

State of New Mexico
Housing Authority of Region V, New Mexico

FINANCIAL STATEMENTS
With Independent Auditors' Report Thereon

For The Fiscal Year Ended June 30, 2008

Housing Authority of Region V, New Mexico
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Housing Authority of Region V, New Mexico
DIRECTORY OF OFFICIALS
June 30, 2008

COMMISSIONERS

Sonia Arteche
Beverly Kostelnik
Robert Atwood
Vera Turner
Nina Altamirano
Janet Porter

Chairman
Vice-Chairman
Commissioner
Commissioner
Commissioner
Commissioner

ADMINISTRATIVE STAFF

Cathy DeMarco
Sonia Lopez

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.

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Commissioners
Housing Authority of Region V, New Mexico
Silver City, New Mexico

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing Authority of Region V, New Mexico as of and for the year ended June 30, 2008, 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 Enterprise funds presented as other supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Region, New Mexico's management. 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 of material misstatements. 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 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 Housing Authority of Region V, New Mexico as of June 30, 2008, and the respective changes in financial position and cash flows and the respective budgetary comparisons presented as other supplementary information for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, on our consideration of the Housing Authority of Region V, New Mexico'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 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements, and the budgetary comparisons presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co., CPAs

February 13, 2009

Stone, McGee & Co.
Certified Public Accountants

HOUSING AUTHORITY OF REGION V, NEW MEXICO Management's Discussion and Analysis

As management of the Housing Authority of Region V, New Mexico, we offer the readers of the Housing Authority of Region V, New Mexico's financial statements this narrative overview and analysis of the financial activities of the Housing Authority of Region V, New Mexico for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of the Housing Authority of Region V, New Mexico and additional information provided. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Housing Authority of Region V, New Mexico exceeded its liabilities at the close of the most recent fiscal year by \$4,545 (net Assets). Of this amount, \$1,637 (unrestricted net assets) may be used to meet the Authority's obligations to residents and creditors.
- The Authority's total net assets decreased by \$196. Of this amount, \$138 decrease was attributable to Housing Choice Voucher activities, Low Rent Public Housing generated a decrease of \$62 and Southwest Housing Assistance activities generated a \$4 increase.
- At the end of the current fiscal year, unrestricted net assets for the Low-Rent Public Housing fund were \$244, or 80% 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 Housing Authority of Region V, New Mexico'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 Housing Authority of Region V, New Mexico's finances, in a manner similar to a private-sector business.

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

The *statement of changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 taxes and earned but unused vacation leave).

Proprietary Funds

The Housing Authority of Region V, New Mexico maintains four proprietary enterprise funds to account for: Low-Rent Public Housing, Housing Choice Voucher Program, Southwest Housing Assistance Program (SWHAP) and State Programs (Linkages and MFA Services). 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority of Region V, assets exceeded liabilities by \$4,545 at the close of the most recent fiscal year.

By far the largest portion of the Housing Authority of Region V's assets (62%) 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. The Housing Authority of Region V uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

Housing Authority of Region V, New Mexico Condensed Statement of Net Assets (In Thousands)

	June 30, 2007	June 30, 2008
Assets		
Current Assets	1729	1693
Restricted Assets	93	84
Capital Assets, Net	2963	2837
Total Assets	<u>4785</u>	<u>4614</u>
Liabilities		
Current Liabilities	23	35
Noncurrent Liabilities	21	34
Total Liabilities	<u>44</u>	<u>69</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	2963	2837
Restricted	81	71
Unrestricted	1697	1637
Total Net Assets	<u>4741</u>	<u>4545</u>

Total Liabilities and Net Assets

4785

4614

An additional portion of the Housing Authority of Region V, New Mexico's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1637) may be used to meet the Authority's ongoing obligations to residents and creditors.

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

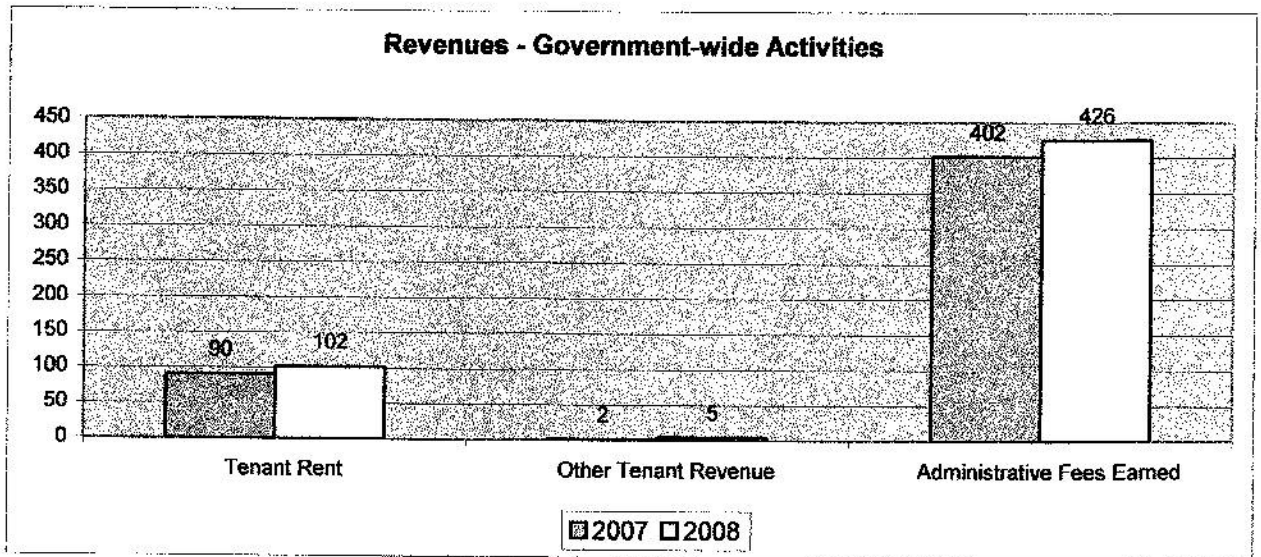
There was a decrease of \$10 in restricted net assets reported by the Housing Authority of Region V as compared to the prior year. This decrease resulted from utilizing some of the Capital Fund resources restricted by HUD for specific use on improvements to Low-Rent Public Housing tenant dwellings.

**Housing Authority of Region V, New Mexico
Condensed Statement of Changes in Net Assets
(In Thousands)**

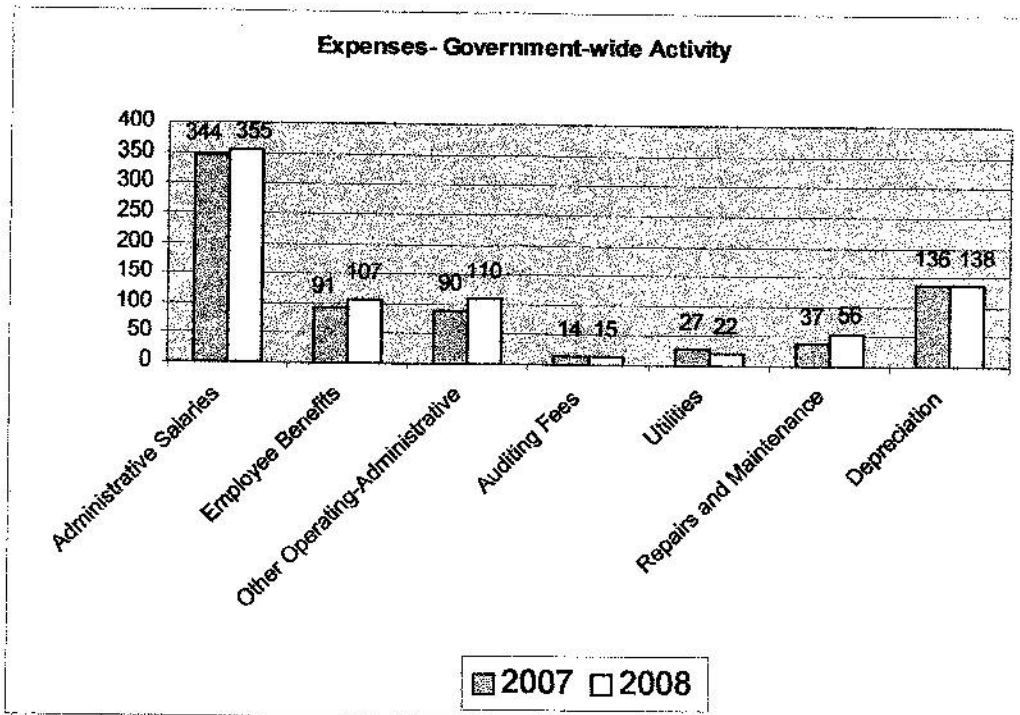
	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Revenues:		
Tenant Rent	90	102
Other Tenant Revenue	2	5
Administrative Fees Earned	402	426
Total Revenue	<u>494</u>	<u>533</u>
Expenses:		
Administrative Salaries	344	355
Employee Benefits	91	107
Other Operating-Administrative	80	85
Auditing Fees	14	15
Utilities	27	22
Repairs and Maintenance	37	56
Insurance	6	5
Other General Expenses	4	20
Depreciation	136	138
Total Expenses	<u>739</u>	<u>803</u>
Operating Income (Loss)	<u>(245)</u>	<u>(270)</u>
Non-Operating Revenues (Expenses):		
HUD Grant	3645	3268
Housing Assistance Payments	(3051)	(3253)
Other Non-Operating Revenue	77	56
Gain (Loss) on Sale of Fixed Assets	(1)	0

Total Non-Operating Revenue (Expenses)	670	71
Income (Loss) before Capital Contributions & Transfers	425	(199)
Mod Grants	88	3
Change In Net Assets	<u>513</u>	<u>(196)</u>

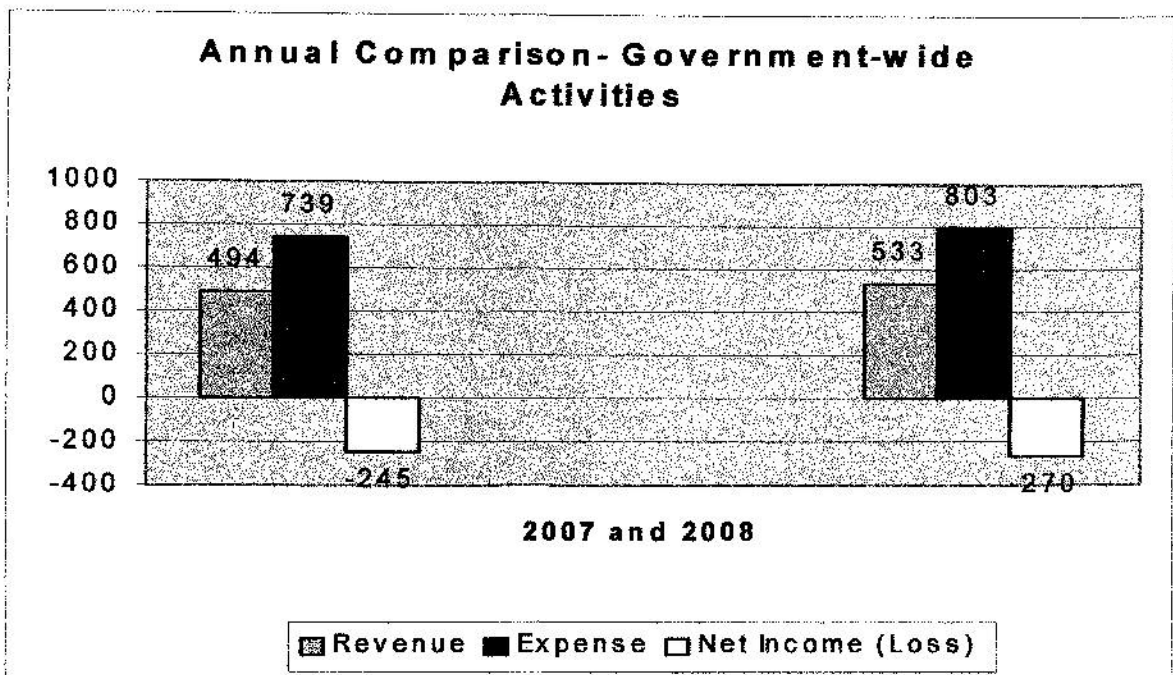
Total revenues increased \$39 (108%) during the year. This is the result of an increase in tenant rents and administrative fees earned.



Total expenses increased \$64 or 9% as compared to the prior year. This increase is reflected throughout all the expenses with the exception of utilities, which showed a decrease of \$5.



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 exceeded budgetary expectations by \$63; however, operating expenses remained under the budget plan by \$30 after adjusting for Depreciation Expenses of \$138, thereby eliminating the need to draw upon existing net assets.

Capital Asset and Debt Administration

The Housing Authority of Region V's investment in capital assets as of June 30, 2008, amounts to \$2837 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, furnishings and equipment.

Housing Authority of Region V, New Mexico Capital Assets (Net of Depreciation)

	June 30, 2008
Land and Improvements	514,883
Buildings, Systems and Improvements	2,219,386
Furniture, Fixtures and Equipment	89,981
Construction in Progress	12,564
	<hr/>
Total Fixed Assets, Net of Accumulated Depreciation	<u>2,836,814</u>

Long Term Debt:

At the end of the current fiscal year, the Housing Authority of Region V had estimated long-term compensated absences outstanding in the amount of \$34.

Economic Factors:

- The unemployment rate in Grant County as of December 2008, reported by the New Mexico Department of Workforce Solutions, is 6.5%, which is an increase from a rate of 3.6% a year ago. This is considerably higher than the state's average unemployment rate of 4.5%. The unemployment rate in Luna County as of December 2008 was once again the highest in the state at 13%.
- The Voucher program is continuing to have problems with maintaining full lease-up due to the lack of rentals available, particularly in Catron and Hidalgo Counties.

Requests for Information:

This financial report is designed to provide a general overview of the Housing Authority of Region V'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.

Housing Authority of Region V, New Mexico
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance	State and Local	Total
Current assets:					
Cash	\$ 248,429	\$ 1,299,915	\$ 120,972	\$ 8,694	\$ 1,678,010
Interfund receivable			5,000		5,000
Accounts receivable (net)	540	4,333	436		5,309
Inventory	5,141				5,141
Total current assets	\$ 254,110	\$ 1,304,248	\$ 126,408	\$ 8,694	\$ 1,693,460
Noncurrent assets:					
Restricted:					
Cash	\$ 81,638	\$ -	\$ 2,077	\$ -	\$ 83,715
Capital assets, net	2,399,192	43,985	393,636		2,836,813
Total noncurrent assets	\$ 2,480,830	\$ 43,985	\$ 395,713	\$ -	\$ 2,920,528
Total assets	\$ 2,734,940	\$ 1,348,233	\$ 522,121	\$ 8,694	\$ 4,613,988
LIABILITIES					
Current liabilities:					
Cash overdraft	\$ -	\$ -	\$ 5,752	\$ -	\$ 5,752
Accounts payable	3,478	683		3,811	7,972
Interfund payable				5,000	5,000
Compensated absences	646	3,085	4		3,735
Deferred revenue	662				662
Tenant deposits (payable from restricted assets)	9,993		2,077		12,070
Total current liabilities	\$ 14,779	\$ 3,768	\$ 7,833	\$ 8,811	\$ 35,191
Noncurrent liabilities:					
Compensated absences	5,812	27,766	39	-	33,617
Total liabilities	\$ 20,591	\$ 31,534	\$ 7,872	\$ 8,811	\$ 68,808
NET ASSETS					
Invested in capital assets	\$ 2,399,192	\$ 43,985	\$ 393,637	\$ -	\$ 2,836,814
Restricted for capital purchases	71,645				71,645
Unrestricted	243,512	1,272,714	120,612	(117)	1,636,721
Total net assets	\$ 2,714,349	\$ 1,316,699	\$ 514,249	\$ (117)	\$ 4,545,180

Housing Authority of Region V, New Mexico
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2008

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance	State and Local	Total
Operating revenues:					
Tenant rent	\$ 77,390	\$ -	\$ 24,695	\$ -	\$ 102,085
Other tenant revenue	2,316		2,427		4,743
Administration fees		426,668			426,668
Total operating revenues	\$ 79,706	\$ 426,668	\$ 27,122	\$ -	\$ 533,496
Operating expenses:					
Personnel services	\$ 88,177	\$ 253,710	\$ -	\$ 13,500	\$ 355,387
Employee benefits	20,123	83,882		3,375	107,380
Contractual services					-
Other administrative	16,141	80,200	2,191	1,704	100,236
Utilities	19,700	1,906	252		21,858
Repairs and maintenance	34,299	10,789	10,482		55,570
Insurance	1,954	2,574			4,528
Other general expenses	5,364	14,379	(37)		19,706
Depreciation	118,379	9,804	10,261		138,444
Total operating expenses	\$ 304,137	\$ 457,244	\$ 23,149	\$ 18,579	\$ 803,109
Operating income (loss)	\$ (224,431)	\$ (30,576)	\$ 3,973	\$ (18,579)	\$ (269,613)
Nonoperating revenue (expense):					
Intergovernmental grants	\$ 153,570	\$ 3,088,972	\$ -	\$ 25,761	\$ 3,268,303
Housing assistance payments		(3,246,468)		(7,299)	(3,253,767)
Other nonoperating revenue	5,957	50,174	180		56,311
Gain (loss) on disposition of assets					-
Total nonoperating revenues (expenses)	\$ 159,527	\$ (107,322)	\$ 180	\$ 18,462	\$ 70,847
Income (loss) before capital contributions	\$ (64,904)	\$ (137,898)	\$ 4,153	\$ (117)	\$ (198,766)
Capital contributions	2,751	-	-	-	2,751
Change in net assets	\$ (62,153)	\$ (137,898)	\$ 4,153	\$ (117)	\$ (196,015)
Net assets, beginning of year	2,776,502	1,454,597	510,096	-	4,741,195
Net assets, end of year	\$ 2,714,349	\$ 1,316,699	\$ 514,249	\$ (117)	\$ 4,545,180

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

Housing Authority of Region V, New Mexico
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance	State and Local	Total
Cash flows from operating activities:					
Receipts from tenants and fees	\$ 76,964	\$ 426,289	\$ 27,032	\$ -	\$ 530,285
Payments to vendors	(74,754)	(111,830)	(12,925)	(1,704)	(201,213)
Payments to employees	(106,578)	(326,361)		(13,064)	(446,003)
Net cash provided (used) by operating activities	<u>\$ (104,368)</u>	<u>\$ (11,902)</u>	<u>\$ 14,107</u>	<u>\$ (14,768)</u>	<u>\$ (116,931)</u>
Cash flows from noncapital and related financing activities:					
Intergovernmental grants	\$ 159,527	\$ 3,088,972	\$ -	\$ 25,761	\$ 3,274,260
Housing assistance payments		(3,246,468)		(7,299)	(3,253,767)
Interfund activities			(5,000)	5,000	-
Other nonoperating revenues		46,799	180		46,979
Net cash provided (used) by noncapital and related financing activities	<u>\$ 159,527</u>	<u>\$ (110,697)</u>	<u>\$ (4,820)</u>	<u>\$ 23,462</u>	<u>\$ 67,472</u>
Cash flows from capital and related financing activities:					
Intergovernmental grants	\$ 2,751	\$ -	\$ -	\$ -	\$ 2,751
Purchase of capital assets	(12,564)				(12,564)
Net cash provided (used) by capital and related financing activities	<u>\$ (9,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,813)</u>
Net increase (decrease) in cash	\$ 45,346	\$ (122,599)	\$ 9,287	\$ 8,694	\$ (59,272)
Cash, beginning of year	284,721	1,422,514	108,010	-	1,815,245
Cash, end of year	<u>\$ 330,067</u>	<u>\$ 1,299,915</u>	<u>\$ 117,297</u>	<u>\$ 8,694</u>	<u>\$ 1,755,973</u>

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

Housing Authority of Region V, New Mexico
STATEMENT OF CASH FLOWS (concluded)
For the Fiscal Year Ended June 30, 2008

	Low Rent Public Housing	Housing Choice Vouchers	Southwest Housing Assistance	Southwest Housing Assistance	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (224,431)	\$ (30,576)	\$ 3,973	\$ (18,579)	\$ (269,613)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	118,379	9,804	10,261		138,444
Provision for bad debts	2,986				2,986
(Increase) decrease in:					
Accounts receivable	(3,507)	(379)	(161)		(4,047)
Inventory	729				729
Increase (decrease) in:				3,811	3,811
Accounts payable	(1,011)	(1,982)			(2,993)
Compensated absences	1,722	11,231	(37)		12,916
Deferred revenue	238				238
Tenant deposits	527		71		598
Net cash provided by operating activities	<u>\$ (104,368)</u>	<u>\$ (11,902)</u>	<u>\$ 14,107</u>	<u>\$ (14,768)</u>	<u>\$ (116,931)</u>

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

Housing Authority of Region V, New Mexico
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 Summary of Significant Accounting Policies

A. GENERAL

The Housing Authority of Region V, New Mexico 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 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the Authority implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

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.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets 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 nonexchange 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 Activities 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.

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.

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.

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.

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 Assets and the Statement of Revenues, Expenses and Change in Net Assets 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets, 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, and liabilities 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.

No amendments are made to the original budgets.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Assets, "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".

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 Assets, with accumulated depreciation reflected in the Statement of Net Assets. 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 ASSETS

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to rent deposits and capital grants.

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 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 assets and displayed in three components:

- a. Invested 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested 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 nonoperating 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 Statement of Activities, all interfund transfers between individual funds have been eliminated. No interfund transfers were made during the year ended June 30, 2008.

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 Governments 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, 2008, \$.00 of the Authority's bank balance of \$1,782,936 was exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 100,000	\$ 100,000
Collateral held by the pledging bank's agent in Authority's name	<u>1,682,936</u>	<u>1,655,723</u>
	<u>\$ 1,782,936</u>	<u>\$ 1,755,723</u>

Note 3 Accounts Receivables

Due from tenants and others	\$ 8,525
Less allowance for doubtful accounts	<u>(3,216)</u>
Net receivables	<u>\$ 5,309</u>

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 514,883	\$ -0-	\$ -0-	\$ 514,883
Construction in progress	<u>-0-</u>	<u>12,562</u>	<u>-0-</u>	<u>12,562</u>
Total assets not being depreciated	<u>\$ 514,883</u>	<u>\$ 12,562</u>	<u>\$ -0-</u>	<u>\$ 527,445</u>
Other capital assets:				
Buildings/improvements	\$ 4,067,096	\$ -0-	\$ -0-	\$ 4,067,096
Equipment/furnishings	<u>246,523</u>	<u>-0-</u>	<u>-0-</u>	<u>246,523</u>
Total other assets at historical cost	<u>\$ 4,313,619</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,313,619</u>
Less accumulated depreciation for:				
Buildings/improvements	\$(1,727,911)	\$ (119,797)	\$ -0-	\$ (1,847,708)
Equipment/furnishings	<u>(137,896)</u>	<u>(18,647)</u>	<u>-0-</u>	<u>(156,543)</u>
Total accumulated depreciation	<u>\$(1,865,807)</u>	<u>\$ (138,444)</u>	<u>\$ -0-</u>	<u>\$ (2,004,251)</u>
Other capital assets (net)	<u>\$ 2,447,812</u>	<u>\$ (138,444)</u>	<u>\$ -0-</u>	<u>\$ 2,309,368</u>
Capital assets, net	<u>\$ 2,962,695</u>	<u>\$ (125,882)</u>	<u>\$ -0-</u>	<u>\$ 2,836,813</u>

Note 5 Compensated Absences

Changes in compensated absences were as follows for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
	\$ 24,436	\$ 25,717	\$ 12,801	\$ 37,352
Amounts due:				
Current				\$ 3,735
Long-term				<u>33,617</u>
				<u>\$ 37,352</u>

Note 6 Retirement Plan

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, 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.

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 contributor 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, 2008, 2007, and 2006 were \$61,336, \$57,160 and \$53,616 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.

Limits of coverage are as follows:

- \$300,000 Medical and medically related expense per occurrence.
- \$400,000 Bodily Injury each person.
- \$750,000 Bodily Injury each occurrence.
- \$100,000 Property Damage each occurrence.

Note 9 Financial Data Schedule

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

The financial data schedule is not available for presentation in the audited financial statements. Upon availability, it will be presented in a separate report.

Note 10 Interfund Activity

Interfund balances at June 30, 2008 consisted of the following:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	
	<u>State and Local</u>	<u>Total</u>
Southwest Housing Assistance	\$ 5,000	\$ 5,000
Total	\$ 5,000	\$ 5,000

Note 11 Deficit Fund Balance

The Authority has a deficit fund balance in its State and Local Fund at June 30, 2008. This was caused by the accrual of employee benefits which were unfunded by the revenue source.

The Authority intends to transfer amounts sufficient to fund the deficit from the Southwest Housing Assistance Fund.

Housing Authority of Region V, New Mexico
LOW RENT PUBLIC HOUSING
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 43,876	\$ 43,876	\$ 77,390	\$ 33,514
Other tenant revenue	1,140	1,140	2,316	1,176
Total operating revenues	\$ 45,016	\$ 45,016	\$ 79,706	\$ 34,690
Operating expenses:				
Personnel services	\$ 95,133	\$ 95,133	\$ 88,177	\$ 6,956
Employee benefits	30,443	30,443	20,123	10,320
Other administrative	7,400	7,400	16,141	(8,741)
Utilities	27,478	27,478	19,700	7,778
Repairs and maintenance	29,662	29,662	34,299	(4,637)
Insurance	6,000	6,000	1,954	4,046
Other general	7,500	7,500	5,364	2,136
Depreciation			118,379	(118,379)
Total operating expenses	\$ 203,616	\$ 203,616	\$ 304,137	\$ (100,521)
Operating income (loss)	\$ (158,600)	\$ (158,600)	\$ (224,431)	\$ (65,831)
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 151,060	\$ 151,060	\$ 153,570	\$ 2,510
Other nonoperating revenue	7,540	7,540	5,957	(1,583)
Gain (loss) on disposition of assets				-
Total nonoperating revenues (expenses)	\$ 158,600	\$ 158,600	\$ 159,527	\$ 927
Income (loss) before capital contributions	\$ -	\$ -	\$ (64,904)	\$ (64,904)
Capital contributions			2,751	2,751
Change in net assets	\$ -	\$ -	\$ (62,153)	\$ (62,153)

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

Housing Authority of Region V, New Mexico
HOUSING CHOICE VOUCHERS
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:				
Administrative fees	\$ 399,880	\$ 399,880	\$ 426,668	\$ 26,788
Total operating revenues	<u>\$ 399,880</u>	<u>\$ 399,880</u>	<u>\$ 426,668</u>	<u>\$ 26,788</u>
Operating expenses:				
Personnel services	\$ 266,147	\$ 266,147	\$ 253,710	\$ 12,437
Employee benefits	85,821	85,821	83,882	1,939
Other administrative	73,931	73,931	80,200	(6,269)
Utilities	1,900	1,900	1,906	(6)
Repairs and maintenance	8,543	8,543	10,789	(2,246)
Insurance	2,500	2,500	2,574	(74)
Other general	-	-	14,379	(14,379)
Depreciation	-	-	9,804	(9,804)
Total operating expenses	<u>\$ 438,842</u>	<u>\$ 438,842</u>	<u>\$ 457,244</u>	<u>\$ (18,402)</u>
Operating income (loss)	<u>\$ (38,962)</u>	<u>\$ (38,962)</u>	<u>\$ (30,576)</u>	<u>\$ 8,386</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 3,468,466	\$ 3,468,466	\$ 3,088,972	\$ (379,494)
Housing assistance payments	(3,468,466)	(3,468,466)	(3,246,468)	221,998
Other nonoperating revenue	38,962	38,962	50,174	11,212
Gain (loss) on disposition of assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>\$ 38,962</u>	<u>\$ 38,962</u>	<u>\$ (107,322)</u>	<u>\$ (146,284)</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,898)</u>	<u>\$ (137,898)</u>

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

Housing Authority of Region V, New Mexico
SOUTHWEST HOUSING ASSISTANCE
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ 25,908	\$ 25,908	\$ 24,695	\$ (1,213)
Other tenant revenue			2,427	2,427
Total operating revenues	\$ 25,908	\$ 25,908	\$ 27,122	\$ 1,214
Operating expenses:				
Other administrative	\$ 15,000	\$ 15,000	\$ 2,153	\$ 12,847
Repairs and maintenance	6,000	6,000	10,482	(4,482)
Utilities			252	(252)
Depreciation			10,261	(10,261)
Total operating expenses	\$ 21,000	\$ 21,000	\$ 23,148	\$ (2,148)
Operating income (loss)	\$ 4,908	\$ 4,908	\$ 3,974	\$ (934)
Nonoperating revenue (expense):				
Other nonoperating revenue	\$ 3,444	\$ 3,444	\$ 180	\$ (3,264)
Total nonoperating revenues (expenses)	\$ 3,444	\$ 3,444	\$ 180	\$ (3,264)
Change in net assets	\$ 8,352	\$ 8,352	\$ 4,154	\$ (4,198)

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

Housing Authority of Region V, New Mexico
STATE AND LOCAL
Statement of Revenues and Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other tenant revenue	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total operating revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating expenses:				
Personnel services	\$ 18,000	\$ 18,000	\$ 13,500	\$ 4,500
Employee benefits	4,500	4,500	3,375	1,125
Contract services	400	400		400
Other administrative	7,830	7,830	1,704	6,126
Utilities	500	500		500
Depreciation	-	-	-	-
	<u>\$ 31,230</u>	<u>\$ 31,230</u>	<u>\$ 18,579</u>	<u>\$ 12,651</u>
Total operating expenses	<u>\$ 31,230</u>	<u>\$ 31,230</u>	<u>\$ 18,579</u>	<u>\$ 12,651</u>
Operating income (loss)	<u>\$ (31,230)</u>	<u>\$ (31,230)</u>	<u>\$ (18,579)</u>	<u>\$ 12,651</u>
Nonoperating revenue (expense):				
Intergovernmental grants	\$ 51,210	\$ 51,210	\$ 25,761	\$ (25,449)
Housing assistance payments	(19,980)	(19,980)	(7,299)	12,681
Other nonoperating revenue	-	-	-	-
Gain (loss) on disposition of assets	-	-	-	-
	<u>\$ 31,230</u>	<u>\$ 31,230</u>	<u>\$ 18,462</u>	<u>\$ (12,768)</u>
Total nonoperating revenues (expenses)	<u>\$ 31,230</u>	<u>\$ 31,230</u>	<u>\$ 18,462</u>	<u>\$ (12,768)</u>
Income (loss) before capital contributions	\$ -	\$ -	\$ (117)	\$ (117)
Capital contributions	-	-	-	-
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117)</u>	<u>\$ (117)</u>

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

Housing Authority of Region V, New Mexico
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2008

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Wells Fargo Bank</u>			
Housing Assistance Payments	Checking	\$ 2,833	\$ -
Voucher	Checking	550,039	552,797
Southwest Housing Assistance	Checking	-	(5,752)
Low Rent Public Housing	Checking	25,000	11,162
Linkages	Checking	5,462	5,462
Payroll	Checking	7,548	-
MFA	Checking	3,232	3,232
Repurchase agreement	Repurchase	<u>1,188,822</u>	<u>1,188,822</u>
 Total bank deposits		 <u>\$ 1,782,936</u>	 \$ 1,755,723
 Petty cash			 <u>250</u>
 Total cash per financial statements			 <u>\$ 1,755,973</u>

Housing Authority of Region V, New Mexico
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2008

	Wells Fargo Bank
Checking accounts	\$ 594,114
Repurchase deposits	1,188,822
	\$ 1,782,936
Total on deposit	\$ 1,782,936
Less FDIC insurance	(100,000)
	\$ 1,682,936
Total uninsured public funds	\$ 1,682,936
102% collateralization requirement	\$ 1,212,598
50% collateralization requirement (Section 6-10-17 NMSA)	247,057
	\$ 1,459,655
Total collateralization requirement	\$ 1,459,655
Pledged securities:	
FNCL 31414KE89 2/1/38	\$ 789,537
FNCL 31415A4B4 5/1/38	130,458
FNCL 31409AXP9 2/1/36	320,178
WFBS 31409CWA9 5/1/36	896,556
	\$ 2,136,729
Total pledged securities	\$ 2,136,729
Pledged securities over (under) requirement	\$ 677,074

Securities pledged are held by the Wells Fargo Trust Department in Minneapolis, Minnesota.

Housing Authority of Region V, New Mexico
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

<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>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct programs:			
Public and Indian Housing	14.850	N/A	\$ 153,570
Section 8 Housing Choice Vouchers	14.871	N/A	3,673,136
Public Housing Capital Fund	14.872	N/A	<u>2,751</u>
Total U.S. Department of Housing and Urban Development and total expenditures of federal awards			<u>\$ 3,829,457</u>

See accompanying notes to schedule of expenditures of federal awards.

Housing Authority of Region V, New Mexico
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2008

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of Region V, New Mexico, 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 Public School Insurance Authority to which it pays an annual premium in exchange for insurance in varying amounts based on the type of risk, as follows:

General liability	\$ 300,000
Personal injury	750,000
Property damage	100,000

Note 3 Sub-Recipients

The Authority had no Sub-recipients.

Housing Authority of Region V, New Mexico
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2008

Findings - Financial Statement Audit

None

Findings - Major Federal Award Programs

None

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**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, State Auditor
and
Board of Commissioners
Housing Authority of Region V, New Mexico
Silver City, New Mexico

We have audited the financial statements of the business-type activities and each major fund of the Housing Authority of Region V, New Mexico as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority of Region V, New Mexico's basic financial statements and have issued our report thereon dated February 13, 2009. We have also audited the financial statements of each of the Authority's Enterprise funds presented as other supplementary information as of and for the year ended June 30, 2008, and have issued our report thereon dated February 13, 2009. 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 the Housing Authority of Region V, New Mexico'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 Housing Authority of Region V, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Region V, New Mexico's internal control over financial reporting.

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 a combination of control deficiencies, that adversely affects the Housing Authority of Region V, New Mexico'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 Housing Authority of Region V, New Mexico's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of Region V, New Mexico's internal control.

A material weakness is a significant deficiency, or a 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 Housing Authority of Region V, New Mexico's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Region V, New Mexico'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*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 07-1.

The Housing Authority of Region V'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 Housing Authority of Region V's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the State Auditor, the New Mexico Legislature 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.

Stone, McGee & Co., CPAs

February 13, 2009

Stone, McGee & Co.
Certified Public Accountants

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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, State Auditor
and
Board of Commissioners
Housing Authority of Region V, New Mexico
Silver City, New Mexico

Compliance

We have audited the compliance of the Housing Authority of Region V, New Mexico 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, 2008. The Housing Authority of Region V, New Mexico's major federal programs are 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 Housing Authority of Region V, New Mexico's management. Our responsibility is to express an opinion on the Housing Authority of Region V, New Mexico'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 Housing Authority of Region V, New Mexico'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 on the Housing Authority of Region V, New Mexico's compliance with those requirements.

In our opinion, the Housing Authority of Region V, New Mexico 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, 2008.

Internal Control Over Compliance

The management of the Housing Authority of Region V, New Mexico 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 Housing Authority of Region V, New Mexico's internal control over compliance with 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 Housing Authority of Region V, New Mexico's internal control over compliance.

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 a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a 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.

A material weakness is a significant deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above,

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, the State Auditor, the New Mexico Legislature, 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.

Stone, McGee & Co., CPAs

February 13, 2009

Housing Authority of Region V, New Mexico
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Housing Authority of Region V, New Mexico.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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 Housing Authority of Region V, New Mexico, 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 *Report in Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditors' report on compliance for the major federal awards programs for the Housing Authority of Region V, New Mexico expresses an unqualified 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 Housing Authority of Region V, New Mexico qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

OTHER INSTANCES OF NONCOMPLIANCE

07-1 Late Audit Report Submission

Condition – The audit report for the Authority was submitted to the New Mexico State Auditor by common carrier on February 16, 2009.

Criteria – Section 2.2.2.9 A. (1) of NMAC 2008, commonly called the Audit Rule, requires submission of the audit report no later than September 30, 2008.

Effect – Legislative bodies and others relying on the audit report were unable to perform a timely analysis, and The Authority has violated the aforementioned section of the Audit rule.

Cause – The U.S. Department of Housing and Urban Development (HUD), which is the principal funding source for the Authority, requires a Financial Data Schedule be presented as supplementary information in the audit report. This schedule is based on an on-line submission to HUD, and is submitted under their operating system. HUD is in the process of updating their on-line submissions, and the operating system was unable to accept the Authority's data. The Authority was just informed that the paper audit should, for this year, be submitted without the Financial Data Schedule.

Recommendation – We recommend that the Authority comply with Section 2.2.2.9 NMAC 2008 when submitting future audit reports.

Agency Response – HUD's Real-Estate Assessment Center (REAC) is the central point for receiving and submitting financial data to HUD, including submission of the Financial Data Schedule (FDS) required for public housing authorities audit reports. REAC is in the process of updating the FDS to comply with asset management. As a result of this update, public housing agencies with fiscal years ending June 30, 2008, were unable to create an unaudited financial submission until after January 12, 2009. We submitted our unaudited submission on January 16, 2009, and it is still in review. Audited financial submission capability will not be available until the end of April, 2009. We just recently got direction from HUD to go ahead with our hard copy audit submission without the required financial data schedule.

Region V Housing Authority has always submitted timely audit reports but, in this instance, we were unable to meet the mandated deadline do to circumstances beyond our control.

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 December 16, 2008. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Awish Baechtoe	Board Member	Housing Authority of Region V, N.M.
Cathy DeMarco	Executive Director	Housing Authority of Region V, N.M.
Sonia Lopez	Deputy Director	Housing Authority of Region V, N.M.
Kay Stone	Shareholder	Stone, McGee & Co., C.P.A.'s