
114	Cash - tenant security deposits	19,250	-	-	-
	Cash - replacement reserve/escrow deposits	-	-	79,782	-
100	Total cash	36,370	-	349,934	8,200
126	Accounts receivable - tenants - dwelling rents	9,368	-	-	-
126	Allowance for doubtful accounts- dwelling rents	-	-	-	-
120	Total receivables, net	9,368	-	-	-
131	Investments - unrestricted	96,353	-	-	-
132	Investments - restricted	-	-	-	-
144	Interprogram - due from	22	-	-	-
130	Total investments	96,375	-	-	-
150	Total current assets	142,113	-	349,934	8,200
161	Land	335,734	-	-	-
162	Buildings	4,938,649	-	-	-
163	Furniture, equipment, & machinery - dwellings	159,478	-	-	-
166	Accumulated depreciation	(3,154,422)	-	-	-
160	Total fixed assets, net	2,279,439	-	-	-
174	Other assets	-	-	-	-
180	Total non current assets	2,279,439	-	-	-
190	Total assets	\$ 2,421,552	\$ -	\$ 349,934	\$ 8,200
312	Accounts payable <= 90 days	\$ 3,381	\$ -	\$ -	\$ -
321	Accrued wage/payroll tax payable	3,638	-	-	-
322	Accrued compensated absences - current portion	121	-	-	-
325	Accrued interest payable	-	-	-	-
341	Tenant security deposits	19,251	-	-	-
342	Unearned revenues	2,014	-	270,152	-
343	Current portion of long term debt - capital projects	-	-	-	-
	Current portion of long term debt - operating	-	-	-	-
344	borrowings	-	-	-	-
345	Other current liabilities	-	-	633	-
347	Interprogram due to	22	-	-	-
310	Total current liabilities	28,427	-	270,785	-
351	Long term debt, net of current - capital projects	-	-	-	-
353	Noncurrent liabilities - other	-	-	79,149	-
350	Total noncurrent liabilities	-	-	79,149	-
300	Total liabilities	28,427	-	349,934	-
508.1	Net investment in capital assets	2,279,439	-	-	-
509.3	Restricted	-	-	-	-
512.1	Unrestricted	113,686	-	-	8,200
513	Total equity/net position	2,393,125	-	-	8,200
600	Total liabilities and equity/net position	\$ 2,421,552	\$ -	\$ 349,934	\$ 8,200

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

**Schedule IV**

**FINANCIAL DATA SCHEDULE  
YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
111	Cash - unrestricted	\$ 39,781	\$ 56,354	\$ 134,901	\$ 526,508
114	Cash - tenant security deposits	3,092	46,991	250	69,583
	Cash - replacement reserve/escrow deposits	-	-	-	79,782
100	Total cash	42,873	103,345	135,151	675,873
126	Accounts receivable - tenants - dwelling rents	743	15,946	-	26,057
126	Allowance for doubtful accounts- dwelling rents	-	(15,238)	-	(15,238)
120	Total receivables, net	743	708	-	10,819
131	Investments - unrestricted	-	-	-	96,353
132	Investments - restricted	-	345,166	-	345,166
144	Interprogram - due from	-	609,410	80,498	689,930
130	Total investments	-	954,576	80,498	1,131,449
150	Total current assets	43,616	1,058,629	215,649	1,818,141
161	Land	169,050	259,919	30,104	794,807
162	Buildings	618,248	3,296,666	206,154	9,059,717
163	Furniture, equipment, & machinery - dwellings	10,008	62,791	439,371	671,648
166	Accumulated depreciation	(432,288)	(2,180,500)	(424,393)	(6,191,603)
160	Total fixed assets, net	365,018	1,438,876	251,236	4,334,569
174	Other assets	-	141,383	-	141,383
180	Total non current assets	365,018	1,580,259	251,236	4,475,952
190	Total assets	\$ 408,634	\$ 2,638,888	\$ 466,885	\$ 6,294,093
312	Accounts payable <= 90 days	\$ 448	\$ 1,432	\$ 4,326	\$ 9,587
321	Accrued wage/payroll tax payable	536	4,571	15,027	23,772
322	Accrued compensated absences - current portion	22	165	740	1,048
325	Accrued interest payable	-	7,392	-	7,392
341	Tenant security deposits	3,091	46,991	-	69,333
342	Unearned revenues	425	12,254	-	284,845
343	Current portion of long term debt - capital projects	4,392	80,000	-	84,392
	Current portion of long term debt - operating	-	-	-	-
344	borrowings	-	-	97,179	97,179
345	Other current liabilities	-	-	-	633
347	Interprogram due to	80,498	-	609,410	689,930
310	Total current liabilities	89,412	152,805	726,682	1,268,111
351	Long term debt, net of current - capital projects	17,634	2,265,000	-	2,282,634
353	Noncurrent liabilities - other	-	-	-	79,149
350	Total noncurrent liabilities	17,634	2,265,000	-	2,361,783
300	Total liabilities	107,046	2,417,805	726,682	3,629,894
508.1	Net investment in capital assets	342,992	(906,124)	251,236	1,967,543
509.3	Restricted	-	345,166	250	345,416
512.1	Unrestricted	(41,404)	782,041	(511,283)	351,240
513	Total equity/net position	301,588	221,083	(259,797)	2,664,199
600	Total liabilities and equity/net position	\$ 408,634	\$ 2,638,888	\$ 466,885	\$ 6,294,093

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

**Schedule IV**

**FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Low Rent Public Housing Program 14.850a	CFP 14.872	Section 8 Housing Choice voucher 14.871	Colonial/La Pasada/Casa Hermosa Housing Assistance 14.195
703	Net tenant rental revenue	\$ 133,553	\$ -	\$ -	\$ 269,337
704	Tenant revenue - other	5,321	-	-	15,542
706	Total tenant revenue	138,874	-	-	284,879
706	HUD PHA operating grants	241,627	-	5,364,018	433,487
706 1	Capital grants	123,311	129,384	-	-
708	Other governmental grants	-	-	-	-
711	Investment income - unrestricted	50	-	-	8
714	Fraud recovery	-	-	8,424	-
715	Other revenue	18,861	-	-	2,300,039
700	Total revenue	522,723	129,384	5,372,442	3,018,413
911	Administrative salaries	29,491	-	-	41,530
912	Auditing fees	4,464	1,500	-	10,092
913	Outside management fees	59,515	-	619,845	60,089
914	Compensated absences	5,323	-	-	8,494
915	Employee benefit contributions - administrative	48,495	-	-	36,120
916	Other operating - administrative	10,033	3,806	-	37,220
	Subtotal	157,321	5,306	619,845	193,545
931	Water	8,614	-	-	90,049
932	Electricity	11,684	-	-	40,868
933	Gas	24,075	-	-	24,624
938	Telephone	9,807	-	-	10,215
	Subtotal	54,180	-	-	165,756
941	Ordinary maintenance & operation - labor	68,441	-	-	95,891
942	Ordinary maintenance & operation - materials & other	131,697	124,078	300	195,825
	Subtotal	200,138	124,078	300	291,716
961	Insurance premiums	17,771	-	-	34,337
962	Other general expenses	27,363	-	-	83,997
967	Interest expense	7,468	-	-	103,038
	Subtotal	52,602	-	-	221,372
969	Total operating expenses	464,241	129,384	620,145	872,389
970	Excess operating revenue over operating expenses	58,482	-	4,752,297	2,146,024
973	Housing assistance payments	-	-	4,744,173	-
974	Depreciation expense	127,553	-	-	52,066
900	Total expenses	591,794	129,384	5,364,318	924,455
10010	Transfers in	26,018	-	-	-
10020	Transfers out	(26,018)	-	-	-
10100	Total other financing sources (uses)	-	-	-	-
1000	Excess (deficiency) of total revenue over total expenses	(69,071)	-	8,124	2,093,958
1103	Beginning equity	2,462,196	-	1,347,179	(2,085,758)
1104	Prior period adjustment	-	-	(1,355,303)	-
	Ending equity (deficit)	\$ 2,393,125	\$ -	\$ -	\$ 8,200

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

**Schedule IV**

**FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

Line Item Number	Description	Rio Felix FmHA Program 10.405	State and Local Woodleaf	Business ASA	Total
703	Net tenant rental revenue	\$ 33,903	\$ 1,102,896	\$ 3,507	\$ 1,543,196
704	Tenant revenue - other	2,282	19,225	-	42,370
706	Total tenant revenue	36,185	1,122,121	3,507	1,585,366
706	HUD PHA operating grants	-	-	-	6,039,132
706.1	Capital grants	-	-	-	252,695
708	Other governmental grants	34,982	-	-	34,982
711	Investment income - unrestricted	-	7	-	65
714	Fraud recovery	-	-	7,652	16,076
715	Other revenue	-	-	1,691,296	4,010,196
700	Total revenue	71,167	1,122,128	1,702,455	11,938,712
911	Administrative salaries	(420)	61,410	552,730	684,741
912	Auditing fees	1,147	8,716	11,469	37,388
913	Outside management fees	5,400	74,412	-	819,261
914	Compensated absences	949	4,549	42,649	61,964
915	Employee benefit contributions - administrative	9,291	37,379	193,108	324,393
916	Other operating - administrative	1,321	4,866	37,752	94,998
	Subtotal	17,688	191,332	837,708	2,022,745
931	Water	15,881	42,426	2,250	159,220
932	Electricity	2,727	24,045	10,683	90,007
933	Gas	605	10,076	-	59,380
938	Telephone	1,659	23,885	34,809	80,375
	Subtotal	20,872	100,432	47,742	388,982
941	Ordinary maintenance & operation - labor	25,368	69,381	-	259,081
942	Ordinary maintenance & operation - materials & other	9,162	423,608	810,307	1,694,977
	Subtotal	34,530	492,989	810,307	1,954,058
961	Insurance premiums	9,835	25,120	37,907	124,970
962	Other general expenses	44,457	152,328	35,996	344,141
967	Interest expense	248	169,753	16,130	296,637
	Subtotal	54,540	347,201	90,033	765,748
969	Total operating expenses	127,630	1,131,954	1,785,790	5,131,533
970	Excess operating revenue over operating expenses	(56,463)	(9,826)	(83,335)	6,807,179
973	Housing assistance payments	-	-	-	4,744,173
974	Depreciation expense	15,095	96,740	27,192	318,646
900	Total expenses	142,725	1,228,694	1,812,982	10,194,352
10010	Transfers in	5,480	50,000	-	81,498
10020	Transfers out	-	-	(55,480)	(81,498)
10100	Total other financing sources (uses)	5,480	50,000	(55,480)	-
1000	Excess (deficiency) of operating revenue over operating expenses	(66,078)	(56,566)	(166,007)	1,744,360
1103	Beginning equity	367,666	277,649	(93,790)	2,275,142
1104	Prior period adjustment	-	-	-	(1,355,303)
	Ending equity (deficit)	\$ 301,588	\$ 221,083	\$ (259,797)	\$ 2,664,199

**COMPLIANCE SECTION**



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**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**

Hector H. Balderas, New Mexico State Auditor  
and the Board of Commissioners of the  
Eastern Regional Housing Authority  
Roswell, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Eastern Regional Housing Authority, (the "Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparisons of the Authority, presented as supplementary information, and have issued our report thereon dated September 13, 2013.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2013-1, 2007-4 and 2007-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Stickler & Piloto, LLP*

El Paso, Texas  
September 13, 2013



# Strickler & Prieto, LLP

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El Paso, Texas 79901  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Hector H. Balderas, New Mexico State Auditor  
and the Board of Commissioners of the  
Eastern Regional Housing Authority  
Roswell, New Mexico

### **Report on Compliance for Each Major Federal Program**

We have audited the Eastern Regional Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Report on Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. ✓

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Strickler & Riato, LLP

El Paso, Texas  
September 13, 2013

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public and Indian Housing	14.850	\$ 241,627
Section 8 Housing Choice Vouchers	14.871	5,364,018
Section 8 Housing Assistance Payment Program - Special Allocations:		
Colonial Hillcrest Development	14.195	371,532
La Posada Development	14.195	<u>61,955</u>
Subtotal Section 8 Housing Assistance Payment Program		<u>433,487</u>
Public Housing Capital Fund	14.872	<u>252,695</u>
Total U.S. Department of Housing and Urban Development		<u>6,291,827</u>
U.S. Department of Agriculture:		
Direct Programs:		
Farm Labor Housing Loans and Grants	10.405	<u>34,982</u>
Total U.S. Department of Agriculture		<u>34,982</u>
Total Expenditures of Federal Awards		<u>\$ 6,326,809</u>
Non-cash assistance		\$ 0

See accompanying auditor's report and 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, 2013**

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**1. BASIS OF PRESENTATION**

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

**2. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 6,326,809
Government subsidies revenue	\$ 6,074,114
Capital grants	<u>252,695</u>
Total grants	<u>\$ 6,326,809</u>

**3. SUB-RECIPIENTS**

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

**4. INSURANCE REQUIREMENTS**

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

**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, 2013**

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**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

14.871	Section 8 Housing Choice Vouchers
--------	-----------------------------------

Dollar threshold used to distinguish between type A and type B programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee?  Yes  No

**B. FINDINGS - FINANCIAL STATEMENT AUDIT:****2013-1 Pledged Collateral Less Than State Requirements (Significant Deficiency)****Condition**

As of January 1, 2013 the Authority's bank balances exceeded the state requirements for pledged collateral as follows:

Bank balance	\$ 1,289,730
FDIC Insurance	<u>500,000</u>
Uninsured public funds	789,730
50% pledged collateral requirement per statute	394,865
Pledged collateral	<u>-</u>
Pledged collateral under the requirement	<u>\$ 394,865</u>

**Criteria**

Per Section 6-10-16, NMSA 1978, pledged collateral is required to be 50% of deposits in banks.

**Cause**

The Authority was not aware that the unlimited insurance coverage for noninterest-bearing transactions accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012.

**Effect**

Noncompliance with state law.

**Recommendation**

Closely monitor bank deposits and maintain required pledged collateral.

**Management's Response**

The Authority has corrected the Pledged Collateral error. This was an oversight on our part. Double checks on Pledged Collateral have been put in place to assure compliance. ✓

**2007-4 Expenditures in Excess of Budget Amounts (Significant Deficiency)**

**Condition**

The following funds exceeded approved budgetary Authority for the year ended June 30, 2013:

Woodleaf Development Fund	\$	5,998
Rio Felix FmHA Development Fund	\$	802
Low Rent Public Housing Program	\$	3,724
Administrative Services Department	\$	1,188

**Criteria**

New Mexico State Statue 6-6-6 NMSA 1978 requires that spending does not exceed budgeted amounts unless approved budget adjustments are made.

**Effect**

The Authority is not in compliance with the requirements of NMSA 6-6-6 and there is increased risk that unauthorized transactions could occur.

**Cause**

The budget was not effectively monitored or adjusted prior to being over expended.

**Recommendation**

We recommend the Authority monitor the budget and adjust it when necessary.

**Agency Response**

The Authority will monitor the budget on a monthly basis and revise on a quarterly basis to make adjustments if required in an attempt to eliminate expenditures in excess of budget. ✓

**2007-2 Violation of Debt Covenant (Significant Deficiency)**

**Condition**

The Authority's debt service ratio is .86 for Woodleaf Development. The Authority did not comply with the debt covenants related to Woodleaf Development.

**Criteria**

The bond trust indentures require that the ratio of revenue available for debt service to the maximum annual debt service be 1.25.

**Effect**

If the ratio is not brought into compliance with the debt service covenants, the loan could be declared in default and become due.

**Cause**

The primary cause of this noncompliance is that the subsequent year's debt service requirements were too high in relation to the current year revenues.

**Recommendation**

Revenues should be increased and expenses should be decreased at Woodleaf Development.

**Agency Response**

Woodleaf Apartments wrote off significant uncollectable debt, these losses caused a decline in the debt service ratio. Woodleaf Apartments are on track to exceed debt service ratio this fiscal year. No further losses of this level are anticipated. ✓

**C. FINDINGS - FEDERAL AWARDS**

No findings related to Federal Awards noted. ✓

**D. STATUS OF PRIOR YEAR FINDINGS**

2007-2	Violation of Debt Covenant	Repeat
2007-4	Expenditures in Excess of Budget Amounts	Repeat
2008-4	Deficit Budgeting	Resolved
2011-4	Reconciliation of Tenant Deposits	Resolved
2011-5	Budget Submission	Resolved

\* ✓

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

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2013**

---

An exit conference was conducted on September 20, 2013 at the Authority's offices with the following individuals in attendance:

**Eastern Regional Housing Authority**

Chris Herbert  
Irene Andazola  
Olivia Cruz  
Allen B Sparks

Executive Director  
Deputy Director  
Finance Director  
Vice-Chairperson

**Strickler & Prieto, LLP**

Phillip Strickler  
Adriana Sanabria

Audit Partner  
In-Charge

**Financial Statement Preparation**

The Authority's independent public accountants prepared the accompanying financial statements; however, the Authority is responsible for the financial statement content.

**GENERAL INFORMATION**

REPORTID: 569254 VERSION:1

**1. Fiscal Period End Date****6/30/2013****2. Type of Circular A-133 Audit****Single Audit****3. Audit Period Covered****Annual**

If Audit Period Other, Number of months

**4. Auditee Identification Numbers****a. Auditee Employer Identification Number (EIN)****85-0242402****d. Auditee Data Universal Numbering System (DUNS) Number****79-435-2500****b. Are multiple EINS covered in this report?****No****e. Are multiple DUNS covered in this report?****No**

If Yes, the additional EINS are listed on

**Additional EINS**

If Yes, the additional DUNS are listed on

**Additional DUNS****5. AUDITEE INFORMATION****a. Auditee Name****EASTERN REGIONAL HOUSING AUTHORITY****6. PRIMARY AUDITOR INFORMATION****a. Audit Firm / Organization Name****STRICKLER & PRIETO, LLP****b. Audit Firm / Organization EIN****74-2929617****b. Auditee Address (Number and street)****P.O. DRAWER 2057****c. Audit Firm / Organization Address (Number and street)****201 E MAIN ST SUITE 500****Auditee City****ROSWELL****Auditor Firm/Organization City****EL PASO****Auditee State****NM****Auditor Firm/Organization State****TX****Auditee ZIP Code****88202-2057****Auditor Firm/Organization ZIP Code****79901-1397****c. Auditee Contact Name****IRENE ANDAZOLA****d. Primary Auditor Name****PHILLIP STRICKLER****Auditee Contact Title****DEPUTY DIRECTOR****Primary Auditor Title****MANAGING PARTNER****d. Auditee Contact Telephone****(575)622-0881****e. Primary Auditor Contact Telephone****(915)532-2901****e. Auditee Contact Fax****(575)622-7507****f. Primary Auditor Contact Fax****(915)532-0807****f. Auditee Contact E-mail****RHA.IRENE@DFN.COM****g. Primary Auditor Contact E-mail****PSTRICKLER@CPA-SP.COM****7. Was a secondary auditor used?****No**

8. If Yes, the additional auditors are listed on

**Secondary Auditors**

**CERTIFICATIONS**

Auditee Certification Statement	Auditor Statement
<p>This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.</p>	<p>The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. Except for Part III, Items 4, 5, 6a-6h, and, when audit findings are reported, 7a-7c, the information included in Parts II and III of this form was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.</p>
Auditee Certification	Auditor Statement
ELECTRONICALLY CERTIFIED: 1/22/2014	ELECTRONICALLY CERTIFIED: 1/15/2014
Name of certifying official	
IRENE ANDAZOLA	
Title of certifying official	
DEPUTY DIRECTOR	

## AUDIT REVIEW CHECKLIST

*[Signature]*  
5/30/14  
Pass

Auditee: Eastern Regional Housing Authority

Housing Program(s) (Include all Funded Programs): RHA

Audit Period End Date: 6/30/2013

Date Audit Received: 11/4/2013

Reviewer: RBQ

Date Review Completed: 11/6/2013

Reviewer Signature: *RBQuesada*

Entered in Tracker

1. General Requirements	Yes	No	N/A
a. Has the report been submitted as a Single Audit? (references OMB A-133)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Should the report be submitted as a Single Audit? (>500,000 in fed funds) (If No, complete only 1.d., 1e, 2.a., 2.b., 2.e., 4., 5.a., 5.b., & 5.d. All other questions N/A.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. Check Statement of Activities, Revenues to see grants & contracts amount. If it is <= 500,000, check "No".			
2. If total grants & contract amount is > 500,000, look for breakdown of federal & state amount. If no breakdown is included, obtain from agency.			
3. If Federal amount is > 500,000, check "Yes"; otherwise check "No".			
c. If a Single Audit, was the Audit and Data Collection Form submitted to Federal Audit Clearinghouse within 30 days of release date?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. Go to: <a href="http://harvester.census.gov/fac/index.html">http://harvester.census.gov/fac/index.html</a> .			
2. Select "Search the Single Audit Database"			
3. Click the "Go To Database" button.			
4. Click "Entity Search", then type in Auditee name.			
5. If the audit is present, print the screen showing the first page of the audit as submitted & attach to the audit.			
6. If the report has not been submitted to the FAC, notify the agency in writing of this requirement & obtain proof from agency before submitting audit for review.			
d. Does the Report contain the word "independent" in its title, and indicate that the auditor is a Certified Public Accountant, public accountant (licensed on or before 12/31/70), or a state or local government auditor (who meets the independence requirements)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Does the Report contain statements that the audit was conducted in accordance with generally accepted auditing standards, government auditing standards, provisions of OMB Circulars, and/or other applicable standards or procedures? NOTE: government auditing standards are required for agencies receiving any federal funds.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Auditor's Reports	Yes	No	N/A
Do the Auditor's Reports include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Financial Statements containing:			
1) An opinion on the financial statements (unqualified or reasons for a departure.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A statement that the financial statements are presented in accordance with generally accepted accounting principles or other acceptable basis of accounting.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Report(s) on Financial Statements, containing:			
1) A review of the internal control structure, as related to financial statements, disclosing, as appropriate: reportable conditions with acknowledgement of material/non-material weaknesses, and circumstances for limiting consideration of the internal control structure.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A review of compliance with applicable laws and regulations as related to financial statements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Report(s) on Federal Awards, containing:			
1) A review of the internal control structure as related to federal awards, disclosing, as appropriate: reportable conditions with acknowledgement of material/non-material weaknesses, and circumstances for limiting consideration of the internal control structure.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A review of compliance with applicable laws and regulations as related to federal awards, covering, as appropriate: compliance with general/specific requirements, for major programs/non major programs as tested, with opinion/disclaimer and assurances.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Report on the Schedule of Federal Financial Assistance or Federal Awards.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Is each of the applicable component reports of the audit signed and dated by the auditor?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>3. Schedule of Federal Financial Assistance or Federal Awards</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Does the Schedule include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Name of federal agency granting award.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Name of the pass-through agency.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Program title and number (as identified in the Catalog of Federal Domestic Assistance).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Grant number (grouped by agency and program) for each CPD grant active during the audit period.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Financial data related to grant (awards and expenditures).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4. Management Letter and Other Communications</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
If prepared, have the following reports been received? Note: auditor must refer in submitted reports to any separate written communication.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Management Letter.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. If Management Letter, response from management to items in Management Letter	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. Separate communication of non-material findings relative to Federal programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d. Report on fraud, abuse, or other infraction.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>5. Summary</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Based on 1 to 4 below, is this report acceptable for processing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Do the general audit report requirements appear to have been met? (Section 1)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Have all of the required auditor's reports been received? (Section 2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Has an acceptable Schedule of Federal Financial Assistance or Federal Awards been received? (Section 3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Has any other required communication been received? (Section 4)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**6. Additional Review Steps**

- a. Except for items 1a and 1b, any item checked as "No" above must be corrected.
- b. Compare financial information to approved disbursements from program for specified timeframe.
- c. All exceptions must be explained and supported by Auditee. Evidence of correction must be provided.

Reviewer Comment: \_\_\_\_\_

Reviewer Recommendation: Pass

Approved:

Management

Date: \_\_\_\_\_

*B. Howard*  
*5/30/14* *Approved.*

Disapproved – Corrective action to be taken:

Management

Date: \_\_\_\_\_



State of New Mexico  
Western Regional Housing Authority

**FINANCIAL STATEMENTS**  
With Independent Auditor's Report Thereon

For The Fiscal Year Ended June 30, 2013

Western Regional Housing Authority  
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June 30, 2013

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Western Regional Housing Authority  
**DIRECTORY OF OFFICIALS**  
June 30, 2013

**COMMISSIONERS**

Beverly Kostelnik  
Vera Turner  
Vincent Barrett  
Patricia Lincoln  
Carol Anaya  
Awish Baechtle

Chairman  
Vice-Chairman  
Commissioner  
Commissioner  
Commissioner  
Commissioner

**ADMINISTRATIVE STAFF**

Cathy DeMarco  
Sonia Flores

Executive Director  
Deputy Director

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
JARROD MASON, C.P.A.  
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.  
P.O. BOX 2828  
SILVER CITY, NEW MEXICO 88062  
TELEPHONE (575) 388-1777  
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E-MAIL: stonemcgee@qwestoffice.net

## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
And  
Board of Commissioners  
Western Regional Housing Authority  
Silver City, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Western Regional Housing Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Western Regional Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the enterprise funds presented as other supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2013, 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 misstatements, 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Western Regional Housing Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparisons for individual enterprise funds presented as other supplementary information 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 management's discussion and analysis on pages 5 through 10 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Western Regional Housing Authority's financial statements that collectively comprise the Authority's basic financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. ✓

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and related 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 the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the Western Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Regional Housing Authority's internal control over financial reporting and compliance.

*Stone, Magee & Co., CPAs*

Silver City, New Mexico  
September 13, 2013

*Stone, McGee & Co.*  
Certified Public Accountants

## **Western Regional Housing Authority Management's Discussion and Analysis**

As management of the Western Regional Housing Authority, we offer the readers of the Western Regional Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Western Regional Housing Authority for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements of the Western Regional Housing Authority and additional information provided. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- The assets of the Western Regional Housing Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,831 (net position). Of this amount, \$636 (unrestricted net position) may be used to meet the Authority's obligations to residents and creditors.
- The Authority's total net position decreased by \$263. Of this amount, \$153 decrease was attributable to Housing Choice Voucher activities, Low Rent Public Housing generated a decrease of \$149, and Southwest Housing Assistance activities generated a \$39 increase.
- At the end of the current fiscal year, unrestricted net position for the Low-Rent Public Housing fund were \$312, or 84% of the total Low-Rent Public Housing fund expenses.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Western Regional Housing Authority's basic financial statements comprised of two components: 1) basic financial statements; and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Basic Financial Statements**

The *basic financial statements* are designed to provide readers with a broad overview of the Western Regional Housing Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Western Regional Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Western Regional Housing Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave).

## **Proprietary Funds**

The Western Regional Housing Authority maintains six proprietary enterprise funds to account for: Low-Rent Public Housing, Housing Choice Voucher Program, Southwest Housing Assistance Program (SWHAP), Tenant Rental Assistance (TBRA), Emergency Shelter Grants (ESG), and State Programs (Linkages Program). The proprietary fund financial statements provide separate information for all Authority activities and programs.

## **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Western Regional Housing Authority, assets exceeded liabilities by \$3,831 at the close of the most recent fiscal year.

By far the largest portion of the Housing Authority's assets (80%) reflect its investment in capital assets (e.g., land, buildings, furnishings, equipment), less any related debt used to acquire those assets that is still outstanding. Western Regional Housing Authority uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

**Western Regional Housing Authority  
Condensed Statement of Net Position  
(In Thousands)**

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current Assets	646	680
Restricted Assets	277	88
Capital Assets, Net	<u>3244</u>	<u>3122</u>
Total Assets	<u><u>4167</u></u>	<u><u>3890</u></u>
<b>Liabilities</b>		
Current Liabilities	34	21
Noncurrent Liabilities	<u>38</u>	<u>38</u>
Total Liabilities	72	59
<b>Net Position</b>		
Net investment in capital assets	3244	3122
Restricted	263	73
Unrestricted	<u>588</u>	<u>636</u>
Total Net Position	<u>4095</u>	<u>3831</u>
 Total Liabilities and Net Position	 <u><u>4167</u></u>	 <u><u>3890</u></u>

An additional portion of the Western Regional Housing Authority's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$636) may be used to meet the Authority's ongoing obligations to residents and creditors.

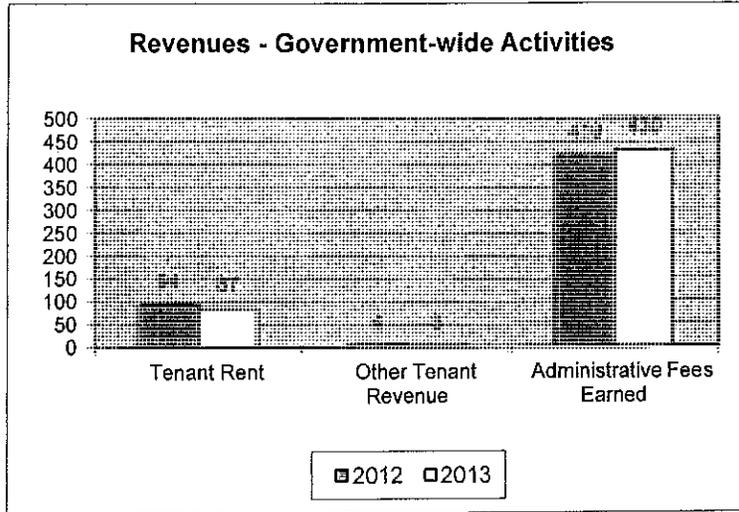
At the end of the current fiscal year, the Western Regional Housing Authority is able to report positive balances on all three categories of net position, both for the government as a whole as well as for its enterprise activities. The same situation held true for the prior fiscal year.

There was a decrease of \$190 in restricted net position reported by the Housing Authority as compared to the prior year. The decrease was due to the Housing Authority having to utilize their HAP Reserves to maintain lease up, due to cutbacks in the HAP Subsidy.

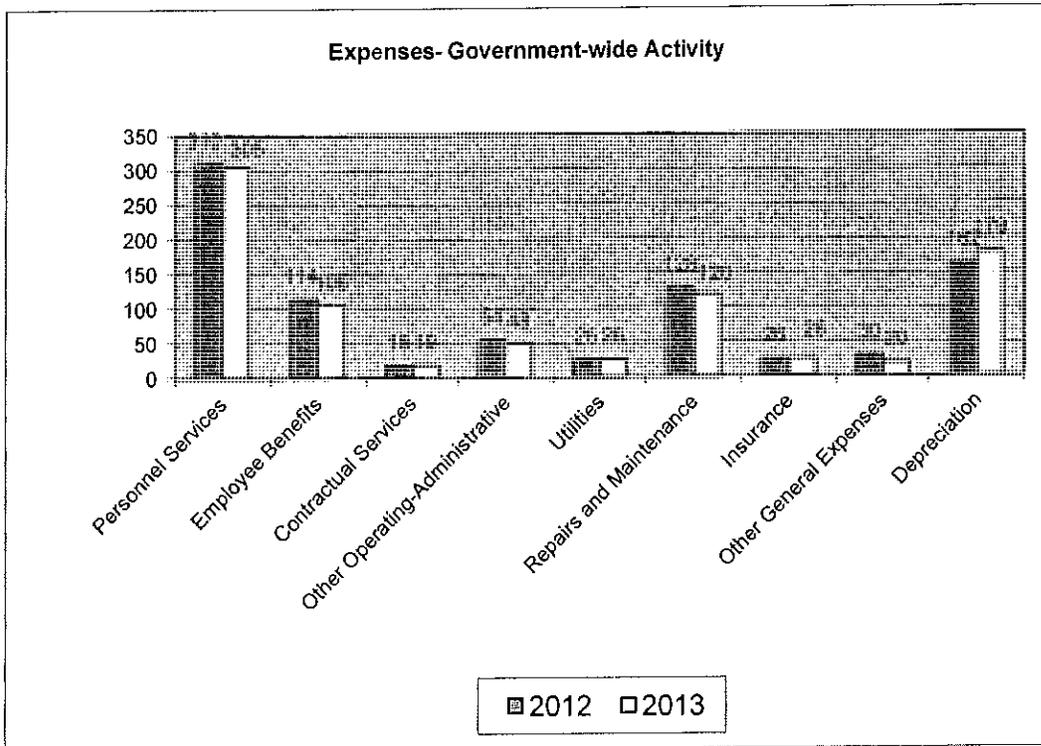
**Western Regional Housing Authority**  
**Condensed Statement of Revenues, Expenses and Changes in Fund Net Position**  
(In Thousands)

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
<b>Revenues:</b>		
Tenant Rent	94	87
Other Tenant Revenue	4	3
Administrative Fees Earned	419	430
Total Revenue	<u>517</u>	<u>520</u>
<b>Expenses:</b>		
Personnel Services	310	305
Employee Benefits	114	106
Contractual Services	18	19
Other Operating-Administrative	54	48
Utilities	25	26
Repairs and Maintenance	128	120
Insurance	26	26
Other General Expenses	30	20
Depreciation	162	179
Total Expenses	<u>867</u>	<u>849</u>
Operating Income (Loss)	<u>(350)</u>	<u>(329)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Intergovernmental Grants	3977	3991
Housing Assistance Payments	(3875)	(3948)
Other Non-Operating Revenue	26	23
Gain (Loss) on Sale of Fixed Assets		
Total Non-Operating Revenue (Expenses)	<u>128</u>	<u>66</u>
<b>Income (Loss) before Capital Contributions &amp; Transfers</b>	<u>(222)</u>	<u>(263)</u>
Mod Grants	<u>0</u>	<u>0</u>
<b>Change in Net Position</b>	<u><u>(222)</u></u>	<u><u>(263)</u></u>

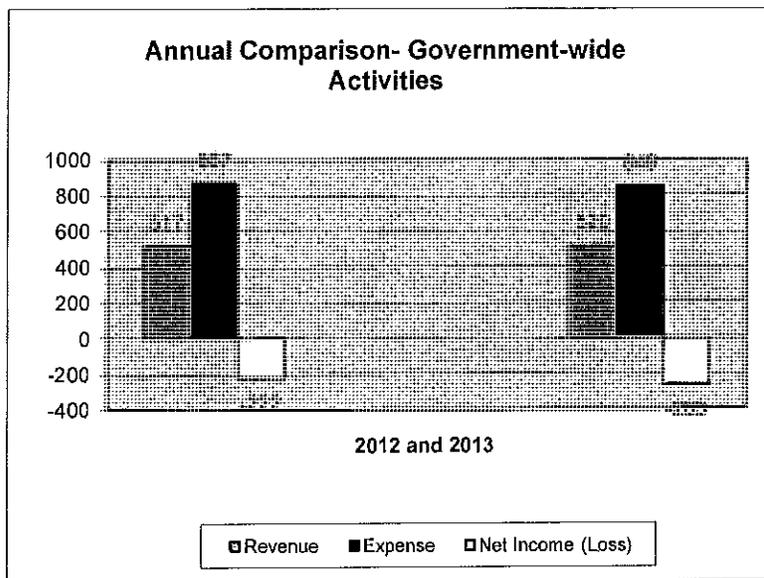
Total revenues increased \$3 or 1% during the year. This is the result of an increase in administrative fees earned due to increased leasing.



Total expenses decreased \$18 or 2% as compared to the prior year. Most of our expenses categories decreased due to closer monitoring of our spending.



For the most part, the Authority's operating revenues seldom exceed operating expenses on an ongoing basis. Typically, deficit or unfavorable results from operations are subsidized by intergovernmental HUD assistance and Capital Fund grant programs.



### Budgetary Highlights

During the year, the Authority's operating revenues were over budgetary expectations by \$7; operating expenses remained under the budget plan by \$54 after adjusting for Depreciation Expenses of \$179, thereby eliminating the need to draw upon existing net assets.

### Capital Asset and Debt Administration

The Western Regional Housing Authority's investment in capital assets as of June 30, 2013, amounts to \$3122 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, furnishings and equipment.

#### Western Regional Housing Authority Capital Assets (Net of Depreciation)

	<b>June 30, 2013</b>
Land and Improvements	731,537
Buildings, Systems and Improvements	2,165,364
Furniture, Fixtures and Equipment	13,938
Construction in Progress	210,740
	3,121,579
<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	

**Long Term Debt:**

At the end of the current fiscal year, the Housing Authority had estimated long-term compensated absences outstanding in the amount of \$38.

**Economic Factors:**

- The unemployment rate in Grant County as of June 2013, reported by the New Mexico Department of Workforce Solutions, is 7.8%, which is an increase of 1.0% from last year. This is slightly higher than the state's average unemployment rate of 7.6%. The unemployment rate in Luna County as of June 2013 decreased slightly from 16.6% last year to 16.4%, they are still ranked the highest in the state.

**Requests for Information:**

This financial report is designed to provide a general overview of the Western Regional Housing Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 2545 North Silver Street, P.O. Box 3015, Silver City, NM 88062.

Western Regional Housing Authority  
**STATEMENT OF NET POSITION**  
June 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance
<b>ASSETS</b>			
Current assets:			
Cash	\$ 316,940	\$ 217,055	\$ 84,240
Interfund receivable		313	40,000
Prepaid expenses			
Accounts receivable (net)	1,392	2,408	15,167
Inventory	3,135		
Total current assets	\$ 321,467	\$ 219,776	\$ 139,407
Noncurrent assets:			
Restricted:			
Cash	\$ 12,395	\$ 73,659	\$ 2,317
Capital assets, net	2,327,599	914	793,066
Total noncurrent assets	\$ 2,339,994	\$ 74,573	\$ 795,383
Total assets	\$ 2,661,461	\$ 294,349	\$ 934,790
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	\$ -	\$ 308	\$ -
Accounts payable	405	2,347	142
Interfund payable	313		
Compensated absences	547	2,282	
Deferred revenue	759		
Tenant deposits (payable from restricted assets)	12,395		2,317
Total current liabilities	\$ 14,419	\$ 4,937	\$ 2,459
Noncurrent liabilities:			
Compensated absences	7,260	30,319	
Total liabilities	\$ 21,679	\$ 35,256	\$ 2,459
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,327,599	\$ 914	\$ 793,066
Restricted for housing assistance payments		73,659	
Unrestricted	312,183	184,520	139,265
Total net position	\$ 2,639,782	\$ 259,093	\$ 932,331

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

<u>Tenant Rental Assistance</u>	<u>State and Local</u>	<u>Emergency Shelter</u>	<u>Total*</u>
\$ 21,034	\$ 2,602	\$ -	\$ 641,871
2,871	12,398	1,095	35,331
			3,135
<u>\$ 23,905</u>	<u>\$ 15,000</u>	<u>\$ 1,095</u>	<u>\$ 680,337</u>
\$ -	\$ -	\$ -	\$ 88,371
			3,121,579
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,209,950</u>
<u>\$ 23,905</u>	<u>\$ 15,000</u>	<u>\$ 1,095</u>	<u>\$ 3,890,287</u>
\$ -	\$ -	\$ -	\$ 308
23,905	15,000	1,095	2,894
			2,829
			759
			14,712
<u>\$ 23,905</u>	<u>\$ 15,000</u>	<u>\$ 1,095</u>	<u>\$ 21,502</u>
			37,579
<u>\$ 23,905</u>	<u>\$ 15,000</u>	<u>\$ 1,095</u>	<u>\$ 59,081</u>
\$ -	\$ -	\$ -	\$ 3,121,579
			73,659
			635,968
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,831,206</u>

\*After internal receivables and payables have been eliminated.

Western Regional Housing Authority  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
For the Fiscal Year Ended June 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance
Operating revenues:			
Tenant rent	\$ 56,879	\$ -	\$ 30,250
Other tenant revenue	2,702		64
Administration fees		429,960	
<b>Total operating revenues</b>	<b>\$ 59,581</b>	<b>\$ 429,960</b>	<b>\$ 30,314</b>
Operating expenses:			
Personnel services	\$ 56,702	\$ 244,726	\$ -
Employee benefits	15,876	88,618	
Contractual services	8,500	11,000	
Other administrative	3,802	44,397	
Utilities	23,751	2,046	65
Repairs and maintenance	95,804	21,612	1,387
Insurance	6,417	18,669	547
Other general expenses	2,103	15,842	297
Depreciation	160,188	7,099	11,337
<b>Total operating expenses</b>	<b>\$ 373,143</b>	<b>\$ 454,009</b>	<b>\$ 13,633</b>
<b>Operating income (loss)</b>	<b>\$ (313,562)</b>	<b>\$ (24,049)</b>	<b>\$ 16,681</b>
Nonoperating revenue (expense):			
Intergovernmental grants - Federal	\$ 146,045	\$ 3,614,608	\$ -
Intergovernmental grants - State	18,037	39,934	22,819
Housing assistance payments		(3,807,054)	
Other nonoperating revenue		23,115	
Gain (loss) on disposition of assets			
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 164,082</b>	<b>\$ (129,397)</b>	<b>\$ 22,819</b>
Income (loss) before capital contributions and transfers:	\$ (149,480)	\$ (153,446)	\$ 39,500
Transfers in			
Transfers out			
Capital contributions			
<b>Change in net position</b>	<b>\$ (149,480)</b>	<b>\$ (153,446)</b>	<b>\$ 39,500</b>
Net position, beginning of year	2,789,262	412,539	892,831
<b>Net position, end of year</b>	<b>\$ 2,639,782</b>	<b>\$ 259,093</b>	<b>\$ 932,331</b>

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

Tenant Rental Assistance	State and Local	Emergency Shelter	Total
\$ -	\$ -	\$ -	\$ 87,129
			2,766
			429,960
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 519,855
<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,392	\$ 2,535	\$ -	\$ 305,355
762	1,300		106,556
			19,500
			48,199
			25,862
375	560		119,738
			25,633
535	1,005		19,782
			178,624
<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,064	\$ 5,400	\$ -	\$ 849,249
<hr/>	<hr/>	<hr/>	<hr/>
\$ (3,064)	\$ (5,400)	\$ -	\$ (329,394)
<hr/>	<hr/>	<hr/>	<hr/>
\$ 64,352	\$ -	\$ 29,439	\$ 3,854,444
	55,828		136,618
(61,288)	(50,428)	(29,439)	(3,948,209)
			23,115
			-
<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,064	\$ 5,400	\$ -	\$ 65,968
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ (263,426)
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ (263,426)
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	4,094,632
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ 3,831,206
<hr/>	<hr/>	<hr/>	<hr/>

Western Regional Housing Authority  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2013

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance
Cash flows from operating activities:			
Receipts from tenants and fees	\$ 60,059	\$ 429,960	\$ 31,165
Payments to vendors	(140,742)	(125,105)	(3,599)
Payments to employees	(73,267)	(332,319)	
Net cash provided (used) by operating activities	\$ (153,950)	\$ (27,464)	\$ 27,566
Cash flows from noncapital and related financing activities:			
Intergovernmental grants	\$ 112,734	\$ 3,652,134	\$ 7,761
Housing assistance payments		(3,807,054)	
Transfers			
Interfund activities	313	(313)	(10,000)
Other nonoperating revenues		23,115	
Net cash provided (used) by noncapital and related financing activities	\$ 113,047	\$ (132,118)	\$ (2,239)
Cash flows from capital and related financing activities:			
Intergovernmental grants	\$ 51,085	\$ -	\$ -
Purchase of capital assets	(37,392)		(18,503)
Net cash provided (used) by capital and related financing activities	\$ 13,693	\$ -	\$ (18,503)
Net increase (decrease) in cash	\$ (27,210)	\$ (159,582)	\$ 6,824
Cash, beginning of year	356,545	449,988	79,733
Cash, end of year	\$ 329,335	\$ 290,406	\$ 86,557

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

<u>Tenant Rental Assistance</u>	<u>State and Local</u>	<u>Emergency Shelter</u>	<u>Total</u>
\$ - (910) <u>(2,154)</u>	\$ - (1,565) <u>(3,835)</u>	\$ -	\$ 521,184 (271,921) <u>(411,575)</u>
<u>\$ (3,064)</u>	<u>\$ (5,400)</u>	<u>\$ -</u>	<u>\$ (162,312)</u>
\$ 64,506 (61,288) 3,905 <u>          </u>	\$ 47,371 (50,428) 5,000 <u>          </u>	\$ 29,439 (29,439) <u>          </u>	\$ 3,913,945 (3,948,209) - (1,095) <u>23,115</u>
<u>\$ 7,123</u>	<u>\$ 1,943</u>	<u>\$ -</u>	<u>\$ (12,244)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,085 (55,895)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,810)</u>
\$ 4,059 16,975 <u>          </u>	\$ (3,457) 6,059 <u>          </u>	\$ - <u>          </u>	\$ (179,366) <u>909,300</u>
<u>\$ 21,034</u>	<u>\$ 2,602</u>	<u>\$ -</u>	<u>\$ 729,934</u>

Western Regional Housing Authority  
**STATEMENT OF CASH FLOWS (concluded)**  
For the Fiscal Year Ended June 30, 2013

	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Southwest Housing Assistance</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (313,562)	\$ (24,049)	\$ 16,681
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	160,188	7,099	11,337
Provision for bad debts	(1,660)		
(Increase) decrease in:			
Accounts receivable	1,408		862
Prepaid expenses			
Inventory	839		
Increase (decrease) in:			
Accounts payable	(1,204)	(11,539)	(1,303)
Compensated absences	(689)	1,025	
Deferred revenue	356		
Interfund activity			
Tenant deposits	374		(11)
Net cash provided by operating activities	<u>\$ (153,950)</u>	<u>\$ (27,464)</u>	<u>\$ 27,566</u>

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

<u>Tenant Rental Assistance</u>	<u>State and Local</u>	<u>Emergency Shelter</u>	<u>Total</u>
\$ (3,064)	\$ (5,400)	\$ -	\$ (329,394)
			178,624
			(1,660)
			-
			-
			2,270
			-
			839
			-
			-
			(14,046)
			336
			356
			-
			363
<u>\$ (3,064)</u>	<u>\$ (5,400)</u>	<u>\$ -</u>	<u>\$ (162,312)</u>

Western Regional Housing Authority  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

Note 1 Summary of Significant Accounting Policies

**A. GENERAL**

The Western Regional Housing Authority was organized under New Mexico statutes, to provide a conduit for housing funds for disadvantaged New Mexicans. The Authority is a political subdivision of the State of New Mexico.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements) and interpretations. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**B. FINANCIAL REPORTING ENTITY**

The Authority's basic financial statements include the accounts of all 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 Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria, the Authority has no component units.

The Authority was formerly known as the Housing Authority of Region V, New Mexico. The name of the Authority was changed effective March 31, 2009, by Chapter 48 of the Laws of 2009.

## C. BASIS OF PRESENTATION

### Governmental-wide Financial Statements

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All Authority activities are accounted for as proprietary activities, in accordance with HUD UFRS Guidelines.

The government-wide Statement of Revenues, Expenses and Changes in Net Position presents a comparison between expenses, both direct and indirect, and operating revenues for each segment of the business-type activities of the Authority. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Operating revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as operating revenues are presented as non-operating revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the non-operating revenues of the Authority. The authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into one major category: proprietary. An emphasis is placed on major funds within the proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, or
- b. The Authority believes the fund is particularly important to financial statement users.

The funds of the financial reporting entity are described below:

### **Proprietary Fund**

#### *Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Enterprise funds are as follows:

#### *Major Funds*

Low Rent Public Housing – To account for HUD’s Low Rent Public Housing and Capital Fund Program. Provides adequate living accommodations to qualified families through reduced rate rentals built and owned by the Housing Authority.

Housing Choice Vouchers – To account for HUD’s program which provides Housing Assistance payments for qualified low income residents in privately owned properties.

Southwest Housing Assistance – To account for non-subsidized housing owned and operated by the Housing Authority. Provides living accommodations to qualified families through reduced rate rentals.

Tenant Rental Assistance – To account for federal funds provided under the Home Program to provide rental assistance payments to qualified low-income residents in privately owned properties.

State and Local - To account for State sources from the New Mexico Mortgage Finance Authority to provide intake, screening and placement into homes for disadvantaged New Mexicans.

Emergency Shelter – To account for federal funds for use in emergency shelter for disadvantaged clients.

## **D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position business-like activities are presented using the economic resources measurement focus as defined in item “a” below.

- a. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of

operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete. Proprietary fund equity is classified as net position.

### **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **E. BUDGETS**

The Housing Authority adopts budgets for its Proprietary funds in accordance with the Housing and Urban Development Program Agreements.

Budgets are prepared on the "Economic Resources" basis, excluding depreciation, and are utilized as a guide only. The budgets are not legally enforceable documents.

### **F. CASH AND INVESTMENTS**

For the purpose of the Statement of Net Position, "cash" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the state treasurers investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

#### **G. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables/payables". These balances have been eliminated in the "total" column in the Statement of Net Position.

#### **H. RECEIVABLES**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Business-type activities report rents and interest earnings as their major receivables.

#### **I. CAPITAL ASSETS**

##### *Government-wide Statements and Fund Statements*

In the government-wide and fund financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- Improvements 40 years
- Machinery and Equipment 5-10 years
- Software and Library 5-10 years

Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

**J. RESTRICTED POSITION**

Restricted position includes cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted positions are related to rent deposits, capital grants and housing payment advances.

**K. LONG-TERM DEBT**

All long-term debt to be repaid from business-type resources are reported as liabilities in the government-wide and fund statements. The long-term debt consists primarily of accrued compensated absences.

**L. COMPENSATED ABSENCES**

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as both short and long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. Proprietary funds report the liability as it is incurred.

**M. EQUITY CLASSIFICATIONS**

*Government-wide Statements and Fund Financial Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets, net of related debt."

## **N. REVENUES, EXPENDITURES, AND EXPENSES**

### *Operating Revenues and Expenses*

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

### *Expenditures/Expenses*

In the government-wide and fund financial statements, expenses are classified as operating or non-operating for business-type activities.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Authority does not allocate indirect costs.

Inventories are carried at cost, valued by the first-in first-out method.

## **O. INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the total column in the Statement of Revenues, Expenses and Change in Net Position, all interfund transfers between individual funds have been eliminated.

## **P. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Note 2 Custodial Credit Risk**

Custodial credit risk is the risk in the event of a bank failure the Government's deposits may not be returned to it. The Authority does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2013, \$-0- of the Authority's bank balance of \$707,596 was exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in Authority's name	457,596	479,684
Uninsured	<u>-0-</u>	<u>-0-</u>
	<u>\$ 707,596</u>	<u>\$ 729,684</u>

Note 3 Accounts Receivables

Due from tenants and others	\$ 35,744
Less allowance for doubtful accounts	<u>(413)</u>
Net receivables	<u>\$ 35,331</u>

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 731,537	\$ -0-	\$ -0-	\$ 731,537
Construction in progress	<u>391,413</u>	<u>37,892</u>	<u>218,561</u>	<u>210,744</u>
Total assets not being depreciated	<u>\$ 1,122,950</u>	<u>\$ 37,892</u>	<u>\$ 218,501</u>	<u>\$ 942,281</u>
Other capital assets:				
Buildings/improvements	\$ 4,496,639	\$ 233,567	\$ -0-	\$ 4,730,206
Equipment/furnishings	<u>227,660</u>	<u>3,000</u>	<u>-0-</u>	<u>230,660</u>
Total other assets at historical cost	<u>\$ 4,724,299</u>	<u>\$ 236,567</u>	<u>\$ -0-</u>	<u>\$ 4,960,866</u>
Less accumulated depreciation for:				
Buildings/improvements	\$(2,388,693)	\$ (164,814)	\$ -0-	\$(2,553,507)
Equipment/furnishings	<u>(214,251)</u>	<u>(13,810)</u>	<u>-0-</u>	<u>(228,061)</u>
Total accumulated depreciation	<u>\$(2,602,944)</u>	<u>\$ (178,624)</u>	<u>\$ -0-</u>	<u>\$(2,781,568)</u>

Other capital assets (net)	\$ 2,121,355	\$ 57,943	\$ -0-	\$ 2,179,298
Capital assets, net	\$ 3,244,305	\$ 95,835	\$ (218,561)	\$ 3,121,579

Note 5 Compensated Absences

Changes in compensated absences were as follows for the year ended June 30, 2013:

Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
\$ 40,072	\$ 25,208	\$ 24,872	\$ 40,408

Amounts due:

Current	\$ 2,829
Long-term	37,579
	\$ 40,408

Note 6 Pension Plan – Public Employees Retirement Association

*Plan Description*

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

*Funding Policy*

Plan members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$59,236, \$60,692 and \$61,296 respectively, which equal the amount of the required contributions for each year.

Note 7 Contingent Liabilities

Amounts received or receivable 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 amount,

if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 8 Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined together with other governments in the State and obtained insurance through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The Authority pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage, and risk of loss is transferred.

Note 9 Financial Data Schedule

The Authority is required to submit, and include with the audited financial statements, a financial data schedule, which is presented as other supplemental data.

The financial data schedule is a hard copy of the Authority's electronic submission to the Real Estate Assessment Center, and is presented in their required format. Therefore some amounts may differ from those presented in the financial statements.

Note 10 Interfund Activity

Interfund balances at June 30, 2013 consisted of the following:

	<u>Interfund Payable</u>				
	Low Rent Public Housing	Tenant Rental Assistance	State and Local	Emergency Shelter	<u>Total</u>
<u>Interfund Receivable</u>					
SW Housing Assistance	\$	\$ 23,905	\$ 15,000	\$ 1,095	\$ 40,000
Housing Choice Vouchers	<u>313</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>313</u>
	<u>\$ 313</u>	<u>\$ 23,905</u>	<u>\$ 15,000</u>	<u>\$ 1,095</u>	<u>\$ 40,313</u>

The loans were made to fund operating expenses and are expected to be paid within one year.

Note 11 Evaluation of Subsequent Events

The Authority has evaluated subsequent events through September 13, 2013, the date which the financial statements were available to be issued.

Western Regional Housing Authority  
**LOW RENT PUBLIC HOUSING**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>				
Tenant rent	\$ 76,218	\$ 52,000	\$ 56,879	\$ 4,879
Other tenant revenue	2,000	1,000	2,702	1,702
<b>Total operating revenues</b>	<b>\$ 78,218</b>	<b>\$ 53,000</b>	<b>\$ 59,581</b>	<b>\$ 6,581</b>
<b>Operating expenses:</b>				
Personnel services	\$ 57,670	\$ 57,670	\$ 56,702	\$ 968
Employee benefits	35,000	30,000	15,876	14,124
Contractual services	8,500	8,500	8,500	-
Other administrative	6,461	6,000	3,802	2,198
Utilities	25,024	24,900	23,751	1,149
Repairs and maintenance	104,362	96,000	95,804	196
Insurance	5,000	6,660	6,417	243
Other general	4,000	2,675	2,103	572
Travel	2,500	1,500		1,500
Depreciation			160,188	(160,188)
<b>Total operating expenses</b>	<b>\$ 248,517</b>	<b>\$ 233,905</b>	<b>\$ 373,143</b>	<b>\$ (139,238)</b>
<b>Operating income (loss)</b>	<b>\$ (170,299)</b>	<b>\$ (180,905)</b>	<b>\$ (313,562)</b>	<b>\$ (132,657)</b>
<b>Nonoperating revenue (expense):</b>				
Intergovernmental grants	\$ 56,859	\$ 123,304	\$ 146,045	\$ 22,741
Other nonoperating revenue			18,037	18,037
Gain (loss) on disposition of assets				-
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 56,859</b>	<b>\$ 123,304</b>	<b>\$ 164,082</b>	<b>\$ 40,778</b>
<b>Income (loss) before capital contributions</b>	<b>\$ (113,440)</b>	<b>\$ (57,601)</b>	<b>\$ (149,480)</b>	<b>\$ (91,879)</b>
<b>Capital contributions</b>		-	-	-
<b>Change in net position</b>	<b>\$ (113,440)</b>	<b>\$ (57,601)</b>	<b>\$ (149,480)</b>	<b>\$ (91,879)</b>
Operating reserves	123,440	59,601		
Purchase of fixed assets	(10,000)	(2,000)		
<b>Net change in financial position</b>	<b>\$ -</b>	<b>\$ -</b>		

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

Western Regional Housing Authority  
**HOUSING CHOICE VOUCHERS**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Administrative fees	\$ 405,393	\$ 429,960	\$ 429,960	\$ -
<b>Total operating revenues</b>	<b>\$ 405,393</b>	<b>\$ 429,960</b>	<b>\$ 429,960</b>	<b>\$ -</b>
Operating expenses:				
Personnel services	\$ 257,075	\$ 245,000	\$ 244,726	\$ 274
Employee benefits	90,708	89,000	88,618	382
Contract services	11,300	11,000	11,000	-
Other administrative	54,360	60,360	44,397	15,963
Utilities	2,050	2,325	2,046	279
Repairs and maintenance	20,000	27,000	21,612	5,388
Insurance	2,000	19,000	18,669	331
Other general	3,500	6,500	15,842	(9,342)
Depreciation			7,099	(7,099)
<b>Total operating expenses</b>	<b>\$ 440,993</b>	<b>\$ 460,185</b>	<b>\$ 454,009</b>	<b>\$ 6,176</b>
<b>Operating income (loss)</b>	<b>\$ (35,600)</b>	<b>\$ (30,225)</b>	<b>\$ (24,049)</b>	<b>\$ 6,176</b>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 3,413,181	\$ 3,624,608	\$ 3,654,542	\$ 29,934
Housing assistance payments	(3,695,517)	(3,810,500)	(3,807,054)	3,446
Other nonoperating revenue	25,600	22,000	23,115	1,115
Gain (loss) on disposition of assets				-
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (256,736)</b>	<b>\$ (163,892)</b>	<b>\$ (129,397)</b>	<b>\$ 34,495</b>
Transfers	\$ -	\$ -		\$ -
<b>Change in net position</b>	<b>\$ (292,336)</b>	<b>\$ (194,117)</b>	<b>\$ (153,446)</b>	<b>\$ 40,671</b>
Operating reserves	317,336	194,117		
Purchase of fixed assets	(25,000)	-		
<b>Net change in financial position</b>	<b>\$ -</b>	<b>\$ -</b>		

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

Western Regional Housing Authority  
**SOUTHWEST HOUSING ASSISTANCE**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 29,508	\$ 29,508	\$ 30,250	\$ 742
Other tenant revenue			64	64
<b>Total operating revenues</b>	<b>\$ 29,508</b>	<b>\$ 29,508</b>	<b>\$ 30,314</b>	<b>\$ 806</b>
Operating expenses:				
Personnel services	\$ -	\$ -	\$ -	\$ -
Employee benefits				-
Other administrative	2,000	2,000	297	1,703
Repairs and maintenance	9,000	9,000	1,387	7,613
Utilities	300	300	65	235
Insurance	400	400	547	(147)
Property betterments	10,000	10,000		10,000
Depreciation			11,337	(11,337)
<b>Total operating expenses</b>	<b>\$ 21,700</b>	<b>\$ 21,700</b>	<b>\$ 13,633</b>	<b>\$ 8,067</b>
<b>Operating income (loss)</b>	<b>\$ 7,808</b>	<b>\$ 7,808</b>	<b>\$ 16,681</b>	<b>\$ 8,873</b>
Nonoperating revenue (expense):				
Governmental grants	\$ -	\$ -	\$ 22,819	\$ 22,819
Other nonoperating revenue				-
<b>Total nonoperating revenues (expenses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,819</b>	<b>\$ 22,819</b>
Transfers	\$ -	\$ -	\$ -	\$ -
<b>Change in net position</b>	<b>\$ 7,808</b>	<b>\$ 7,808</b>	<b>\$ 39,500</b>	<b>\$ 31,692</b>
Transfer to reserves	(83,555)	\$ (83,555)		
Beginning cash balance	75,747	75,747		
<b>Net change in financial position</b>	<b>\$ -</b>	<b>\$ -</b>		

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

Western Regional Housing Authority  
**STATE AND LOCAL**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other tenant revenue				-
<b>Total operating revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Operating expenses:				
Personnel services	\$ 2,420	\$ 2,800	\$ 2,535	\$ 265
Employee benefits	726	1,300	1,300	-
Contract services	2,854	1,750		1,750
Other administrative			1,005	(1,005)
Utilities				-
Repairs and maintenance			560	(560)
Depreciation				-
<b>Total operating expenses</b>	<b>\$ 6,000</b>	<b>\$ 5,850</b>	<b>\$ 5,400</b>	<b>\$ 450</b>
<b>Operating income (loss)</b>	<b>\$ (6,000)</b>	<b>\$ (5,850)</b>	<b>\$ (5,400)</b>	<b>\$ 450</b>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 55,573	\$ 63,180	\$ 55,828	\$ (7,352)
Housing assistance payments	(49,573)	(57,330)	(50,428)	6,902
Other nonoperating revenue				-
Gain (loss) on disposition of assets				-
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 6,000</b>	<b>\$ 5,850</b>	<b>\$ 5,400</b>	<b>\$ (450)</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

Western Regional Housing Authority  
**TENANT RENTAL ASSISTANCE**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other tenant revenue				
<b>Total operating revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Operating expenses:				
Personnel services	\$ 2,275	\$ 1,600	\$ 1,392	\$ 208
Employee benefits	850	880	762	118
Contract services				-
Other administrative	875	911	535	376
Utilities				-
Repairs and maintenance			375	(375)
Depreciation				-
<b>Total operating expenses</b>	<b>\$ 4,000</b>	<b>\$ 3,391</b>	<b>\$ 3,064</b>	<b>\$ 327</b>
<b>Operating income (loss)</b>	<b>\$ (4,000)</b>	<b>\$ (3,391)</b>	<b>\$ (3,064)</b>	<b>\$ 327</b>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 44,000	\$ 67,811	\$ 64,352	\$ (3,459)
Housing assistance payments	(40,000)	(64,420)	(61,288)	3,132
Other nonoperating revenue				-
Gain (loss) on disposition of assets				-
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 4,000</b>	<b>\$ 3,391</b>	<b>\$ 3,064</b>	<b>\$ (327)</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

Western Regional Housing Authority  
**EMERGENCY SHELTER GRANT**  
Statement of Revenues and Expenses - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other tenant revenue				-
<b>Total operating revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating expenses:				
Personnel services	\$ 2,000			\$ -
Employee benefits				-
Contract services				-
Other administrative				-
Utilities				-
Repairs and maintenance				-
Depreciation				-
<b>Total operating expenses</b>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating income (loss)</b>	<u>\$ (2,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 15,240	\$ 29,476	\$ 29,439	\$ (37)
Housing assistance payments	(13,240)	(29,476)	(29,439)	37
Other nonoperating revenue				-
Gain (loss) on disposition of assets				-
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in net position</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
111 Cash - Unrestricted	\$316,940	\$216,747		\$21,034
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$73,659		
114 Cash - Tenant Security Deposits	\$12,395			
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$329,335	\$290,406	\$0	\$21,034
121 Accounts Receivable - PHA Projects		\$1,029		
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government	\$263	\$1,379	\$1,095	\$2,871
125 Accounts Receivable - Miscellaneous	\$0			
126 Accounts Receivable - Tenants	\$1,542			
126.1 Allowance for Doubtful Accounts - Tenants	-\$413	\$0		
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,392	\$2,408	\$1,095	\$2,871
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
142 Prepaid Expenses and Other Assets				
143 Inventories	\$3,199			
143.1 Allowance for Obsolete Inventories	-\$64			
144 Inter Program Due From		\$313		
145 Assets Held for Sale				
150 Total Current Assets	\$333,862	\$293,127	\$1,095	\$23,905
161 Land	\$436,727			
162 Buildings	\$4,332,294			
163 Furniture, Equipment & Machinery - Dwellings	\$53,759			
164 Furniture, Equipment & Machinery - Administration	\$89,522	\$65,516		
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$2,584,703	-\$64,602		
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,327,599	\$914	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$2,327,599	\$914	\$0	\$0
190 Total Assets	\$2,661,461	\$294,041	\$1,095	\$23,905
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$405	\$2,347		

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable				
322 Accrued Compensated Absences - Current Portion	\$547	\$2,282		
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$12,395			
342 Deferred Revenues	\$759			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To	\$313		\$1,095	\$23,905
348 Loan Liability - Current				
310 Total Current Liabilities	\$14,419	\$4,629	\$1,095	\$23,905
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$7,260	\$30,319		
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$7,260	\$30,319	\$0	\$0
300 Total Liabilities	\$21,679	\$34,948	\$1,095	\$23,905

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
508.1 Invested In Capital Assets, Net of Related Debt	\$2,327,599	\$914		
511.1 Restricted Net Assets		\$73,659		
512.1 Unrestricted Net Assets	\$312,183	\$184,520	\$0	\$0
513 Total Equity/Net Assets	\$2,639,782	\$259,093	\$0	\$0
600 Total Liabilities and Equity/Net Assets	\$2,661,461	\$294,041	\$1,095	\$23,905

Western Regional Housing Authority (NM067)  
 Silver City, NM  
 Entity Wide Balance Sheet Summary

Submission Type:

Audited/A-133

Fiscal Year End: 06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,602	\$84,240	\$641,563		\$641,563
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted			\$73,659		\$73,659
114 Cash - Tenant Security Deposits		\$2,317	\$14,712		\$14,712
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$2,602	\$86,557	\$729,934	\$0	\$729,934
121 Accounts Receivable - PHA Projects			\$1,029		\$1,029
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government	\$12,398	\$15,058	\$33,064		\$33,064
125 Accounts Receivable - Miscellaneous			\$0		\$0
126 Accounts Receivable - Tenants		\$109	\$1,651		\$1,651
126.1 Allowance for Doubtful Accounts - Tenants		\$0	-\$413		-\$413
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$12,398	\$15,167	\$35,331	\$0	\$35,331
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type:

Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
142 Prepaid Expenses and Other Assets					
143 Inventories			\$3,199		\$3,199
143.1 Allowance for Obsolete Inventories			-\$64		-\$64
144 Inter Program Due From		\$40,000	\$40,313	\$40,000	\$80,313
145 Assets Held for Sale					
150 Total Current Assets	\$15,000	\$141,724	\$808,713	\$40,000	\$848,713
161 Land		\$294,810	\$731,537		\$731,537
162 Buildings		\$397,913	\$4,730,207		\$4,730,207
163 Furniture, Equipment & Machinery - Dwellings			\$53,759		\$53,759
164 Furniture, Equipment & Machinery - Administration		\$21,863	\$176,901		\$176,901
165 Leasehold Improvements					
166 Accumulated Depreciation		-\$132,260	-\$2,781,565		-\$2,781,565
167 Construction in Progress		\$210,740	\$210,740		\$210,740
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$793,066	\$3,121,579	\$0	\$3,121,579
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$0	\$793,066	\$3,121,579	\$0	\$3,121,579
190 Total Assets	\$15,000	\$934,790	\$3,930,292	\$40,000	\$3,970,292
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$142	\$2,894		\$2,894
41					

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type:

Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion			\$2,829		\$2,829
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits		\$2,317	\$14,712		\$14,712
342 Deferred Revenues			\$759		\$759
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To	\$15,000		\$40,313	\$40,000	\$80,313
348 Loan Liability - Current					
310 Total Current Liabilities	\$15,000	\$2,459	\$61,507	\$40,000	\$101,507
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current			\$37,579		\$37,579
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$37,579	\$0	\$37,579
300 Total Liabilities	\$15,000	\$2,459	\$99,086	\$40,000	\$139,086

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Balance Sheet Summary

Submission Type:

Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
508.1 Invested in Capital Assets, Net of Related Debt		\$793,065	\$3,121,578		\$3,121,578
511.1 Restricted Net Assets			\$73,659		\$73,659
512.1 Unrestricted Net Assets	\$0	\$139,266	\$635,969		\$635,969
513 Total Equity/Net Assets	\$0	\$932,331	\$3,831,206	\$0	\$3,831,206
600 Total Liabilities and Equity/Net Assets	\$15,000	\$934,790	\$3,930,292	\$40,000	\$3,970,292

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
70300 Net Tenant Rental Revenue	\$56,879			
70400 Tenant Revenue - Other	\$2,702			
70500 Total Tenant Revenue	\$59,581	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$110,583	\$4,044,568		
70610 Capital Grants	\$35,462			
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants	\$18,037	\$39,934	\$29,439	\$64,352
71100 Investment Income - Unrestricted				
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$21,526		
71500 Other Revenue		\$1,589		
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$223,663	\$4,107,617	\$29,439	\$64,352

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
91100 Administrative Salaries	\$56,702	\$243,701		\$1,392
91200 Auditing Fees	\$8,500	\$11,000		
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$15,876	\$88,618		\$762
91600 Office Expenses		\$360		
91700 Legal Expense				
91800 Travel	\$1,090	\$9,099		\$70
91810 Allocated Overhead				
91900 Other	\$3,802	\$44,397		\$465
91000 Total Operating - Administrative	\$85,970	\$397,175	\$0	\$2,689
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other		\$0		
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$16,489	\$526		
93200 Electricity	\$5,503	\$1,117		
93300 Gas	\$1,759	\$403		
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
93800 Other Utilities Expense				
93000 Total Utilities	\$23,751	\$2,046	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$44,890			
94200 Ordinary Maintenance and Operations - Materials and Other	\$19,529	\$2,217		
94300 Ordinary Maintenance and Operations Contracts	\$19,673	\$19,395		\$375
94500 Employee Benefit Contributions - Ordinary Maintenance	\$11,712			
94000 Total Maintenance	\$95,804	\$21,612	\$0	\$375
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$6,385			
96120 Liability Insurance		\$18,599		
96130 Workmen's Compensation	\$32	\$70		
96140 All Other Insurance				
96100 Total insurance Premiums	\$6,417	\$18,669	\$0	\$0
96200 Other General Expenses		\$6,383		
96210 Compensated Absences		\$1,025		
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	\$1,013			
96500 Bad debt - Mortgages				

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$1,013	\$7,408	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$212,955	\$446,910	\$0	\$3,064
97000 Excess of Operating Revenue over Operating Expenses	\$10,708	\$3,660,707	\$29,439	\$61,288
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$3,806,092	\$29,439	\$61,288
97350 HAP Portability-In		\$962		
97400 Depreciation Expense	\$160,188	\$7,099		
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$373,143	\$4,261,063	\$29,439	\$64,352
10010 Operating Transfer In	\$15,623			
10020 Operating transfer Out	-\$15,623			
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$149,480	-\$153,446	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,789,262	\$412,539	\$0	\$0
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0		
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$185,434		

Western Regional Housing Authority (NM067)  
 Silver City, NM  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.239 HOME Investment Partnerships Program
11180 Housing Assistance Payments Equity		\$73,659		
11190 Unit Months Available	648	10932		
11210 Number of Unit Months Leased	639	9913		
11270 Excess Cash	\$298,562			
11610 Land Purchases	\$0			
11620 Building Purchases	\$70,924			
11630 Furniture & Equipment - Dwelling Purchases	\$0			
11640 Furniture & Equipment - Administrative Purchases	\$0			
11650 Leasehold Improvements Purchases	\$0			
11660 Infrastructure Purchases	\$0			
13510 CFFP Debt Service Payments	\$0			
13901 Replacement Housing Factor Funds	\$0			

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$30,250	\$87,129		\$87,129
70400 Tenant Revenue - Other		\$64	\$2,766		\$2,766
70500 Total Tenant Revenue	\$0	\$30,314	\$89,895	\$0	\$89,895
70600 HUD PHA Operating Grants			\$4,155,151		\$4,155,151
70610 Capital Grants			\$35,462		\$35,462
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants	\$55,828	\$22,819	\$230,409		\$230,409
71100 Investment Income - Unrestricted					
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery			\$21,526		\$21,526
71500 Other Revenue			\$1,589		\$1,589
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$55,828	\$53,133	\$4,534,032	\$0	\$4,534,032

Western Regional Housing Authority (NM067)  
Silver City, NM  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
91100 Administrative Salaries	\$2,535		\$304,330		\$304,330
91200 Auditing Fees			\$19,500		\$19,500
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$1,300		\$106,556		\$106,556
91600 Office Expenses			\$360		\$360
91700 Legal Expense					
91800 Travel	\$59		\$10,318		\$10,318
91810 Allocated Overhead					
91900 Other	\$946	\$297	\$49,907		\$49,907
91000 Total Operating - Administrative	\$4,840	\$297	\$490,971	\$0	\$490,971
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other			\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water		\$0	\$17,015		\$17,015
93200 Electricity		\$22	\$6,642		\$6,642
93300 Gas		\$43	\$2,205		\$2,205
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
93800 Other Utilities Expense					
93000 Total Utilities	\$0	\$65	\$25,862	\$0	\$25,862
94100 Ordinary Maintenance and Operations - Labor		\$0	\$44,890		\$44,890
94200 Ordinary Maintenance and Operations - Materials and Other		\$228	\$21,974		\$21,974
94300 Ordinary Maintenance and Operations Contracts	\$560	\$1,159	\$41,162		\$41,162
94500 Employee Benefit Contributions - Ordinary Maintenance		\$0	\$11,712		\$11,712
94000 Total Maintenance	\$560	\$1,387	\$119,738	\$0	\$119,738
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance		\$547	\$6,932		\$6,932
96120 Liability Insurance			\$18,599		\$18,599
96130 Workmen's Compensation			\$102		\$102
96140 All Other Insurance					
96100 Total insurance Premiums	\$0	\$547	\$25,633	\$0	\$25,633
96200 Other General Expenses			\$6,383		\$6,383
96210 Compensated Absences			\$1,025		\$1,025
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents			\$1,013		\$1,013
96500 Bad debt - Mortgages					

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$0	\$0	\$8,421	\$0	\$8,421
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$5,400	\$2,296	\$670,625	\$0	\$670,625
97000 Excess of Operating Revenue over Operating Expenses	\$50,428	\$50,837	\$3,863,407	\$0	\$3,863,407
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$50,428		\$3,947,247		\$3,947,247
97350 HAP Portability-In			\$962		\$962
97400 Depreciation Expense		\$11,337	\$178,624		\$178,624
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$55,828	\$13,633	\$4,797,458	\$0	\$4,797,458
10010 Operating Transfer In			\$15,623		\$15,623
10020 Operating transfer Out			-\$15,623		-\$15,623
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	\$39,500	-\$263,426	\$0	-\$263,426
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$0	\$892,831	\$4,094,632		\$4,094,632
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$0		\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity			\$185,434		\$185,434

Western Regional Housing Authority (NM067)

Silver City, NM

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End:

06/30/2013

	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
11180 Housing Assistance Payments Equity			\$73,659		\$73,659
11190 Unit Months Available		60	11640		11640
11210 Number of Unit Months Leased		60	10612		10612
11270 Excess Cash			\$298,562		\$298,562
11610 Land Purchases			\$0		\$0
11620 Building Purchases			\$70,924		\$70,924
11630 Furniture & Equipment - Dwelling Purchases			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases			\$0		\$0
11650 Leasehold Improvements Purchases			\$0		\$0
11660 Infrastructure Purchases			\$0		\$0
13510 CFFP Debt Service Payments			\$0		\$0
13901 Replacement Housing Factor Funds			\$0		\$0

Western Regional Housing Authority  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2013

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Wells Fargo Bank</u>			
Housing Assistance Payments	Checking	\$ 3,447	\$ (308)
Voucher	Checking	263,860	290,564
Southwest Housing Assistance	Checking	86,497	86,557
Low Rent Public Housing	Checking	322,494	329,235
Linkages	Checking	3,241	2,602
Payroll	Checking	6,909	-
MFA	Checking	<u>21,148</u>	<u>21,034</u>
 Total bank deposits		 <u>\$ 707,596</u>	 \$ 729,684
 Petty cash			 <u>250</u>
 Total cash per financial statements			 <u>\$ 729,934</u>

Western Regional Housing Authority  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2013

	Wells Fargo Bank
Checking accounts	\$ 707,596
Less FDIC insurance	(250,000)
Total uninsured public funds	\$ 457,596
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 228,798
Total collateralization requirement	\$ 228,798
Pledged securities: FG G08525 3%, cusip no. 3128MJSP6, maturing 5/1/43	517,312
Pledged securities over (under) requirement	\$ 288,514

Securities are pledged to the Western Regional Housing Authority, and are held at the Bank of New York Mellon. The securities remain in the name of the financial institution, with safekeeping receipts held by the Authority.

Western Regional Housing Authority  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 For the Fiscal Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Awards Expended</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Direct programs:			
Public and Indian Housing	14.850	N/A	\$ 94,960
Section 8 Housing Choice Vouchers	14.871	N/A	4,044,568
Public Housing Capital Fund	14.872	N/A	51,085
Passed through NM Mortgage Finance Authority:			
Home Investment Partnership Program	14.239	11-01-WST-TBA-001	64,352
Emergency Solutions Grant Program	14.231	11-01-WST-TBA-001	<u>29,439</u>
 Total U.S. Department of Housing and Urban Development and total expenditures of federal awards			   <u><u>\$ 4,284,404</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Western Regional Housing Authority  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended June 30, 2013

**Note 1**    Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Western Regional Housing Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2**    Insurance

The Authority is a member of the New Mexico Self Insurers Fund to which it pays an annual premium in exchange for insurance in varying amounts based on the type of risk, as follows:

General liability	\$ 10,000,000
Property	550,000,000
Crime	5,000,000
Boiler and machinery	100,000,000
Workers compensation	Statutory limit

**Note 3**    Sub-Recipients

The Authority had no Sub-recipients.

Western Regional Housing Authority  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For The Fiscal Year Ended June 30, 2013

**Findings – Financial Statement Audit**

None

**Findings – Major Federal Award Programs**

None

MIKE STONE, C.P.A.  
LINDA STONE McGEE, C.P.A.  
KAY STONE, C.P.A.  
JARROD MASON, C.P.A.  
KELLEY WYATT, C.P.A.

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

Hector H. Balderas, State Auditor  
And  
Board of Commissioners  
Western Regional Housing Authority  
Silver City, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Western Regional Housing Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Western Regional Housing Authority's basic financial statements, and the related budgetary comparisons of the Authority presented as other supplementary information, and have issued our report thereon dated September 13, 2013.

**Internal Control Over financial Reporting**

In planning and performing our audit of the financial statements, we considered Western Regional Housing 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 Western Regional Housing 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 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 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. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. ✓

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Western Regional Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. ✓

### 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico  
September 13, 2013

Stone, McGee & Co.  
Certified Public Accountants

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor  
And  
Board of Commissioners  
Western Regional Housing Authority  
Silver City, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited the Western Regional Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Western Regional Housing Authority's major federal programs for the year ended June 30, 2013. The Western Regional Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Western Regional Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Western Regional Housing 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 Western Regional Housing Authority's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Western Regional Housing 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, 2013.

## Report on Internal Control over Compliance

Management of the Western Regional Housing 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 Western Regional Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Western Regional Housing 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 of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Stone, McGee & Co., CPAs*

Silver City, New Mexico  
September 13, 2013

*Stone, McGee & Co.*  
*Certified Public Accountants*

Western Regional Housing Authority  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Western Regional Housing Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*. ✓
3. No instances of noncompliance material to the financial statements of the Western Regional Housing Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit. ✓
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*. ✓
5. The auditors' report on compliance for the major federal awards programs for the Western Regional Housing Authority expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit. ✓
7. The programs tested as major programs included: Section 8 Housing Choice Vouchers, CFDA No. 14.871.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Western Regional Housing Authority was determined to be a low-risk auditee. ✓

FINDINGS – FINANCIAL STATEMENT AUDIT ✓

None

## FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

None ✓

### OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s with substantial assistance and approval from Authority personnel.

### EXIT CONFERENCE

The contents of this report were discussed September 10, 2013. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Awish Baechtle	Commissioner	Western Regional Housing Authority
Cathy DeMarco	Executive Director	Western Regional Housing Authority
Sonia Flores	Deputy Director	Western Regional Housing Authority
April Cook	Accountant	Western Regional Housing Authority
Kay Stone	Shareholder	Stone, McGee & Co., C.P.A.'s

OMB No. 0348-0057	U.S. Dept. of Comm. - Econ and Stat Admin. - U.S. Census Bureau
09/17/2013	ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET
<b>GENERAL INFORMATION</b>	REPORTID: 574510 VERSION:1
<b>1. Fiscal Period End Date</b> <b>6/30/2013</b>	<b>2. Type of Circular A-133 Audit</b> <b>Single Audit</b>
<b>3. Audit Period Covered</b> <b>Annual</b>	If Audit Period Other, Number of months
<b>4. Auditee Identification Numbers</b> <b>a. Auditee Employer Identification Number (EIN)</b> <b>85-0365107</b> <b>b. Are multiple EINS covered in this report?</b> <b>No</b> If Yes, the additional EINS are listed on <b>Additional EINS</b>	<b>d. Auditee Data Universal Numbering System (DUNS) Number</b> <b>11-625-3865</b> <b>e. Are multiple DUNS covered in this report?</b> <b>No</b> If Yes, the additional DUNS are listed on <b>Additional DUNS</b>
<b>5. AUDITEE INFORMATION</b>	<b>6. PRIMARY AUDITOR INFORMATION</b>
<b>a. Auditee Name</b> <b>WESTERN REGIONAL HOUSING AUTHORITY</b>  <b>b. Auditee Address (Number and street)</b> <b>2545 N. SILVER STREET</b> <b>Auditee City</b> <b>SILVER CITY</b> <b>Auditee State</b> <b>NM</b> <b>Auditee ZIP Code</b> <b>88061</b>	<b>a. Audit Firm / Organization Name</b> <b>STONE, MCGEE &amp; CO CPA'S</b> <b>b. Audit Firm / Organization EIN</b> <b>85-0285443</b> <b>c. Audit Firm / Organization Address (Number and street)</b> <b>PO BOX 2828</b> <b>Auditor Firm/Organization City</b> <b>SILVER CITY</b> <b>Auditor Firm/Organization State</b> <b>NM</b> <b>Auditor Firm/Organization ZIP Code</b> <b>88062</b>
<b>c. Auditee Contact Name</b> <b>CATHY DEMARCO</b> <b>Auditee Contact Title</b> <b>EXECUTIVE DIRECTOR</b> <b>d. Auditee Contact Telephone</b> <b>(575)388-1974</b> <b>e. Auditee Contact Fax</b> <b>(575)388-4781</b> <b>f. Auditee Contact E-mail</b> <b>CATHY_DEMARCO@QWESTOFFICE.NET</b>	<b>d. Primary Auditor Name</b> <b>MIKE STONE</b> <b>Primary Auditor Title</b> <b>SHAREHOLDER</b> <b>e. Primary Auditor Contact Telephone</b> <b>(575)538-3795</b> <b>f. Primary Auditor Contact Fax</b> <b>(575)388-5040</b> <b>g. Primary Auditor Contact E-mail</b> <b>KWYATT@STONE-MCGEE.COM</b>
	<b>7. Was a secondary auditor used?</b> <b>No</b> <b>8. If Yes, the additional auditors are listed on</b> <b>Secondary Auditors</b>

**CERTIFICATIONS**

Auditee Certification Statement	Auditor Statement
<p>This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.</p>	<p>The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. Except for Part III, Items 4, 5, 6a-6h, and, when audit findings are reported, 7a-7c, the information included in Parts II and III of this form was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.</p>
Auditee Certification	Auditor Statement
ELECTRONICALLY CERTIFIED: 1/23/2014	ELECTRONICALLY CERTIFIED: 1/23/2014
Name of certifying official	
CATHY DEMARCO	
Title of certifying official	
EXECUTIVE DIRECTOR	

## AUDIT REVIEW CHECKLIST

Auditee: Western Regional Housing Authority

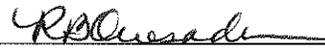
Housing Program(s) (Include all Funded Programs): ESG, Linkages, RAP, RHA

Audit Period End Date: 6/30/2013

Date Audit Received: 11/6/2013

Reviewer: RBQ

Date Review Completed: 11/6/2013

Reviewer Signature: 

Entered in Tracker

  
5/30/14  
Pam

1. General Requirements	Yes	No	N/A
a. Has the report been submitted as a Single Audit? ( <i>references OMB A-133</i> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Should the report be submitted as a Single Audit? ( <i>&gt;500,000 in fed funds</i> ) (If No, complete only 1.d., 1e, 2.a., 2.b., 2.e., 4., 5.a., 5.b., & 5.d. All other questions N/A.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. Check Statement of Activities, Revenues to see grants & contracts amount. If it is <= 500,000, check "No".			
2. If total grants & contract amount is > 500,000, look for breakdown of federal & state amount. If no breakdown is included, obtain from agency.			
3. If Federal amount is > 500,000, check "Yes"; otherwise check "No".			
c. If a Single Audit, was the Audit and Data Collection Form submitted to Federal Audit Clearinghouse within 30 days of release date?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. Go to: <a href="http://harvester.census.gov/fac/index.html">http://harvester.census.gov/fac/index.html</a> .			
2. Select "Search the Single Audit Database"			
3. Click the "Go To Database" button.			
4. Click "Entity Search", then type in Auditee name.			
5. If the audit is present, print the screen showing the first page of the audit as submitted & attach to the audit.			
6. If the report has not been submitted to the FAC, notify the agency in writing of this requirement & obtain proof from agency before submitting audit for review.			
d. Does the Report contain the word "independent" in its title, and indicate that the auditor is a Certified Public Accountant, public accountant (licensed on or before 12/31/70), or a state or local government auditor (who meets the independence requirements)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Does the Report contain statements that the audit was conducted in accordance with generally accepted auditing standards, government auditing standards, provisions of OMB Circulars, and/or other applicable standards or procedures? NOTE: government auditing standards are required for agencies receiving any federal funds.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Auditor's Reports	Yes	No	N/A
Do the Auditor's Reports include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Financial Statements containing:			
1) An opinion on the financial statements (unqualified or reasons for a departure.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A statement that the financial statements are presented in accordance with generally accepted accounting principles or other acceptable basis of accounting.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Report(s) on <b>Financial Statements</b> , containing:			
1) A review of the <b>internal control</b> structure, as related to financial statements, disclosing, as appropriate: reportable conditions with acknowledgement of material/non-material weaknesses, and circumstances for limiting consideration of the internal control structure.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A review of <b>compliance</b> with applicable laws and regulations as related to financial statements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Report(s) on <b>Federal Awards</b> , containing:			
1) A review of the <b>internal control</b> structure as related to federal awards, disclosing, as appropriate: reportable conditions with acknowledgement of material/non-material weaknesses, and circumstances for limiting consideration of the internal control structure.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2) A review of <b>compliance</b> with applicable laws and regulations as related to federal awards, covering, as appropriate: compliance with general/specific requirements, for major programs/non major programs as tested, with opinion/disclaimer and assurances.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Report on the Schedule of Federal Financial Assistance or Federal Awards.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Is each of the applicable component reports of the audit signed and dated by the auditor?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>3. Schedule of Federal Financial Assistance or Federal Awards</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Does the Schedule include the following:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Name of federal agency granting award.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Name of the pass-through agency.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Program title and number (as identified in the Catalog of Federal Domestic Assistance).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Grant number (grouped by agency and program) for each CPD grant active during the audit period.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Financial data related to grant (awards and expenditures).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4. Management Letter and Other Communications</b>			
<b>Yes No N/A</b>			
If prepared, have the following reports been received? Note: auditor must refer in submitted reports to any separate written communication.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Management Letter.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. If Management Letter, response from management to items in Management Letter	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c. Separate communication of non-material findings relative to Federal programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d. Report on fraud, abuse, or other infraction.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>5. Summary</b>			
<b>Yes No N/A</b>			
Based on 1 to 4 below, is this report acceptable for processing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
a. Do the general audit report requirements appear to have been met? (Section 1)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Have all of the required auditor's reports been received? (Section 2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Has an acceptable Schedule of Federal Financial Assistance or Federal Awards been received? (Section 3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Has any other required communication been received? (Section 4)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**6. Additional Review Steps**

- a. Except for items 1a and 1b, any item checked as "No" above must be corrected.
- b. Compare financial information to approved disbursements from program for specified timeframe.
- c. All exceptions must be explained and supported by Auditee. Evidence of correction must be provided.

Reviewer Comment: \_\_\_\_\_

Reviewer Recommendation: Pass

Approved:

Management

Date: \_\_\_\_\_

*Steward* Approved  
5/30/14

Disapproved – Corrective action to be taken:

Management

Date: \_\_\_\_\_