

**REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.**

**ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2009**

REGION IV HEALTH AUTHORITY  
NEW MEXICO, INC.

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ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2018

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**INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**OFFICIAL ROSTER**  
June 30, 2009

Commissioners Appointed by Governor

Chairman	Silver Chavez	Guadalupe County Representative Santa Rosa, New Mexico
Vice-Chairman	Jake Lopez	Roosevelt County Representative Portales, New Mexico
Commissioner	Doyle Frasier	Quay County Representative Tucumcari, New Mexico
Commissioner	Waymon L Dowdy, Sr.	Roosevelt County Representative Clovis, New Mexico
Commissioner	Pete Callahan	Harding County Representative Mosquero, New Mexico
Commissioner	Robert Beck	Union County Representative Clayton, New Mexico

Executive Staff

Executive Director	Chris Herbert
Deputy Director	Irene Andazola
Finance Director	Olivia Cruz
Section 8 Supervisor	Carol Cheadle

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**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
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Year Ended June 30, 2009

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**FINANCIAL SECTION**

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## **Accounting & Consulting Group, LLP**

### **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget  
Executive Director and Board of Commissioners  
Region IV Housing Authority, New Mexico, Inc.  
Clovis, New Mexico

We have audited the accompanying financial statements of the business-type activities of Region IV Housing Authority, New Mexico, Inc. (Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the inadequacy of cash reconciliations prior to the beginning of the fiscal year, we were unable to form an opinion regarding the accompanying statement of revenues, expenses and changes in fund net assets and the statement of cash flows for the year ended June 30, 2009.

In our opinion, the statement of net assets of Region IV Housing Authority, New Mexico, Inc. presents fairly, in all material respects, the financial position of Region IV Housing Authority, New Mexico, Inc. as of June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements referred to above have been prepared assuming Region IV Housing Authority, New Mexico, Inc. will continue as a going concern. As further discussed in Note 9 to the financial statements, the Authority has been combined with Region VI Housing Authority, New Mexico, Inc. to form a new entity, Eastern Regional Housing Authority, effective March 31, 2009.

The Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2010 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Certified Public Accountants*

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800.705.9500 ■ 575.885.4184 ■ Fax 575.887.6221 ■ carlsbad.office@acgnm.com ■ www.acgnm.com

**Alamogordo ■ Albuquerque ■ Carlsbad ■ Clovis ■ Hobbs ■ Lubbock**

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents, Schedule III, the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development, and Schedule IV, the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had prior-year records concerning cash reconciliations been adequate, the financial statements referred to in the first paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Accounting + Consulting Group, LLP*

**Accounting & Consulting Group, LLP**  
**Certified Public Accountants**

Carlsbad, New Mexico  
April 27, 2010

**BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 REGION IV HOUSING AUTHORITY,  
 NEW MEXICO, INC.  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 For the Year Ended June 30, 2009

Exhibit A

<b>ASSETS</b>	<u>Housing Choice Vouchers</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Current Assets</i>			
Cash	\$ 1,292	\$ 10,670	\$ 11,962
Total Current Assets	<u>1,292</u>	<u>10,670</u>	<u>11,962</u>
<i>Restricted Assets</i>			
HAP cash	703,064	-	703,064
Tenant Security Deposits	-	300	300
Total Restricted Assets	<u>703,064</u>	<u>300</u>	<u>703,364</u>
<i>Capital Assets</i>			
Land, structures and equipment, (Note 3)	-	307,777	307,777
Accumulated depreciation	-	(83,220)	(83,220)
Total Other Assets	<u>-</u>	<u>224,557</u>	<u>224,557</u>
Total Assets	<u>\$ 704,356</u>	<u>\$ 235,527</u>	<u>\$ 939,883</u>
<b>LIABILITIES AND NET ASSETS</b>			
<i>Current Liabilities</i>			
Tenant deposits payable	\$ -	\$ 300	\$ 300
Current portion of debt (Note 4)	-	145,258	145,258
Total Current Liabilities	<u>-</u>	<u>145,558</u>	<u>145,558</u>
<i>Net Assets</i>			
Invested in capital assets, net of related debt	-	79,299	79,299
Restricted for:			
HAP cash	703,064	-	703,064
Unrestricted	<u>1,292</u>	<u>10,670</u>	<u>11,962</u>
Total Net Assets	<u>704,356</u>	<u>89,969</u>	<u>794,325</u>
Total Liabilities and Net Assets	<u>\$ 704,356</u>	<u>\$ 235,527</u>	<u>\$ 939,883</u>

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

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2009**

	Housing Choice Vouchers	Administrative Services Department	Total
<i>Operating revenues</i>			
Rent Income	\$ -	\$ 11,136	\$ 11,136
Miscellaneous income	1,292	35,718	37,010
<i>Total operating revenues</i>	<u>1,292</u>	<u>46,854</u>	<u>48,146</u>
<i>Operating expenses</i>			
Salaries, payroll taxes, and employee benefits	-	413	413
Management and administrative fees	-	162,490	162,490
Depreciation and amortization expense	-	12,870	12,870
Utilities	-	4,834	4,834
Maintenance	-	6,755	6,755
Office expenses	-	14,507	14,507
General expenses	-	3,444	3,444
Travel expenses	-	23,117	23,117
Professional fees	-	11,591	11,591
Rent expense	-	4,487	4,487
<i>Total operating expenses</i>	<u>-</u>	<u>244,508</u>	<u>244,508</u>
<i>Operating income (loss)</i>	<u>1,292</u>	<u>(197,654)</u>	<u>(196,362)</u>
<i>Nonoperating revenues (expenses)</i>			
Government subsidies	1,439,507	-	1,439,507
Housing assistance payments	(1,335,391)	-	(1,335,391)
Transfers in (out)	(212,535)	212,535	-
<i>Total nonoperating revenues (expenses)</i>	<u>(108,419)</u>	<u>212,535</u>	<u>104,116</u>
<i>Change in net assets</i>	<u>(107,127)</u>	<u>14,881</u>	<u>(92,246)</u>
Net assets, beginning of year	576,743	75,088	651,831
Prior period restatement	234,740	-	234,740
Net assets, beg of year as restated	<u>811,483</u>	<u>75,088</u>	<u>886,571</u>
Net assets, end of year	<u>\$ 704,356</u>	<u>\$ 89,969</u>	<u>\$ 794,325</u>

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

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2009

Exhibit C  
Page 1 of 2

	<u>Housing Choice Vouchers</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Receipts from customers and users	\$ 3,026	\$ 46,854	\$ 49,880
Payment to vendors	-	(241,742)	(241,742)
<i>Net cash provided (used) by operating activities</i>	<u>3,026</u>	<u>(194,888)</u>	<u>(191,862)</u>
<i>Cash flows from non-capital financing activities:</i>			
Government subsidies	1,674,247	-	1,674,247
Housing assistance payments	(1,335,391)	-	(1,335,391)
Principal payments on line of credit	-	(12,815)	(12,815)
Transfers in (out)	(212,535)	212,535	-
<i>Net cash provided by non-capital financing activities</i>	<u>126,321</u>	<u>199,720</u>	<u>326,041</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	129,347	4,832	134,179
<i>Cash and cash equivalents - beginning of year</i>	<u>575,009</u>	<u>6,138</u>	<u>581,147</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 704,356</u>	<u>\$ 10,970</u>	<u>\$ 715,326</u>

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



STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2009

Exhibit C  
Page 2 of 2

	Housing Choice Vouchers	Administrative Services Department	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 1,292	\$ (197,654)	\$ (196,362)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	-	12,870	12,870
(Increase) decrease in:			
Accounts receivable - tenants	1,734	-	1,734
Increase (decrease) in:			
Accounts payable	-	(7,881)	(7,881)
Accrued expenses	-	(2,223)	(2,223)
	<u>\$ 3,026</u>	<u>\$ (194,888)</u>	<u>\$ (191,862)</u>
<i>Net cash provided (used) by operating activities</i>			
Cash and cash equivalents:			
Cash	\$ 1,292	\$ 10,670	\$ 11,962
HAP cash	703,064	-	703,064
Tenant security deposits	-	300	300
	<u>\$ 704,356</u>	<u>\$ 10,970</u>	<u>\$ 715,326</u>

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

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**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 1 Summary of Significant Accounting Policies**

The *Region IV 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 DeBaca, Curry, Roosevelt, Union, Harding, Quay and Guadalupe Counties. The Region IV Housing Authority, New Mexico, Inc. was incorporated on October 27, 2005. Regional Housing Authority of Region VI Housing Authority, New Mexico, Inc. became Region IV Housing Authority, New Mexico, Inc.'s fiscal agent from May 8, 2008 to June 30, 2009. The Authority's Administrative Services Department is dependent upon administrative fees from the U.S. Department of Housing and Urban Development ("HUD") Section 8 programs.

**A. *Financial Reporting Entity***

The Authority's 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 holds the corporate powers of the organization, (3) the Authority appoints a voting majority of the organization's board, (4) the Authority is able to impose its will on the organization, (5) the organization has the potential to impose a financial/benefit/burden on the Authority, (6) there is a fiscal dependency by the organization of the Authority. Based on the aforementioned criteria, the Authority determined it had no component units.

***Programs and Developments***

The Authority participates in rental assistance programs which include:

- a. *Housing Choice Vouchers* is 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. Monthly rent subsidies for approximately 565 tenants were provided for during the year ended June 30, 2009.
- b. *Administrative Services Department* of the Authority provides support to the above listed program for which it receives management and/or administrative fees.

**B. *Government-wide and fund financial statements***

All of the Authority's programs are accounted for as business-type activities for financial reporting purposes. Major individual proprietary funds are reported as separate columns in the fund financial statements. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Proprietary designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or 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. The Authority has elected to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 1 Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The economic resources measurement focus and the accrual basis of accounting are utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government reports all proprietary funds as major funds.

As a general rule the effect of interfund 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 proprietary funds (including administrative fees paid to the Administrative Services Department from the other programs), and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 Section 8 rent vouchers. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**Revenue Recognition**

The Authority has entered into annual contributions contracts with HUD 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 contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as government subsidies revenue in the accompanying financial statements.

**Deposits and Investments**

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations. Invested funds of the Authority properly followed State investment requirements as of June 30, 2009.

Investments for the Authority are reported at fair value.

**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 1 Summary of Significant Accounting Policies (continued)**

D. *Assets, Liabilities, and Net Assets or Equity (continued)*

**Receivables**

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) or "advances to/from other funds" (i.e., the non-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."

Accounts receivable relate to operating trade activities.

As of June 30, 2009, the Authority did not report any amounts as advances to/due from other funds or accounts receivable.

**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. Also Housing Choice Voucher excess HAP cash is classified as restricted.

**Capital Assets**

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. State law sets a capitalization threshold of \$5,000 for acquisitions of capital assets. Capital assets, which include property, plant, equity 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. 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 to 1979) are included as part of the governmental capital assets reported in the government-wide statements. However, the Authority does not construct or maintain infrastructure assets, accordingly, the Authority is not subject to this provision of GASB Statement No. 34. Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Two rental houses acquired under a court order are valued at the tax valuation amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 1 Summary of Significant Accounting Policies (continued)**

D. *Assets, Liabilities, and Net Assets or Equity (continued)*

**Capital Assets**

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 \$0. No interest was included as part of the cost of capital assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Equipment	5
Vehicles	5
Software	5

**Accrued Expenses**

Accrued expenses include payroll and related taxes incurred but not paid by the end of the fiscal year. As of June 30, 2009, the Authority did not report any amounts as accrued expenses.

**Deferred Revenues**

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expenses 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, 2009, the Authority did not report any amount as deferred revenues.

**Budgetary Information**

The budgets are not legally required and are not prepared for the Authority.

**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 1 Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**Revenues and expenses**

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services paid 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.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. The most significant estimates included in the financial statements include the estimated useful lives of the capital assets.

**Components of Net Assets**

Components of net assets include the following:

1. Net assets invested in capital assets net of related debt 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.
2. Restricted net assets include net assets that are subject to constraints on their use by creditors and grantors. These include HAP cash.
3. Unrestricted net assets are available for general use by the Authority for any obligation or expense.

**Interfund Transfers**

Interfund transfers consist of transfers of Administrative Fees paid by HUD to assist with related administrative costs. The administrative costs are then paid from the Administrative Services Department.

**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 2    Deposits and Investments**

State statutes authorize the investment of the Authority's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Authority is also allowed to invest in United States Government obligations. All funds of the Authority must follow the above investment policies.

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the Authority. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in the aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that the government's deposits may not be returned to it in the event of a bank failure. The Authority does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). NM 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 a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits. As of June 30, 2009, \$576,178 of the Authority's bank balance of \$721,178 was exposed to custodial credit risk. \$576,178 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and \$0 was uninsured and uncollateralized.



**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
 Notes to Financial Statements  
 June 30, 2009

**Note 2 Deposits and Investments (continued)**

	<u>Wells Fargo Bank</u>
Total amount of deposit	\$ 721,178
FDIC coverage	<u>(145,000 )</u>
Total uninsured public funds	576,178
 Pledged collateral held by pledging institution or by its trust department or agent in other than the Authority's name	 <u>576,178</u>
Uninsured and uncollateralized	\$ <u>          -</u>
 Collateral requirement (50% of uninsured Public funds)	 \$ 288,089
Pledged securities	<u>662,675</u>
Over (under) collateralization	\$ <u>374,586</u>

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to securities of the United States, its agencies or instrumentalities; securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions; securities, including student loans, that are guaranteed by the United States or the State of New Mexico; revenue bonds that are underwritten by a member of the national association of securities dealers, known as N.A.S.D, and are rated "BAA" or above by a nationally recognized bond rating service; or letters of credit issued by a federal home loan bank.

The carrying amount of deposits and investments shown above are included in the Authority's statement of net assets as follows:

Carrying amount	
Deposits	\$ 715,046
Petty cash	<u>280</u>
	\$ <u>715,326</u>
 Included in the following statement of net assets captions	
Cash	\$ 11,962
Tenant security deposits	300
HAP cash	<u>703,064</u>
	\$ <u>715,326</u>

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 3 Capital Assets**

The following summarizes capital assets at June 30, 2009:

	Balance July 1, 2008	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2009
Land	\$ 24,104	\$ -	\$ -	\$ 24,104
Total capital assets not being depreciated	<u>24,104</u>	<u>-</u>	<u>-</u>	<u>24,104</u>
Vehicles	42,964	-	-	42,964
Equipment	23,670	-	-	23,670
Building	206,154	-	-	206,154
Software	10,885	-	-	10,885
Total assets being depreciated	<u>283,673</u>	<u>-</u>	<u>-</u>	<u>283,673</u>
Total Land, Structures, and Equipment	<u>307,777</u>	<u>-</u>	<u>-</u>	<u>307,777</u>
Less accumulated depreciation-			-	
Vehicles	(28,885)	(3,193)	-	(32,078)
Equipment	(23,670)	-	-	(23,670)
Building	(14,529)	(7,500)	-	(22,029)
Software	(3,266)	(2,177)	-	(5,443)
Total accumulated depreciation	<u>(70,350)</u>	<u>(12,870)</u>	<u>-</u>	<u>(83,220)</u>
Capital assets, net	<u>\$ 237,427</u>	<u>\$ (12,870)</u>	<u>\$ -</u>	<u>\$ 224,557</u>

Depreciation expense for the year ended June 30, 2009 was \$12,870.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
Notes to Financial Statements  
June 30, 2009

**Note 4 Long-term Debt**

Long-term debt of the Authority's respective programs at June 30, 2009 are summarized as follows:

Notes Payable - Building Note, 0% interest, maturity 6/16/11	\$	50,000
The purpose was to purchase the office building for Region IV. The building is used as collateral for the loan.		
Due to Region III, 0% interest, no stated maturity		<u>95,258</u>
The purpose of the loan was to meet current expenses.		
		145,258
Less current portion of long term debt		<u>(145,258 )</u>
Total Long-term Debt	\$	<u><u>-</u></u>

The following summarizes the changes in long-term debt during the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
Line of Credit	\$ 12,815	\$ -	\$ 12,815	\$ -	\$ -
Note Payable - Building	50,000	-	-	50,000	50,000
Due to Region III	<u>95,258</u>	<u>-</u>	<u>-</u>	<u>95,258</u>	<u>95,258</u>
Total Long-Term Debt	<u>\$ 158,073</u>	<u>\$ -</u>	<u>\$ 12,815</u>	<u>\$ 145,258</u>	<u>\$ 145,258</u>

Annual debt service requirements to maturity for Administrative Services Department Note Payable - Building is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ <u>50,000</u>	\$ <u>-</u>	\$ <u>50,000</u>
Totals	\$ <u>50,000</u>	\$ <u>-</u>	\$ <u>50,000</u>

Annual debt service requirements to maturity for Administrative Services Department debt to Region III outstanding as of June 30, 2009 is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ <u>95,258</u>	\$ <u>-</u>	\$ <u>95,258</u>
Totals	\$ <u>95,258</u>	\$ <u>-</u>	\$ <u>95,258</u>

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
Notes to Financial Statements  
June 30, 2009

**Note 5 Retirement Plan**

During the year Region IV Housing Authority, New Mexico, Inc. had no employees. Under the management contract effective July 1, 2008 all employees became Regional Housing Authority of Region VI, New Mexico, Inc. employees. Regional Housing Authority of Region VI, New Mexico, Inc. charged Region IV Housing Authority, New Mexico, Inc. a set fee to perform all tasks related to the management of the Authority.

**Note 6 Risk Management**

Insurance was acquired in May 2008 when Regional Housing Authority of Region VI, New Mexico, Inc. became the fiscal agent for Region IV Housing Authority, New Mexico, Inc. Below are the details of this coverage.

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority is insured through the Risk Management Division of the General Services Department which is accounted for as an 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 are not included in this report. However, the Authority is not liable for more than the premiums paid.

**Note 7 Concentrations**

97% of the Authority's revenue is derived from grants from the U.S. Department of Housing and Urban Development. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

**Note 8 Contingencies**

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 applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**Note 9 Going Concern/Subsequent Event**

On March 31, 2009 the New Mexico Legislature restructured the Regional Housing Authorities. Region IV Housing Authority, New Mexico, Inc. and Regional Housing Authority of Region VI, New Mexico, Inc. were combined to form Eastern Regional Housing Authority. The two housing authorities continued to operate as two separate entities until July 1, 2009 when all operations were combined.

**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
Notes to Financial Statements  
June 30, 2009

**Note 10 Subsequent Pronouncements**

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Authority is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Authority is analyzing the effect that this standard will have on the financial statements.

**Note 11 Prior Period Restatement**

It was determined that there was an accounts receivable from HUD from the prior year that was not recorded. The balance has been restated \$234,740 in the current year to correctly reflect the current Statement of Net Assets.

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**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 REGION IV HOUSING AUTHORITY,  
 NEW MEXICO, INC.  
 SCHEDULE OF PLEDGED COLLATERAL  
 June 30, 2009

Schedule I

<u>Depository</u>	<u>Type</u>	<u>CUSIP #</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2009</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	(1)	31371NNV3	FNCL 257004 Due 10/01/37	\$ 120,686	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	(1)	31409CV69	FNCL 867437 Due 5/01/36	429,406	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	(1)	31409CV69	FNCL 867437 Due 5/01/36	112,583	Wells Fargo Bank San Francisco, California
Total Collateral Pledged				<u>\$ 662,675</u>	

(1) U.S. Government Security

See accompanying independent auditor's report.



**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**SCHEDULE OF DEPOSITS**  
June 30, 2009

Schedule II

Account Name	Type	Cash on Hand	Wells Fargo Bank	Total
Sec 8 Housing Voucher	Checking	\$ -	\$ 708,719	\$ 708,719
Sec 8 Housing Voucher	Checking	-	10,017	10,017
Miscellaneous Rent	Checking	-	2,142	2,142
Clovis Security Deposit	Checking	-	300	300
Petty cash		280	-	280
Amounts on deposit		280	721,178	721,458
Outstanding items		-	(6,132)	(6,132)
		<u>\$ 280</u>	<u>\$ 715,046</u>	<u>\$ 715,326</u>

Reconciliation to the Statement of Net Assets:

Cash	\$ 11,962
Tenant security deposit	300
HAP cash	<u>703,064</u>
	<u>\$ 715,326</u>

See accompanying independent auditor's report.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**FINANCIAL DATA SCHEDULE**  
**Year Ended June 30, 2009**

Schedule III  
(Page 1 of 4)

PHA: NM064 FYED: 06/30/2009

Line Item No.	Account Description	Housing Choice Vouchers	Administrative Services Department	Total
111	Cash - Unrestricted	\$ 1,292	\$ 10,670	\$ 11,962
113	Cash - Other Restricted	703,064	-	703,064
114	Cash - Tenant Security Deposits	-	300	300
100	Total Cash	704,356	10,970	715,326
126	Accounts Receivable - Tenants - Dwelling Rents Allowance for Doubtful Accounts - Dwelling	-	-	-
126.1	Rents	-	-	-
129	Accrued Interest Receivable Total Receivables, net of allowances for	-	-	-
120	doubtful accounts	-	-	-
131	Investments - Unrestricted	-	-	-
132	Investments Restricted Investments - Restricted for Payment of Current	-	-	-
135	Liabilities	-	-	-
144	Interprogram Due From	-	-	-
150	Total Current Assets	704,356	10,970	715,326
161	Land	-	24,104	24,104
162	Buildings	-	206,154	206,154
163	Furniture, Equipment & Machinery - Dwellings	-	77,519	77,519
166	Accumulated Depreciation Total Fixed Assets, Net of Accumulated	-	(83,220)	(83,220)
160	Depreciation Notes, Loans, & Mortgages Receivable - Non	-	224,557	224,557
171	Current	-	-	-
174	Other Assets	-	-	-
180	Total Non-Current Assets	-	224,557	224,557
190	Total Assets	704,356	235,527	939,883

See accompanying independent auditor's report.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**FINANCIAL DATA SCHEDULE**  
**Year Ended June 30, 2009**

Schedule III  
(Page 2 of 4)

PHA: NM064 FYED: 06/30/2009

Line Item No.	Account Description	Housing Choice Vouchers	Administrative Services Department	Total
312	Accounts Payable < = 90 Days	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	-	-	-
	Accrued Compensated Absences - Current			
322	Portion	-	-	-
325	Accrued Interest Payable	-	-	-
341	Tenant Security Deposits	-	300	300
342	Deferred Revenues	-	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	50,000	50,000
344	Current Portion of Long-term Debt - Operating Borrowings	-	95,258	95,258
345	Other Current Liabilities	-	-	-
347	Interprogram Due To	-	-	-
310	Total Current Liabilities	-	145,558	145,558
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-	-
	Long-term Debt, Net of Current - Operating			
352	Borrowings	-	-	-
353	Noncurrent Liabilities - Other	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	-	145,558	145,558
508	Total Contributed Capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt		79,299	79,299
511	Total Reserved Fund Balance	-	-	-
511.1	Restricted Net Assets	703,064	-	703,064
512.1	Unrestricted Net Assets	1,292	10,670	11,962
513	Total Equity/Net Assets	704,356	89,969	794,325
600	Total Liabilities and Equity/Net Assets	704,356	235,527	939,883

See accompanying independent auditor's report.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**FINANCIAL DATA SCHEDULE**  
**Year Ended June 30, 2009**

Schedule III  
(Page 3 of 4)

PHA: NM064 FYED: 06/30/2009

Line Item No.	Account Description	Housing Choice Vouchers	Administrative Services Department	Total
70300	Net Tenant Rental Revenue	\$ -	\$ 11,136	\$ 11,136
70400	Tenant Revenue - Other	-	-	-
70500	Total Tenant Revenue	-	-	-
70600	HUD PHA Operating Grants	1,439,507	-	1,439,507
70800	Other Government Grants	-	-	-
71100	Investment Income - Unrestricted	-	-	-
71200	Mortgage Interest Income	-	-	-
71400	Fraud Recovery	1,292	-	1,292
71500	Other Revenue	-	35,718	35,718
71600	Gain/Loss on Sale of Fixed Assets	-	-	-
72000	Investment Income - Restricted	-	-	-
70000	Total Revenue	1,440,799	46,854	1,487,653
91100	Administrative Salaries	-	413	413
91200	Auditing Fees	-	-	-
91300	Outside Management Fees	-	158,955	158,955
91400	Advertsing and Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	-	-	-
91600	Office Expenses	-	-	-
93100	Water	-	339	339
93200	Electricity	-	854	854
93300	Gas	-	-	-
93800	Other Utilities Expense	-	3,640	3,640
94100	Ordinary Maintenance and Operations - Labor	-	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	-	6,755	6,755
96100	Insurance Premiums	-	-	-
96200	Other General Expenses	-	60,682	60,682
96400	Bad Debt - Tenant Rents	-	-	-
96700	Interest Expense	-	-	-
96900	Total Operating Expenses	-	231,638	231,638
97000	Excess Operating Revenue over Operating Expenses	1,440,799	(184,784)	1,256,015
97100	Extraordinary Maintenance	-	-	-
97300	Housing Assistance Payments	1,335,391	-	1,335,391
97400	Depreciation Expense	-	12,870	12,870
97500	Fraud Losses	-	-	-
90000	Total Expenses	1,335,391	244,508	1,579,899
10010	Operating Transfers In	-	212,535	212,535
10020	Operating Transfers Out	(212,535)	-	(212,535)
10100	Total Other Financing Sources (Uses)	(212,535)	212,535	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(107,127)	14,881	(92,246)

See accompanying independent auditor's report.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**FINANCIAL DATA SCHEDULE**  
**Year Ended June 30, 2009**

Schedule III  
 (Page 4 of 4)

PHA: NM064 FYED: 06/30/2009

Line Item No.	Account Description	Housing Choice Vouchers	Administrative Services Department	Total
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030	Beginning Equity	576,743	75,088	651,831
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	234,740	-	234,740
11190	Unit Months Available	6,780	-	6,780
11210	Number of Unit Months Leased	4,299	-	4,299
11170-001	Administrative Fee Equity - Beginning Balance	-	75,088	75,088
11170-010	Administrative Fee Revenue	212,535	212,535	425,070
11170-050	Other Revenue	1,292	46,854	48,146
11170-060	Total Admin Fee Revenues	213,827	259,389	473,216
11170-080	Total Operating Expenses	212,535	244,508	457,043
11170-002	Net Administrative Fee	212,535	14,881	227,416
11170-003	Administrative Fee - Ending Equity	1,292	89,969	91,261
11170	Administrative Fee Equity	1,292	89,969	91,261
	Housing Assistance Payments Equity -			
11180-001	Beginning Balance	576,743	-	576,743
	Prior period Adjustment	234,740	-	234,740
	Beginning Balance, as restated	811,483	-	811,483
11180-010	Housing Assistance Payments Revenue	1,226,972	-	1,226,972
11180-030	Total HAP Revenues	1,226,972	-	1,226,972
11180-080	Housing Assistance Payments	1,335,391	-	1,335,391
11180-100	Total Housing Assistance Payments	1,335,391	-	1,335,391
11180-002	Net Housing Assistance Payments	1,335,391	-	1,335,391
	Housing Assistance Payments Equity - Ending			
11180-003	Balance	703,064	-	703,064
11180	Housing Assistance Payments Equity	703,064	-	703,064
	Ending Equity (deficit)	704,356	89,969	794,325

See accompanying independent auditor's report.

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**COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE**

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## **Accounting & Consulting Group, LLP**

### **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  
The Office of Management and Budget  
Executive Director and Board of Commissioners  
Region IV Housing Authority, New Mexico, Inc.  
Clovis, New Mexico

We have audited the financial statements of the business-type activities of Region IV Housing Authority, New Mexico, Inc. (the Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 27, 2010. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2004-4, 2004-5, 2008-2, 2008-3, and 2008-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

*Certified Public Accountants*

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2004-4, and 2004-5 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-4, and 2004-5.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2008 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned cost as finding 2008-1.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Commissioners, the Office of the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Certified Public Accountants

Carlsbad, New Mexico  
April 27, 2010



## Accounting & Consulting Group, LLP

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget  
Executive Director and the Board of Commissioners  
Region IV Housing Authority, New Mexico, Inc.  
Clovis, New Mexico

#### Compliance

We have audited the compliance of Region IV Housing Authority, New Mexico, Inc. (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in items 2004-2, 2004-4, and 2004-5 in the accompanying schedule of findings and questioned costs, Region IV Housing Authority, New Mexico, Inc., did not comply with requirements regarding eligibility and reporting requirements that are applicable to the Housing Choice Voucher program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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*Certified Public Accountants*

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### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness as defined as below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-4 and 2004-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2004-2, 2004-4 and 2004-5 to be material weaknesses.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, the Office of the State Auditor, the New Mexico State Legislature and its committees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Certified Public Accountants

Carlsbad, New Mexico  
April 27, 2010

STATE OF NEW MEXICO  
 REGION IV HOUSING AUTHORITY,  
 NEW MEXICO, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2009

Schedule IV

		<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Direct Programs:				
<u>U.S. Department of Housing and Urban Development</u>				
Housing Choice Voucher Program	(1)	14.871	N/A	\$ <u>1,531,628</u>
Total expenditures of federal awards				\$ <u><u>1,531,628</u></u>

Notes to Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of the Authority's 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*. Expenditures related to federal awards have been included in various categories in the Statement of Revenues, Expenses and Changes in Fund Net Assets. During the year ended June 30, 2009 there were no federal awards expended in the form of non-cash assistance and there were no loans or loan guarantees outstanding.

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditor's report.

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STATE OF NEW MEXICO  
 REGION IV HOUSING AUTHORITY,  
 NEW MEXICO, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2009

Schedule V

**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified?  x  Yes       No

Significant deficiency(ies) identified that are not considered to be material weakness(es):  x  Yes       No

Noncompliance material to financial statements noted?  X  Yes       No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  x  Yes       No

Significant deficiency(ies) identified that are not considered to be material weakness(es):  x  Yes       No

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Voucher Program

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

Auditee qualified as low-risk auditee?       Yes  x  No

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

**B. FINDINGS—FINANCIAL STATEMENT AUDIT**

2008-1: Late Submission of Audit Report

***Condition***

The June 30, 2009, audit report was submitted to the State Auditor after the September 30, 2009 deadline. The report was received at the Office of the State Auditor on May 14, 2010.

***Criteria***

In accordance with State Auditor Rule 2.2.2.9.A, the audited financial statements are due by September 30, 2009.

***Effect***

Those relying on audited financial statements did not have timely reports available for their decision making process. The New Mexico Legislature did not have audited financial statements to facilitate legislative decisions related to the Authority.

***Cause***

The Authority had been more than four years behind on having a financial audit due to poor management by the prior executive director. They are currently in the process of becoming current on their audits, but are still behind.

***Recommendation***

The Authority should make a good faith effort to become current and then remain on schedule in regards to financial audit.

***Agency Response***

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. We will comply with all the recommendations.

2008-2: Preparation of Financial Statements

***Condition***

The financial statements and related disclosures are not being prepared by the Authority.

***Criteria***

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.



**STATE OF NEW MEXICO**  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

2008-2: Preparation of Financial Statements (continued)

***Effect***

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

***Cause***

The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

***Recommendation***

We recommend Authority management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
  - Governmental Accounting Standards Board (GASB)
  - Generally Accepted Accounting Principles (specifically as applied to governmental units)
  - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
  - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

***Agency Response***

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. We will comply with all the recommendations.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

2008-3: Laptop Security

***Condition***

During our audit, we noted that the Authority's laptop computers used in remote offices are not encrypted.

***Criteria***

Paragraph 4.1.3 of the State of New Mexico Statewide Policy S-STD-002-003 II Security Policy states that procedures shall be established to ensure that data/information contained in electronic transactions is protected via (1) identification, authentication, and authorization, (2) encryption: and (3) electronic signature, as necessary.

***Effect***

An unexpected occurrence could compromise the Authority's legal requirements pertaining to confidentiality, privacy, and accessibility of data/information contained in electronic transactions.

***Cause***

The Authority has difficulty with the encrypted process for the Authority's laptop computers.

***Recommendation***

The Authority should encrypt all data/information contained on all laptop computers used in remote offices.

***Agency Response***

All laptops will be encrypted to comply with the above mentioned regulations.

2008-4: Information Technology Policy

***Condition***

During our audit, we noted that the Authority does not have a written IT policy which is communicated to and signed by all employees and contractors. It was also noted that employees were not required to change their passwords to the network or software programs on a regular basis.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

2008-4: Information Technology Policy (continued)

***Criteria***

Paragraph 4.1 of the State of New Mexico Statewide Policy S-STD-011.001 Personnel Security states agencies shall establish and document personnel security policies as well as related procedures that show clear accountability for security administration. Policies and procedures shall be applied to every existing state employee and contractor, as well as to new state employees and contractors, in order to prevent potential unauthorized access to and misuse of sensitive and confidential information. Policies and procedures shall be made available to all state employees and contractors and should be signed to indicate acceptance and understanding.

Paragraph 4.2 of the State of New Mexico Statewide Policy S-STD-004-001 Account Management Standard states that agencies shall establish, document, and communicate a policy requirement that accountability for actions taken on an information technology (IT) resource (e.g. computer system, agency or state application system, etc.) belongs to the owner of the specific user ID under which these actions take place.

***Effect***

The Authority has the potential for unauthorized access to and misuse of sensitive and confidential information.

***Cause***

The Authority has not communicated its IT policy and procedures to all employees on a regular basis, nor has it required a documented response from employees indicating the employees understanding and acceptance of the policy and procedures. This resulted from poor management by the prior executive director.

***Recommendation***

The Authority should establish and document personnel security policies. These policies should include accountability for security administration. The written policy when established should be signed and dated annually by each employee and contractor who has access to the IT system. The Authority should also have this IT policy signed by any new employees. In addition, the Authority should also have their computer system updated to enable employees to change their passwords on a regular basis.

***Agency Response***

We will comply with the above mentioned recommendation for an IT security policy.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

**C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**  
SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871

2004-2: Tenant File Documentation

***Condition***

During our testwork under the Single Audit Act, we noted the following:

- 40 of 40 files tested had missing documentation of criminal background checks.
- 40 of 40 files tested had missing documentation of how tenants were selected from the waiting list for entrance into the Section 8 program.

***Criteria***

According to HUD requirements as outlined in Circular A-133 for audit of Low Rent Public Housing Program, Section 8 Housing Voucher Program, and Section 8 Housing Assistance Payment Program inspections of tenant properties must be performed annually. Additionally, the tenant files must contain documentation of certain items, including owner approval of the HAP agreement, criminal background checks, proof of and declaration of U.S. citizenship, and copies of Social Security Cards. The authority must also maintain proof of proper selection from the waiting list.

***Questioned Costs***

None

***Effect***

The Authority is at risk of being held accountable for violating regulations.

***Cause***

The cause of these findings appears to be inadequate follow-up controls.

***Recommendation***

We suggest that the Authority improve its follow-up system to ensure that all required documentation is maintained in the tenant files.

***Agency Response***

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. We will comply with all the recommendations.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871

2004-4: Late Data Collection Form Submission

***Condition***

The Data Collection Form cannot be submitted to the Federal Audit Clearinghouse until the annual financial audit has been completed; therefore, the A-133 compliance audit for June 30, 2009 was not submitted by the required due date of March 31, 2010. The Authority did not request an extension of time from the oversight agency for audit.

***Criteria***

OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor(s) report, or nine months after the end of the audit period. Based on this regulation, the latest the Authority could have filed the Data Collection Form was April 30, 2010. OMB Circular A-133 Section 320(a) permits the oversight agency for audit to grant an extension in advance of the regular due date noted in the previous sentence.

***Questioned Costs***

None

***Effect***

The Authority is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize the Authority's eligibility to receive federal funding. Late audit report submission also prevents the timely release of financial data.

***Cause***

The financial audit for the Authority was not started until February 2010.

***Recommendation***

We recommend that future audit contracts be implemented timely enough to ensure that the audit is complete by the due date.

***Agency Response***

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. We will comply with all the recommendations.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871

2004-5: No Financial Data Schedule or Electronic Submission to HUD

***Condition***

The Financial Data Schedule was not electronically submitted to HUD's REAC staging data base for the fiscal year ended June 30, 2009 by the extended due date of April 30, 2010.

***Criteria***

OMB Circular A-133 Section .320(a) requires the Authority to submit a Financial Data Schedule. The Authority should have filed the Financial Data Schedule in a timely manner with the U.S. Department of Housing and Urban Development.

***Questioned Costs***

None

***Effect***

The violation could potentially jeopardize the Authority's eligibility for funding from federal agencies.

***Cause***

The Authority had not compiled the necessary information and had not contracted for their annual audit in a timely manner. This resulted in nonperformance of their REAC submission by its due date.

***Recommendation***

We recommend that the Authority prepare the schedule and submit the information to HUD as required.

***Agency Response***

Since the audits for Region IV have been completed late since 2003, it was not possible to submit the required data without an approved audit. We will complete the report once the audit report has been issued. We will follow the above mentioned recommendations.

STATE OF NEW MEXICO  
REGION IV HOUSING AUTHORITY,  
NEW MEXICO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

Schedule V

**D. PRIOR YEAR FINDINGS**

- 2007-1 Lack of Supporting Documentation for Expenditures  
Resolved and not repeated.
- 2007-2 Insufficient Record Keeping  
Resolved an not repeated.
- 2008-1 Late submission of Audit Report  
Revised and repeated.
- 2008-2 Preparation of Financial Statements  
Revised and repeated.
- 2008-3 Laptop Security  
Repeated.
- 2008-4 Information Technology Policy  
Repeated.
- 2008-5 Missing Documentation - Receipts  
Resolved.
- 2008-6 Lack of Documentation - Bids  
Resolved.
- 2008-7 PERA  
Resolved.
- 2008-8 Wages not reported on 941  
Resolved.
- 2008-9 1099/Contract Labor  
Resolved.
- FA2004-2 Tenant File Documentation  
Revised and repeated.
- FA2004-4 Late Data Collection Form Submission  
Revised and repeated.
- FA2004-5 No Financial Data Schedule or Electronic Submission to HUD  
Revised and repeated.

**STATE OF NEW MEXICO**  
**REGION IV HOUSING AUTHORITY,**  
**NEW MEXICO, INC.**  
**OTHER DISCLOSURES**  
June 30, 2009

**AUDITOR PREPARED FINANCIAL STATEMENTS**

Although it would be preferred and desirable for the Authority to prepare its own GAAP-basis financial statements, it is felt that the Authority's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**EXIT CONFERENCE**

The contents of this report were discussed on April 27, 2010. The following individuals were in attendance.

Eastern Regional Housing Authority  
Mary Beth Fowler, Board Member  
Chris Herbert, Executive Director  
Irene Andazola, Deputy Director  
Olivia Cruz, Finance Director

Auditors  
Becky Dinwiddie, CPA