

**REGIONAL HOUSING AUTHORITY
OF
REGION VI, NEW MEXICO, INC.**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
OFFICIAL ROSTER
June 30, 2009

Commissioners Appointed by Governor

Chairman	Ella Turner	Lee County Representative Hobbs, New Mexico
Vice-Chairman	Mary Beth Fowler	Lincoln County Representative Capitan, New Mexico
Treasurer	Billy Fleming	Eddy County Representative Carlsbad, New Mexico
Member	Michael O'Hara	Otero County Representative Alamogordo, New Mexico
Member	Betty Madridme	Chaves County Representative Roswell, New Mexico
Member	Alice Franco	Chaves County Representative Artesia, New Mexico
Member	David Chavez	Eddy County Representative Carlsbad, New Mexico

Executive Staff

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
Year Ended June 30, 2009

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
Year Ended June 30, 2009

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the major special revenue fund of the Regional Housing Authority of Region VI, 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. We also have audited the budgetary comparison schedules of each of the enterprise funds presented as supplementary information for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the Authority'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 misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 governmental activities, business-type activities and each major fund of the Regional Housing Authority of Region VI, New Mexico, Inc. as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the Weatherization Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for each of the

enterprise funds for the year ended June 30, 2009, 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 September 22, 2009, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The *Management's Discussion and Analysis* on pages 13 through 18 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 basic financial statements and budgetary comparisons presented as supplemental information. The accompanying financial information listed as supporting Schedules I, II, and III in the table of contents, Schedule IV, the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development, and Schedule V, 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 auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory section on pages i through iv has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
September 28, 2009



REGION VI HOUSING AUTHORITY

Regional Housing Authority of Region VI, New Mexico, Inc.

Region VI Housing Authority

106 E. Reed Street
P.O. Drawer 2057
Roswell, NM 88202-2057
Tel (575) 622-0881
Fax (575) 622-7507

REGION VI HOUSING AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2009

As management of the Region VI Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in conjunction with the Authority's financial statements which follow this narrative.

Financial Highlights

- The total assets of the Authority decreased \$184,297 from June 30, 2008.
- The Authority had total revenue of \$9,056,532 and total expenses of \$9,203,397.
- The total assets of the Authority for June 30, 2009 are \$9,145,080 and the total liabilities for this period are \$6,449,871.

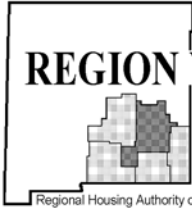
Overview of the Authority

The Region VI Housing Authority was created in 1976. Presently the Authority administers the following programs:

- Woodleaf Apartments (152 units Hobbs, New Mexico)
- Colonial Hillcrest Apartments (76 units Carlsbad, New Mexico)
- La Posada Apartments (12 units Carlsbad, New Mexico)
- Casa Hermosa Apartment (88 units Hobbs, New Mexico)
- Rio Felix Apartments (20 units Rural Development Farm Labor, Hagerman, New Mexico)
- Public Housing (84 units Roswell, Capitan, Carrizozo, New Mexico)
- Section 8 Housing Choice Vouchers (1,285 units)
- Tierra de Esperanza Low Income Homeownership Program (22 units)
- Region VI through our Affiliated Non-profit RHA Housing Development Corp. has taken over the operations for the Region IV Housing Authority
- Homeownership Program
- New Mexico Energy Smart Weatherization Program

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) government-wide financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



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

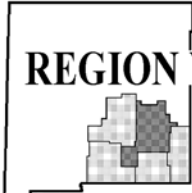
The *statement of net assets* presents information on all of the assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Region VI Housing Authority is improving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

The *statement of activities* presents information showing how the government'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.

The Authority has mostly one fund type, namely proprietary funds. The Statement of Net Assets includes all of the Authority's assets and liabilities. This fund type is used for activities which are financed and operated in a manner similar to those in the private sector.

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior year financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2009 and June 30, 2008.

	Statement of Net Assets					
	Governmental Activities		Business-type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Current Assets	\$ 91,262	\$ -	\$ 1,712,306	\$ 1,731,788	\$ 1,803,568	\$ 1,731,788
Restricted Assets	-	-	998,907	930,197	998,907	930,197
Other Assets	5,249	-	6,337,356	6,667,392	6,342,605	6,667,392
Total Assets	\$ 96,511	\$ -	\$ 9,048,569	\$ 9,329,377	\$ 9,145,080	\$ 9,329,377
Current Liabilities	\$ 91,262	\$ -	\$ 474,754	\$ 475,641	\$ 566,016	\$ 475,641
Long-Term Liabilities	-	-	5,883,855	6,011,662	5,883,855	6,011,662
Total Net Assets	5,249	-	2,689,960	2,842,074	2,695,209	2,842,074
Total Liabilities and Net Assets	\$ 96,511	\$ -	\$ 9,048,569	\$ 9,329,377	\$ 9,145,080	\$ 9,329,377



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Cash and Investments

Cash and Investments decreased by \$23,348 (including restricted cash) from June 30, 2008 to June 30, 2009 mostly related to the Section 8 Housing Program.

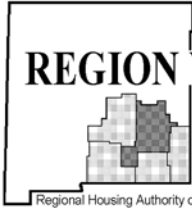
Net Assets

The Authority's unrestricted net assets decreased by \$51,180 for the current year.

	Statement of Activities					
	Governmental Activities		Business-type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenues						
Rental Income	\$ -	\$ -	\$ 1,596,962	\$ 1,475,370	\$ 1,596,962	\$ 1,475,370
Governmental Subsidies	440,887	-	5,815,977	6,249,935	6,256,864	6,249,935
Management and Admin Fees	-	-	1,085,126	969,470	1,085,126	969,470
Interest Income	9	-	9,331	32,891	9,340	32,891
Miscellaneous Income	-	-	108,240	106,863	108,240	106,863
Total Revenues	440,896	-	8,615,636	8,834,529	9,056,532	8,834,529
Expenses						
Housing Assistance Payments	-	-	4,507,949	4,230,648	4,507,949	4,230,648
Salaries and benefits	142,419	-	1,412,504	1,197,753	1,554,923	1,197,753
Management and Admin Fees	-	-	807,403	897,127	807,403	897,127
Depreciation and Amortization	89	-	368,535	371,927	368,624	371,927
Weatherization Materials	175,299	-	-	-	175,299	-
Contract Labor	50,885	-	-	-	50,885	-
Utilities	2,280	-	463,826	422,762	466,106	422,762
Maintenance	3,927	-	270,177	322,453	274,104	322,453
Office Expense	12,778	-	60,950	63,239	73,728	63,239
General Expense	9,426	-	128,304	181,242	137,730	181,242
Travel	24,096	-	77,449	88,245	101,545	88,245
Professional Fees	-	-	105,154	97,254	105,154	97,254
Rent Expense	11,014	-	24,707	16,678	35,721	16,678
Repairs and Replacement	-	-	66,179	112,771	66,179	112,771
Interest Expense	-	-	448,725	456,014	448,725	456,014
Insurance	3,434	-	25,888	38,696	29,322	38,696
Total Expenses	435,647	-	8,767,750	8,496,809	9,203,397	8,496,809
Change in Net Assets	\$ 5,249	\$ -	\$ (152,114)	\$ 337,720	\$ (146,865)	\$ 337,720

Results of Operations:

Operating revenues of the Authority are generated principally from dwelling rents and HUD Operating Subsidies. The Authority's revenues increased by \$222,003 and expenses increased by \$706,588. There were no capital grants received by the low rent public housing fund this fiscal year.



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Budgetary information:

The Authority prepares an operating budget, which is approved by the Board of Commissioners. Changes to the budget are also approved by the Board. The budget of the Authority is not required to be submitted to the State for approval. For the Low Rent Public Housing Program and the Section 8 Housing Program, the operating budget is subject to approval by HUD.

The budgets are prepared on a full accrual basis of accounting. There were no budget adjustments in the proprietary funds during the year.

Individual Fund Analysis:

The Authority's Woodleaf Development experienced an increase in revenues of approximately 5.48% to \$982,748. The increase was due to an increase in the rental rates. Woodleaf had approximately 10.57% decrease in operating expenses to \$657,486. After interest expense, the result was net income of \$136,983.

The Colonial Hillcrest Development experienced a decrease in revenues of approximately 8.41% to \$446,559. Due to normal maintenance this year there was a decrease in operating expenses of approximately 4.31% to \$370,345.

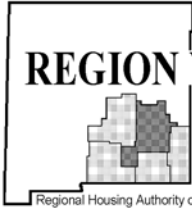
The La Posada Development experienced a decrease in revenue of approximately 8.96% to \$79,223, with a 13.13% increase in operating expenses to \$58,451. The increase was primarily due to an increase in salary expenses.

The Casa Hermosa Development continues to show operational losses, with a decrease (approximately 2.61%) in revenues to \$409,572. Operating expenses decreased by 3.54% to \$441,908. The loss was \$153,458, which is \$7,334 less than the prior year.

The Rio Felix FmHA Program Fund showed a decrease in overall revenues of 24.39% and a decrease in expenses of approximately 25.84%, resulting in net loss of \$10,590 for the year. There remains a substantial net assets balance of \$432,777 as of June 30, 2009.

The Low Rent Public Housing Program revenues decreased approximately 3.58% to \$411,896, while expenses decreased by 8.61% to \$441,865. The net loss before transfers for the Program was \$46,914 for the year, but the net assets balance was \$2,363,916 at June 30, 2009.

The Section 8 Housing Program had a decrease in revenues of 7.50% and expenses increased 4.67%. The net loss was \$36,621.



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Individual Fund Analysis (continued):

The Administrative Services Department continues to collect management and administrative fees from the projects and showed net loss for the year of \$25,177, due to an increase in revenues of approximately 24.23% to \$1,146,931, and an increase of expenses of 22.31% to \$1,156,920.

The Weatherization program, which was new this year, had first time revenue of \$440,896 and expenses of \$435,647, resulting in a net income of \$5,249 for the first year of operations.

Notes and Bonds Payable:

During the year the Authority repaid notes payable in the amount of \$130,000 and bonds payable in the amount of \$114,495, representing all long term liability payments due from the Authority during the year.

Capital Asset and Debt Administration:

Capital Assets:

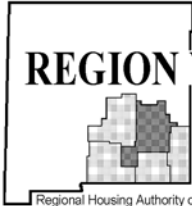
As of June 30, 2009 the Authority's investment in capital assets used in governmental activities was \$5,338 less accumulated depreciation of \$89 resulting in a net investment in capital assets used in governmental activities of \$5,249. Capital assets used in business type activities was \$12,511,268 less accumulated depreciation of \$6,671,702 and related debt of \$5,973,562 resulting in an investment in net assets of \$(133,996). This investment includes land, building, building improvements, office equipment and maintenance equipment.

Long Term Debt:

For the period ending June 30, 2009 the Authority has a total of \$6,084,270 in long-term debt.

Future Events that will Impact the Authority

HUD Subsidies for Federal Programs continue to fall. In response, Region VI is attempting to diversify its funding streams to allow for more stable revenue streams.



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Contacting the Authority's Financial Management

This discussion and analysis is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following address:

Region VI Housing Authority
Chris Herbert, Executive Director
P.O. Drawer 2057
Roswell, NM 88202

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
STATEMENT OF NET ASSETS
June 30, 2009

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 61	\$ 1,511,910	\$ 1,511,971
Investments	-	95,963	95,963
Receivables (net of allowance for uncollectibles)	91,201	98,576	189,777
Interfund receivables	-	5,857	5,857
Restricted assets			
Cash	-	94,395	94,395
Replacement reserve/escrow deposits	-	904,512	904,512
Other assets			
Land, structures and equipment	5,338	12,511,268	12,516,606
Accumulated depreciation	(89)	(6,671,702)	(6,671,791)
Bond issue costs	-	816,371	816,371
Accumulated amortization	-	(318,581)	(318,581)
	<u>96,511</u>	<u>9,048,569</u>	<u>9,145,080</u>
Total assets	\$	\$	\$
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 83,332	\$ 60,810	\$ 144,142
Accrued expenses	2,073	8,588	10,661
Prepaid rents	-	3,065	3,065
Interfund payables	5,857	-	5,857
Bond interest payable	-	59,588	59,588
Security deposits	-	91,101	91,101
Deferred revenue	-	33,295	33,295
Escrow funds held for others	-	15,845	15,845
Current portion of debt and bonds payable	-	193,210	193,210
Liability for compensated absences	-	25,097	25,097
Total current liabilities	<u>91,262</u>	<u>490,599</u>	<u>581,861</u>
Noncurrent liabilities:			
Escrow funds held for others	-	87,658	87,658
Long-term debt and bonds payable	-	5,891,060	5,891,060
Deferred loss on advanced refunding	-	(110,708)	(110,708)
Total noncurrent liabilities	<u>-</u>	<u>5,868,010</u>	<u>5,868,010</u>
Invested in capital assets, net of related debt	5,249	(133,996)	(128,747)
Restricted for:			
Replacement reserves/escrow deposits	-	904,512	904,512
Unrestricted	-	1,919,444	1,919,444
Total net assets	<u>5,249</u>	<u>2,689,960</u>	<u>2,695,209</u>
	<u>96,511</u>	<u>9,048,569</u>	<u>9,145,080</u>
Total liabilities and net assets	\$	\$	\$

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General expenses	\$ 42,949	\$ -	\$ 43,466	\$ -
Materials	175,298	-	177,406	-
Personnel	193,304	-	195,629	-
Travel	24,096	-	24,386	-
Total governmental activities	<u>435,647</u>	<u>-</u>	<u>440,887</u>	<u>-</u>
Business-type activities				
Woodleaf	845,765	980,799	-	-
Colonial Hillcrest	467,803	146,828	296,643	-
La Posada	74,316	26,325	52,591	-
Casa Hermosa	563,030	355,573	47,263	-
Rio Felix	68,134	26,831	30,660	-
Low Rent Public Housing	458,810	112,488	216,399	81,424
Section 8 Housing	5,116,584	65,651	5,014,312	-
Administrative Services	1,165,562	1,070,246	76,685	-
Total business-type activities	<u>8,760,004</u>	<u>2,784,741</u>	<u>5,734,553</u>	<u>81,424</u>
Total primary government	\$ <u>9,195,651</u>	\$ <u>2,784,741</u>	\$ <u>6,175,440</u>	\$ <u>81,424</u>

General Revenues:

Insurance proceeds
Loss on disposal of assets
Unrestricted investment earnings
Total general revenues

Change in net assets
Net assets - beginning of year
Net assets - ending

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

**Net (Expenses) Revenue and
Changes in Net Assets
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 517	\$ -	\$ 517
2,108	-	2,108
2,325	-	2,325
290	-	290
<u>5,240</u>	<u>-</u>	<u>5,240</u>
-	135,034	135,034
-	(24,332)	(24,332)
-	4,600	4,600
-	(160,194)	(160,194)
-	(10,643)	(10,643)
-	(48,499)	(48,499)
-	(36,621)	(36,621)
-	(18,631)	(18,631)
-	<u>(159,286)</u>	<u>(159,286)</u>
-	(159,286)	(154,046)
-	5,587	5,587
-	(7,746)	(7,746)
9	9,331	9,340
<u>9</u>	<u>7,172</u>	<u>7,181</u>
5,249	(152,114)	(146,865)
-	2,842,074	2,842,074
<u>\$ 5,249</u>	<u>\$ 2,689,960</u>	<u>\$ 2,695,209</u>

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2009

Exhibit B-1
 (Page 1 of 2)

	<u>Weatherization</u>
<i>Assets</i>	
Cash and cash equivalents	\$ 61
Receivables (net of allowance for uncollectible amounts): Grants	<u>91,201</u>
<i>Total assets</i>	<u><u>\$ 91,262</u></u>
<i>Liabilities and Fund Balance</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 83,332
Accrued expenses	2,073
Interfund payable	<u>5,857</u>
<i>Total current liabilities</i>	<u>91,262</u>
<i>Fund balance</i>	
Unreserved:	
Undesignated - reported in:	
Special revenue fund	<u>-</u>
<i>Total fund balance</i>	<u>-</u>
<i>Total liabilities and fund balance</i>	<u><u>\$ 91,262</u></u>

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
GOVERNMENTAL FUNDS

Exhibit B-1
(Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>5,249</u>
Net assets of governmental activities	<u>\$ 5,249</u>

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

STATE OF NEW MEXICO
 REGIONAL HOUSING AUTHORITY
 OF REGION VI, NEW MEXICO, INC.
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

Exhibit B-2
 (Page 1 of 2)

	<u>Weatherization</u>
<i>Revenues:</i>	
Government subsidies	\$ 440,887
Interest income	9
<i>Total revenues</i>	440,896
 <i>Expenditures:</i>	
Current:	
Weatherization materials	175,299
Salaries, payroll, taxes and employee benefits	142,419
Contract labor	50,885
Utilities	2,280
Maintenance	3,927
General expense	14,764
Office expenses	12,778
Travel expenses	24,096
Rent expense	11,014
Insurance	3,434
<i>Total expenditures</i>	440,896
<i>Excess (deficiency) of revenues over expenditures</i>	-
<i>Net change in fund balances</i>	-
<i>Fund balance - beginning of year</i>	-
<i>Fund balance - end of year</i>	\$ -

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.

Exhibit B-2
(Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2009

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$	-
--	----	---

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital expenditures	5,338
Depreciation expense	<u>(89)</u>
Change in net assets of governmental activities	<u>\$ 5,249</u>

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

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
WEATHERIZATION FOR LOW INCOME PERSONS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenues</i>				
Rent Income	\$ -	\$ -	\$ -	\$ -
Government subsidies	341,856	341,856	440,887	99,031
Management and administrative fees	-	-	-	-
Investment income	-	-	9	9
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>341,856</u>	<u>341,856</u>	<u>440,896</u>	<u>99,040</u>
<i>Expenditures</i>				
Weatherization materials	81,163	81,163	175,299	(94,136)
Salaries, payroll taxes, and employee benefits	167,615	167,615	142,419	25,196
Contract Labor	50,041	50,041	50,885	(844)
Depreciation and amortization expense	-	-	89	(89)
Utilities	2,568	2,568	2,280	288
Maintenance	1,434	1,434	3,927	(2,493)
Office expenses	1,761	1,761	12,689	(10,928)
General expenses	12,558	12,558	1,249	11,309
Travel expenses	12,955	12,955	24,096	(11,141)
Professional fees	-	-	13,515	(13,515)
Rent expense	9,761	9,761	11,014	(1,253)
Insurance	2,000	2,000	3,434	(1,434)
<i>Total Expenditures</i>	<u>341,856</u>	<u>341,856</u>	<u>440,896</u>	<u>(99,040)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash balance	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

ASSETS	<u>Woodleaf Development</u>	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Casa Hermosa Development</u>
<i>Current Assets</i>				
Cash	\$ 56,709	\$ 29,567	\$ 9,339	\$ 3,452
Investments	-	-	-	-
Accounts receivable - tenants	2,651	7,616	1,302	34,156
Interfund receivables	<u>325,712</u>	<u>118,773</u>	<u>47,775</u>	<u>-</u>
Total Current Assets	<u>385,072</u>	<u>155,956</u>	<u>58,416</u>	<u>37,608</u>
<i>Restricted Assets</i>				
Cash	46,575	12,000	2,300	14,050
Replacement reserves/escrow deposits	<u>367,963</u>	<u>319,503</u>	<u>61,125</u>	<u>155,921</u>
Total Restricted Assets	<u>414,538</u>	<u>331,503</u>	<u>63,425</u>	<u>169,971</u>
<i>Other Assets</i>				
Land, structures & equipment, (Note 4)	3,609,204	1,365,734	245,907	1,242,931
Accumulated depreciation	(1,855,385)	(840,782)	(181,034)	(596,395)
Bond issue costs	293,360	241,202	39,265	242,544
Accumulated amortization	(112,862)	(96,563)	(15,507)	(93,649)
Advances to other funds (Note 7)	-	<u>333,322</u>	<u>54,440</u>	<u>-</u>
Total Other Assets	<u>1,934,317</u>	<u>1,002,913</u>	<u>143,071</u>	<u>795,431</u>
Total Assets	<u>\$ 2,733,927</u>	<u>\$ 1,490,372</u>	<u>\$ 264,912</u>	<u>\$ 1,003,010</u>
LIABILITIES AND NET ASSETS				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ 5,423	\$ 964	\$ 19,761
Accrued expenses	840	807	350	366
Prepaid rents	31,192	1,484	1	1,580
Interfund payables	-	-	-	488,005
Bond interest payable	7,763	36,445	5,932	9,448
Security deposits	45,991	11,626	2,171	13,763
Escrow funds held for others	-	-	-	-
Current portion of debt and bonds payable (Note 6)	60,000	30,100	4,900	35,000
Liability for compensated absences	<u>2,096</u>	<u>870</u>	<u>79</u>	<u>599</u>
Total Current Liabilities	<u>147,882</u>	<u>86,755</u>	<u>14,397</u>	<u>568,522</u>
<i>Long-Term Liabilities</i>				
Advances from other funds (Note 7)	-	-	-	-
Escrow funds held for others	-	-	-	-
Long-term debt and bonds payable (Note 6)	2,555,000	1,290,000	210,000	1,530,000
Deferred loss on advanced refunding (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,708)</u>
Total Long-Term Liabilities	<u>2,555,000</u>	<u>1,290,000</u>	<u>210,000</u>	<u>1,419,292</u>
Total Liabilities	<u>2,702,882</u>	<u>1,376,755</u>	<u>224,397</u>	<u>1,987,814</u>
<i>Net Assets</i>				
Invested in capital assets, net of related debt	(861,181)	(795,148)	(150,027)	(807,756)
Restricted for:				
Replacement reserves/escrow deposits	367,963	319,503	61,125	155,921
Unrestricted	<u>524,263</u>	<u>589,262</u>	<u>129,417</u>	<u>(332,969)</u>
Total Net Assets	<u>31,045</u>	<u>113,617</u>	<u>40,515</u>	<u>(984,804)</u>
Total Liabilities and Net Assets	<u>\$ 2,733,927</u>	<u>\$ 1,490,372</u>	<u>\$ 264,912</u>	<u>\$ 1,003,010</u>

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

Rio Felix FmHA Program	Low Rent Public Housing Program	Section 8 Housing Program	Administrative Services Department	Interprogram Eliminations	Total
\$ 80,648	\$ 150,966	\$ 1,181,229	\$ -	\$ -	\$ 1,511,910
-	95,963	-	-	-	95,963
2,269	4,290	-	46,292	-	98,576
-	13,900	-	23,325	(523,628)	5,857
<u>82,917</u>	<u>265,119</u>	<u>1,181,229</u>	<u>69,617</u>	<u>(523,628)</u>	<u>1,712,306</u>
4,470	15,000	-	-	-	94,395
-	-	-	-	-	904,512
<u>4,470</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>998,907</u>
797,306	4,961,069	-	289,117	-	12,511,268
(370,842)	(2,608,167)	-	(219,097)	-	(6,671,702)
-	-	-	-	-	816,371
-	-	-	-	-	(318,581)
-	-	-	-	(387,762)	-
<u>426,464</u>	<u>2,352,902</u>	<u>-</u>	<u>70,020</u>	<u>(387,762)</u>	<u>6,337,356</u>
<u>\$ 513,851</u>	<u>\$ 2,633,021</u>	<u>\$ 1,181,229</u>	<u>\$ 139,637</u>	<u>\$ (911,390)</u>	<u>\$ 9,048,569</u>
\$ 2,142	\$ 7,120	\$ -	\$ 24,767	\$ -	\$ 60,177
173	1,235	400	4,417	-	8,588
1,057	1,046	-	-	-	36,360
35,623	-	-	-	(523,628)	-
-	-	-	-	-	59,588
2,634	14,916	-	-	-	91,101
-	-	633	-	-	633
4,200	34,864	-	24,146	-	193,210
298	1,975	639	18,541	-	25,097
<u>46,127</u>	<u>61,156</u>	<u>1,672</u>	<u>71,871</u>	<u>(523,628)</u>	<u>474,754</u>
-	-	-	387,762	(387,762)	-
-	-	103,503	-	-	103,503
34,947	207,949	-	63,164	-	5,891,060
-	-	-	-	-	(110,708)
<u>34,947</u>	<u>207,949</u>	<u>103,503</u>	<u>450,926</u>	<u>(387,762)</u>	<u>5,883,855</u>
<u>81,074</u>	<u>269,105</u>	<u>105,175</u>	<u>522,797</u>	<u>(911,390)</u>	<u>6,358,609</u>
387,317	2,110,089	-	(17,290)	-	(133,996)
-	-	-	-	-	904,512
<u>45,460</u>	<u>253,827</u>	<u>1,076,054</u>	<u>(365,870)</u>	<u>-</u>	<u>1,919,444</u>
<u>432,777</u>	<u>2,363,916</u>	<u>1,076,054</u>	<u>(383,160)</u>	<u>-</u>	<u>2,689,960</u>
<u>\$ 513,851</u>	<u>\$ 2,633,021</u>	<u>\$ 1,181,229</u>	<u>\$ 139,637</u>	<u>\$ (911,390)</u>	<u>\$ 9,048,569</u>

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

	<u>Woodleaf Development</u>	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Casa Hermosa Development</u>
<i>Operating revenues</i>				
Rent Income	\$ 962,107	\$ 133,796	\$ 24,956	\$ 344,735
Management and administrative fees	-	-	-	-
Miscellaneous income	<u>18,692</u>	<u>13,032</u>	<u>1,369</u>	<u>10,838</u>
<i>Total operating revenues</i>	<u>980,799</u>	<u>146,828</u>	<u>26,325</u>	<u>355,573</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	155,885	78,930	18,696	73,618
Management and administrative fees (Note 7)	66,830	40,032	7,118	29,122
Depreciation and amortization expense	97,329	37,937	9,330	36,319
Utilities	123,987	93,439	13,733	150,901
Maintenance	96,210	39,251	1,997	51,729
Office expenses	8,141	4,903	16	1,974
General expenses	21,417	27,369	3,521	45,736
Travel expenses	17,853	23,552	1,497	6,791
Professional fees	18,277	10,532	1,678	36,678
Rent expense	2,633	325	-	-
Repair and replacement	40,541	10,565	-	5,118
Insurance	<u>8,383</u>	<u>3,510</u>	<u>865</u>	<u>3,922</u>
<i>Total operating expenses</i>	<u>657,486</u>	<u>370,345</u>	<u>58,451</u>	<u>441,908</u>
<i>Operating income (loss)</i>	<u>323,313</u>	<u>(223,517)</u>	<u>(32,126)</u>	<u>(86,335)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	296,643	52,591	47,263
Interest income	1,949	3,088	307	1,149
Interest expense	(188,279)	(97,458)	(15,865)	(121,122)
(Loss) on sale of assets	-	-	-	-
Insurance proceeds	-	-	-	5,587
	<u>(186,330)</u>	<u>202,273</u>	<u>37,033</u>	<u>(67,123)</u>
<i>Income (loss) before transfers</i>	<u>136,983</u>	<u>(21,244)</u>	<u>4,907</u>	<u>(153,458)</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>136,983</u>	<u>(21,244)</u>	<u>4,907</u>	<u>(153,458)</u>
Net assets, beginning of year	<u>(105,938)</u>	<u>134,861</u>	<u>35,608</u>	<u>(831,346)</u>
Net assets, end of year	<u>\$ 31,045</u>	<u>\$ 113,617</u>	<u>\$ 40,515</u>	<u>\$ (984,804)</u>

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

Rio Felix FmHA Program	Low Rent Public Housing Program	Section 8 Housing Program	Administrative Services Department	Interprogram Eliminations	Total
\$ 22,627	\$ 105,135	\$ -	\$ 3,606	\$ -	\$ 1,596,962
-	-	54,494	1,030,632	-	1,085,126
4,204	7,353	11,157	36,008	-	102,653
<u>26,831</u>	<u>112,488</u>	<u>65,651</u>	<u>1,070,246</u>	<u>-</u>	<u>2,784,741</u>
-	-	4,507,949	-	-	4,507,949
11,571	134,472	-	939,332	-	1,412,504
5,400	50,266	608,635	-	-	807,403
16,050	151,634	-	19,936	-	368,535
22,018	22,830	-	36,918	-	463,826
5,015	45,262	-	30,713	-	270,177
418	5,167	-	40,331	-	60,950
1,859	6,799	-	13,857	-	120,558
68	5,239	-	22,449	-	77,449
2,861	7,091	-	28,037	-	105,154
-	614	-	21,135	-	24,707
1,321	7,798	-	836	-	66,179
1,139	4,693	-	3,376	-	25,888
<u>67,720</u>	<u>441,865</u>	<u>5,116,584</u>	<u>1,156,920</u>	<u>-</u>	<u>8,311,279</u>
<u>(40,889)</u>	<u>(329,377)</u>	<u>(5,050,933)</u>	<u>(86,674)</u>	<u>-</u>	<u>(5,526,538)</u>
30,660	297,823	5,014,312	76,685	-	5,815,977
53	1,585	-	-	1,200	9,331
(414)	(16,945)	-	(7,442)	(1,200)	(448,725)
-	-	-	(7,746)	-	(7,746)
-	-	-	-	-	5,587
<u>30,299</u>	<u>282,463</u>	<u>5,014,312</u>	<u>61,497</u>	<u>-</u>	<u>5,374,424</u>
<u>(10,590)</u>	<u>(46,914)</u>	<u>(36,621)</u>	<u>(25,177)</u>	<u>-</u>	<u>(152,114)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(10,590)</u>	<u>(46,914)</u>	<u>(36,621)</u>	<u>(25,177)</u>	<u>-</u>	<u>(152,114)</u>
<u>443,367</u>	<u>2,410,830</u>	<u>1,112,675</u>	<u>(357,983)</u>	<u>-</u>	<u>2,842,074</u>
<u>\$ 432,777</u>	<u>\$ 2,363,916</u>	<u>\$ 1,076,054</u>	<u>\$ (383,160)</u>	<u>\$ -</u>	<u>\$ 2,689,960</u>

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

	<u>Woodleaf Development</u>	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>
<i>Cash flows from operating activities:</i>			
Receipts from customers and users	\$ 991,319	\$ 141,393	\$ 25,349
Payment to and on behalf of employees	(154,478)	(77,348)	(18,346)
Payment to vendors	<u>(620,321)</u>	<u>(275,339)</u>	<u>(29,661)</u>
<i>Net cash provided (used) by operating activities</i>	<u>216,520</u>	<u>(211,294)</u>	<u>(22,658)</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition and construction of capital assets	-	-	-
Principal payments on notes payable	(60,000)	(30,100)	(4,900)
Interest payments on notes payable	(188,279)	(97,458)	(15,865)
Loan proceeds	-	-	-
Insurance proceeds	-	-	-
Receipts in FSS escrow	-	-	-
Loss on sale of assets	-	-	-
Disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(248,279)</u>	<u>(127,558)</u>	<u>(20,765)</u>
<i>Cash flows from non-capital financing activities:</i>			
Government subsidies	<u>-</u>	<u>296,643</u>	<u>52,591</u>
<i>Net cash provided by non-capital financing activities</i>	<u>-</u>	<u>296,643</u>	<u>52,591</u>
<i>Cash flows from investing activities:</i>			
Interest income	<u>1,949</u>	<u>3,088</u>	<u>307</u>
<i>Net cash provided by investing activities</i>	<u>1,949</u>	<u>3,088</u>	<u>307</u>
<i>Net increase (decrease) in cash and temporary investments</i>	(29,810)	(39,121)	9,475
<i>Cash and temporary investments - beginning of year</i>	<u>501,057</u>	<u>400,191</u>	<u>63,289</u>
<i>Cash and temporary investments - end of year</i>	<u>\$ 471,247</u>	<u>\$ 361,070</u>	<u>\$ 72,764</u>

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

Casa Hermosa Development	Rio Felix FmHA Program	Low Rent Public Housing Program	Section 8 Housing Program	Administrative Services Department	Total
\$ 338,281	\$ 25,228	\$ 111,306	\$ 65,651	\$ 1,027,364	\$ 2,725,891
(73,388)	(11,463)	(132,833)	-	(935,321)	(1,403,177)
<u>(169,066)</u>	<u>(34,774)</u>	<u>(154,519)</u>	<u>(5,116,584)</u>	<u>(147,512)</u>	<u>(6,547,776)</u>
<u>95,827</u>	<u>(21,009)</u>	<u>(176,046)</u>	<u>(5,050,933)</u>	<u>(55,469)</u>	<u>(5,225,062)</u>
-	-	(3,014)	-	(54,435)	(57,449)
(35,000)	(4,188)	(32,675)	-	(77,632)	(244,495)
(114,396)	(414)	(16,945)	-	(7,442)	(440,799)
-	-	-	-	105,589	105,589
5,587	-	-	-	-	5,587
-	-	-	(2,092)	-	(2,092)
-	-	-	-	(7,746)	(7,746)
-	-	-	-	18,950	18,950
<u>(143,809)</u>	<u>(4,602)</u>	<u>(52,634)</u>	<u>(2,092)</u>	<u>(22,716)</u>	<u>(622,455)</u>
<u>47,263</u>	<u>30,660</u>	<u>297,823</u>	<u>5,014,312</u>	<u>76,685</u>	<u>5,815,977</u>
<u>47,263</u>	<u>30,660</u>	<u>297,823</u>	<u>5,014,312</u>	<u>76,685</u>	<u>5,815,977</u>
<u>1,149</u>	<u>53</u>	<u>1,585</u>	<u>-</u>	<u>-</u>	<u>8,131</u>
<u>1,149</u>	<u>53</u>	<u>1,585</u>	<u>-</u>	<u>-</u>	<u>8,131</u>
430	5,102	70,728	(38,713)	(1,500)	(23,409)
<u>172,993</u>	<u>80,016</u>	<u>191,201</u>	<u>1,219,942</u>	<u>1,500</u>	<u>2,630,189</u>
<u>\$ 173,423</u>	<u>\$ 85,118</u>	<u>\$ 261,929</u>	<u>\$ 1,181,229</u>	<u>\$ -</u>	<u>\$ 2,606,780</u>

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

	<u>Woodleaf Development</u>	<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ 323,313	\$ (223,517)	\$ (32,126)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	97,329	37,937	9,330
(Increase) decrease in:			
Accounts receivable - tenants	3,437	(6,425)	(1,120)
Interfund receivables	(199,528)	(22,951)	25
Increase (decrease) in:			
Accounts payable	(16,343)	1,908	873
Accrued expenses	840	807	271
Prepaid rents	5,898	1,233	(53)
Bond interest payable	(178)	(818)	(134)
Tenant deposits	1,185	(243)	197
Interfund payables	-	-	-
Compensated absences	567	775	79
<i>Net cash provided (used) by operating activities</i>	<u>\$ 216,520</u>	<u>\$ (211,294)</u>	<u>\$ (22,658)</u>
Cash and temporary investments:			
Cash	\$ 56,709	\$ 29,567	\$ 9,339
Investments	-	-	-
Restricted Assets	<u>414,538</u>	<u>331,503</u>	<u>63,425</u>
Total cash and temporary investments	<u>\$ 471,247</u>	<u>\$ 361,070</u>	<u>\$ 72,764</u>
<i>Summary of significant non-cash investing and financing activity:</i>			
Interest accrued on note payable from Administrative Services to Colonial Hillcrest and La Posada	<u>\$ -</u>	<u>\$ (1,200)</u>	<u>\$ -</u>

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

<u>Casa Hermosa Development</u>	<u>Rio Felix FmHA Program</u>	<u>Low Rent Public Housing Program</u>	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Total</u>
\$ (86,335)	\$ (40,889)	\$ (329,377)	\$ (5,050,933)	\$ (86,674)	\$ (5,526,538)
36,319	16,050	151,634	-	19,936	368,535
(17,385)	(756)	(1,649)	-	(42,882)	(66,780)
-	-	100	-	44,612	(177,742)
(3,829)	378	1,140	-	5,528	(10,345)
366	173	1,235	-	3,559	7,251
90	344	415	-	-	7,927
(204)	4,947	-	-	-	3,613
3	(1,191)	52	-	-	3
166,938	-	-	-	-	166,938
<u>(136)</u>	<u>(65)</u>	<u>404</u>	<u>-</u>	<u>452</u>	<u>2,076</u>
<u>\$ 95,827</u>	<u>\$ (21,009)</u>	<u>\$ (176,046)</u>	<u>\$ (5,050,933)</u>	<u>\$ (55,469)</u>	<u>\$ (5,225,062)</u>
\$ 3,452	\$ 80,648	\$ 150,966	\$ 1,181,229	\$ -	\$ 1,511,910
-	-	95,963	-	-	95,963
<u>169,971</u>	<u>4,470</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>998,907</u>
<u>\$ 173,423</u>	<u>\$ 85,118</u>	<u>\$ 261,929</u>	<u>\$ 1,181,229</u>	<u>\$ -</u>	<u>\$ 2,606,780</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ -</u>

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

Note 1 Summary of Significant Accounting Policies

The *Regional Housing Authority of Region VI, New Mexico, Inc.* (the Authority) was created pursuant to the Regional Housing Law of the State of New Mexico and exists to provide decent, safe and sanitary housing for lower income residents of Chaves, Eddy, Lea, Lincoln and Otero Counties. The Authority also assists other organizations and units of local governments to operate, manage and administer housing programs and projects and achieve this objective. The Authority's Administrative Services Department is dependent upon administrative fees from the U.S. Department of Housing and Urban Development ("HUD") Section 8 programs and on administrative and management fees earned from Authority owned apartment complexes, as more fully described below.

A. Financial Reporting Entity

The Authority's combined financial statements include all of the Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether: (1) the organization is legally separate (can sue and be sued in their own name), (2) the Authority 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 blended component units as follows. The Authority has created, in accordance with The Regional Housing Law, Section 11-3A-1, NMSA 1978, the following non-profit corporations to issue bonds for the acquisition and rehabilitation of apartment projects: RHA Housing Development Corporation (Woodleaf), Southeastern New Mexico Affordable Housing Corporation (Casa Hermosa), and Carlsbad Housing Corporation (Colonial Hills and La Posada). These are blended component units.

Programs and Developments

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

- a. *Woodleaf Development* is a 152 unit apartment complex in Hobbs, New Mexico, which is owned by RHA Housing Development Corporation and managed by the Authority.
- b. *Colonial Hillcrest and La Posada Development* are two apartment complexes in Carlsbad, New Mexico, owned by Carlsbad Housing Corporation and operated by the Authority. Colonial Hillcrest is a 74 unit, low income, multifamily development and La Posada is a 12 unit low income, multi-family development.
- c. *Casa Hermosa Development* is an 88 unit, multi-family rental housing project for low and moderate income persons located in Hobbs, New Mexico, owned by Southeastern New Mexico Affordable Housing Corporation and operated by the Authority.
- d. *Farmers Home Administration–Farm Labor Housing Project* is a development, Rio Felix Apartments, which is located in Hagerman, New Mexico, and is owned and managed by the Authority. The project was constructed as a result of a substantial grant and a small loan with a 1% interest rate from the Farmers Home Administration ("FmHA"). Tenants

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

Note 1 Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity* (continued)

of this project pay a basic rent of 30% of their adjusted income as rent and FmHA subsidizes the difference between the tenant rent and basic rent for qualifying applicants.

- e. *Low Rent Public Housing* is a program with a combined total of 84 rental units in Roswell, Capitan and Carrizozo, New Mexico. The developments are owned and managed by the Authority. Participants in this program pay rent equal to 30% of their adjusted income. HUD, through the Authority, pays the balance of the rent.
- f. *Section 8 Housing Voucher Program* 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 1,285 tenants were provided for during the year ended June 30, 2009.
- g. *Administrative Services Department* of the Authority manages the above listed developments and provides support to the above listed programs for which it receives management and/or administrative fees.
- h. *Weatherization Program Special Revenue Fund* is a program to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of revenues, expenses, and changes in fund net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*. *Business-type activities* rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Note 1 Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The Authority's enterprise programs are accounted for as one business-type activity for financial reporting purposes. Major individual enterprise funds are reported as separate columns in the fund financial statements. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net 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.

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.

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

The government reports all proprietary funds as major funds.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 enterprise 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.

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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* (continued)

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 charges for rent and Section 8 rent vouchers. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting 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.

The Authority prepares its budgets on a full accrual basis, therefore there is no reconciliation between the GAAP financial report and the budgetary comparison. The budget is approved by the Board of Commissioners for all funds. In addition, the budgets for the Low Rent Public Housing and the Section 8 Housing Program are approved by HUD.

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

Revenue Recognition

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

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

Deposits and Investments

The Authority 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
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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."

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets

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

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, when received, are recorded at fair market value on the date received. State law sets a capitalization threshold of \$5,000 for acquisitions of capital assets. The Authority elected to continue to capitalize acquisitions of capital assets under their internal capitalization policy for the first half of the year. On January 1, 2008 the Authority changed their capitalization policy to agree with the State law. Acquisitions of capital assets in excess of \$300 for the Rio Felix FmHA Program and \$500 for all other developments and programs and all expenditures for repairs, maintenance, renewals, and betterments that prolong the useful lives of assets were capitalized prior to January 1, 2008. 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (except for Rio Felix which is \$300) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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 (continued)

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.

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 \$456,014. 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	40
Building improvements	7-20
Equipment and office equipment	3-10

Accrued Expenses

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

Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as deferred revenues.

Vacation, Sick Leave, and Other Compensated Absences

Vested or accumulated vacation leave is reported as an expense and a liability of the program to which it relates. Employees accrue vacation at the rate of 10 hours per month and are required to use 80 hours of annual leave and/or administrative leave each year. Annual leave can be accumulated up to 40 hours.

Sick leave is earned at a rate of 8 hours per month and may be accrued from year to year, up to a maximum of 320 hours. Accumulated sick leave is not paid upon termination of employment. In accordance with provisions of Government Accounting Standards Statement No. 16 "Accounting for Compensated Absences", no liability is recorded for non-vested accumulated rights to receive sick pay benefits.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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)

Bond Issue Costs

The Authority capitalizes underwriter fees, legal fees, bond counsel, and related costs of refinancing as bond issue costs. Bond issuance costs and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the bonds using a method that approximates the effective interest method. See Note 6 regarding the deferred loss on advanced refunding.

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 tenants and by grantor agencies. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Allocation of Expenses

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

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.

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, grantors, and the bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net assets are available for general use by the Authority for any obligation or expense.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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)*

Budgetary Information

The Authority prepares an annual budget for each fiscal year which is approved by the Board of Commissioners. This budget is prepared to the detail line item revenue and expenditure level, and is a management tool used by the Authority and not legally restrictive, except for certain specific program budgets which are approved by HUD.

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.

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

Note 2 Deposits and Investments (continued)

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, \$2,179,470 of the Authority's bank balance of \$2,679,470 was exposed to custodial credit risk as follows:

	<u>Wells Fargo Bank</u>
Total amount of deposits	\$ 1,774,958
Money market fund deposits	904,512
	<u>2,679,470</u>
FDIC coverage	(500,000)
Total uninsured public funds	<u>2,179,470</u>
Pledged collateral held by the pledging institution or by its trust department or agent in other than the Authority's name	<u>2,179,470</u>
Uninsured and uncollateralized	\$ <u><u> -</u></u>
Collateral requirement (50% of uninsured public funds)	\$ 1,089,735
Pledged securities	<u>2,285,086</u>
Over (under) collateralization	<u>\$ 1,195,351</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	\$ 2,605,341
Petty cash	1,500
	<u>\$ 2,606,841</u>
Included in the following statement of net assets captions	
Cash	\$ 1,511,971
Investments	95,963
Restricted cash	94,395
Replacement reserves/escrow deposits	<u>904,512</u>
	<u>\$ 2,606,841</u>

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

Note 3 Interfund Receivables and Payables

Interfund balances at June 30, 2009 were:

Interfund Receivable	Interfund Payable								Totals
	Woodleaf	Colonial Hillcrest	La Posada	Casa Hermosa	Rio Felix	Low Rent Pub. Hsg.	Weatherization	Admin. Services	
Woodleaf	\$ -	\$ (1,946)	\$ -	\$ (57,167)	\$ (1,000)	\$ (100)	\$ (3,467)	\$ (262,032)	\$ (325,712)
Colonial Hillcrest	1,946	-	-	(61,004)	-	-	-	(59,715)	(118,773)
La Posada	-	-	-	(4,285)	-	-	-	(43,490)	(47,775)
Casa Hermosa	57,167	61,004	4,285	-	-	14,000	-	351,549	488,005
Rio Felix	1,000	-	-	-	-	-	-	34,623	35,623
Low Rent Pub. Hsg.	100	-	-	(14,000)	-	-	-	-	(13,900)
Weatherization	3,467	-	-	-	-	-	-	2,390	5,857
Admin. Services	262,032	59,715	43,490	(351,549)	(34,623)	-	(2,390)	-	(23,325)
Totals	\$ 325,712	\$ 118,773	\$ 47,775	\$ (488,005)	\$ (35,623)	\$ 13,900	\$ (5,857)	\$ 23,325	\$ -

The interfund receivables and payables are expected to be repaid within one year by the named fund. The balances are primarily due to payroll and certain other operating expenses which were paid by the Administrative Services Department and occasionally by other funds.

Note 4 Capital Assets

The following summarizes capital assets at June 30, 2009:

Capital Assets used in Governmental Activities:

Capital assets being depreciated:	Balance July 1, 2008	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2009
Weatherization Equipment	\$ -	\$ 5,338	\$ -	\$ 5,338
Total capital assets	-	5,338	-	5,338
Less accumulated depreciation:				
Equipment	-	(89)	-	(89)
Total accumulated Depreciation	-	(89)	-	(89)
Capital assets, net	\$ -	\$ 5,249	\$ -	\$ 5,249

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

Note 4 Capital Assets (continued)

Capital Assets used in Business-type Activities:

<u>Land</u>	Balance July 1, 2008	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2009
Woodleaf Development	\$ 259,919	\$ -	\$ -	\$ 259,919
Colonial Hillcrest Dev.	47,917	-	-	47,917
La Posada Development	11,897	-	-	11,897
Casa Hermosa Develop.	62,000	-	-	62,000
Rio Felix FmHA Program	169,050	-	-	169,050
Low Rent Public Housing	335,734	-	-	335,734
Admin. Services Dept.	20,000	-	14,000	6,000
Total Land	\$ 906,517	\$ -	\$ 14,000	\$ 892,517
<u>Structures</u>	Balance July 1, 2008	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2009
Woodleaf Development	\$ 3,296,667	\$ -	\$ -	\$ 3,296,667
Colonial Hillcrest Dev.	1,277,220	-	-	1,277,220
La Posada Development	223,073	-	-	223,073
Casa Hermosa Develop.	1,178,074	-	-	1,178,074
Rio Felix FmHA Program	618,248	-	-	618,248
Low Rent Public Housing	4,543,145	3,014	-	4,546,159
Total Structures	\$ 11,136,427	\$ 3,014	\$ -	\$ 11,139,441
<u>Equipment</u>	Balance July 1, 2008	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2009
Woodleaf Development	\$ 52,617	\$ -	\$ -	\$ 52,617
Colonial Hillcrest Dev.	40,596	-	-	40,596
La Posada Development	10,938	-	-	10,938
Casa Hermosa Develop.	2,857	-	-	2,857
Rio Felix FmHA Program	10,008	-	-	10,008
Low Rent Public Housing	79,177	-	-	79,177
Admin. Services Dept.	234,182	54,435	5,500	283,117
Total Equipment	\$ 430,375	\$ 54,435	\$ 5,500	\$ 479,310

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Notes to Financial Statements
June 30, 2009

Note 4 Capital Assets (continued)

Total Land, Structures, and Equipment	\$ 12,473,319	\$ 57,449	\$ 19,500	\$ 12,511,268
Less accumulated depreciation-Structures	(5,952,911)	(311,967)	-	(6,264,878)
Less accumulated depreciation-Equipment	<u>(378,018)</u>	<u>(29,356)</u>	<u>(550)</u>	<u>(406,824)</u>
Capital assets, net	<u>\$ 6,142,390</u>	<u>\$ (283,874)</u>	<u>\$ 18,950</u>	<u>\$ 5,839,566</u>

Note 5 Conduit Debt

During the year ended June 30, 2001 the Authority issued \$2,710,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Wildewood Apartments, a 60 unit multifamily housing complex located in Roswell, New Mexico for rental to elderly and handicapped persons. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of the conduit debt obligation outstanding as of June 30, 2009 was \$2,424,000.

During the year ended June 30, 2004, the Authority issued \$3,300,000 of multifamily housing revenue bonds for the purpose of providing funds to an unrelated organization for acquiring Washington Place Apartments, a 76 unit multifamily housing complex located in Hobbs, New Mexico. Repayment of the bonds is from the net revenues of the housing complex. The Authority did not pledge its faith or credit towards repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of this conduit debt obligation outstanding as of June 30, 2009 was \$2,605,000.

Note 6 Long-term Debt and Bonds Payable

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

Woodleaf Development

Revenue bonds payable – Series 1997A, 7.125% interest rate.
Principal maturities of \$35,000 to \$470,000 through December 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture. \$ 2,615,000

Colonial Hillcrest Development Program

Revenue bonds payable – Series 1997A, 7.25-7.375% interest rate. Principal maturities of \$20,000 to \$280,000 through August 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture. 1,320,100

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Notes to Financial Statements
June 30, 2009

Note 6 Long-term Debt and Bonds Payable (continued)

La Posada Development Program

Revenue bonds payable – Series 1997A, 7.25-7.375% interest rate. Principal maturities of \$20,000 to \$280,000 through August 2027. Collateralized by pledged revenues and assets held by bond trustee as established by the bond indenture. 214,900

Casa Hermosa Development

Revenue bonds payable – Series 1997A, 7-7.25% interest rate. Principal maturities of \$20,000 to \$285,000 through December 2027. Collateralized by pledged revenues and assets held by the bond trustee as established by the bond indenture. 1,565,000

Rio Felix FmHA Program

Notes payable to Farmer’s Home Administration, interest at 1%. Principal and interest of \$211 due monthly through May 2018. Collateralized by real estate. 21,562

Notes payable to Farmer’s Home Administration, interest at 1%. Principal and interest of \$172 due monthly through May 2018. Collateralized by real estate. 17,585

Low Rent Public Housing Program

Note payable to F & H Investments, LLC, interest rate of 6.50%. Monthly principal and interest payments of \$4,135, maturity in May 2015, collateralized by office building. 242,813

Administrative Services Department

Note payable to Wells Fargo Bank, National Association at a floating rate based on Prime + 1%. Monthly principal and interest payments of \$1,298, maturity in January 2011 was paid off during the year. -

Administrative Services Department

Note payable to Wells Fargo Bank, interest rate of 9.25%. Monthly principal and interest payments of \$672, maturity in June 2010 was paid off during the year. -

Administrative Services Department

Note payable to Tascosa Office Machines, capital lease based on 23.382%. Monthly principal and interest payments of \$214 maturity in June 2011 was paid off during the year. -

Administrative Services Department

Note payable to Wells Fargo Bank, National Association, interest at 6%. Principle and interest of \$2,148 due monthly through August 2012. Collateralized by real estate. 74,130

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Note 6 Long-term Debt and Bonds Payable (continued)

Administrative Services Department

Note payable to Canon, capital lease based on 14.50%. Principal and interest payments of \$317 due monthly through December 2013. 13,180

6,084,270

Less current portion of long-term debt

(193,210)

Total Long-Term Debt

\$ 5,891,060

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
Woodleaf	\$ 2,675,000	\$ -	\$ 60,000	\$ 2,615,000	\$ 60,000
Colonial Hillcrest	1,350,200	-	30,100	1,320,100	30,100
La Posada	219,800	-	4,900	214,900	4,900
Casa Hermosa	1,600,000	-	35,000	1,565,000	35,000
Rio Felix FmHA	43,335	-	4,188	39,147	4,200
Low Rent Pub. Housing	275,488	-	32,675	242,813	34,864
Admin. Services	39,684	-	39,684	-	-
Admin. Services	14,724	-	14,724	-	-
Admin. Services	4,945	-	4,945	-	-
Admin. Services	-	91,308	17,178	74,130	21,907
Admin. Services	-	14,281	1,101	13,180	2,239
Total Long-Term Debt	\$ 6,223,176	\$ 105,589	\$ 244,495	\$ 6,084,270	\$ 193,210

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 193,230	\$ 428,815	\$ 622,045
2011	212,323	414,892	627,215
2012	221,692	399,913	621,605
2013	219,381	384,385	603,766
2014	226,495	368,664	595,159
2015-2019	1,166,149	1,539,465	2,705,614
2020-2024	1,570,000	1,147,238	2,717,238
2025-2028	2,275,000	437,066	2,712,066
Totals	\$ 6,084,270	\$ 5,120,438	\$ 11,204,708

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June 30, 2009

Note 6 Long-term Debt and Bonds Payable (continued)

Annual requirements to amortize Woodleaf Development revenue bonds as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 60,000	\$ 184,181	\$ 244,181
2011	65,000	179,728	244,728
2012	70,000	174,919	244,919
2013	75,000	169,753	244,753
2014	80,000	164,231	244,231
2015-2019	510,000	658,172	1,168,172
2020-2024	720,000	529,744	1,249,744
2025-2028	1,035,000	216,244	1,251,244
Totals	<u>\$ 2,615,000</u>	<u>\$ 2,276,972</u>	<u>\$ 4,891,972</u>

Annual requirements to amortize Colonial Hillcrest Development revenue bonds as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 30,100	\$ 96,094	\$ 126,194
2011	34,400	93,756	128,156
2012	34,400	91,262	125,662
2013	38,700	88,612	127,312
2014	38,700	85,782	124,482
2015-2019	253,700	377,537	631,237
2020-2024	361,200	265,434	626,634
2025-2028	528,900	94,979	623,879
Totals	<u>\$ 1,320,100</u>	<u>\$ 1,193,456</u>	<u>\$ 2,513,556</u>

Annual requirements to amortize La Posada Development revenue bonds as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 4,900	\$ 15,643	\$ 20,543
2011	5,600	15,263	20,863
2012	5,600	14,857	20,457
2013	6,300	14,425	20,725
2014	6,300	13,965	20,265
2015-2019	41,300	61,460	102,760
2020-2024	58,800	43,210	102,010
2025-2028	86,100	15,462	101,562
Totals	<u>\$ 214,900</u>	<u>\$ 194,285</u>	<u>\$ 409,185</u>

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June 30, 2009

Note 6 Long-term Debt and Bonds Payable (continued)

Annual requirements to amortize Casa Hermosa Development revenue bonds as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 35,000	\$ 112,150	\$ 147,150
2011	40,000	109,475	149,475
2012	40,000	106,575	146,575
2013	45,000	103,494	148,494
2014	50,000	100,050	150,050
2015-2019	300,000	440,438	740,438
2020-2024	430,000	308,850	738,850
2025-2028	625,000	110,381	735,381
Totals	<u>\$ 1,565,000</u>	<u>\$ 1,391,413</u>	<u>\$ 2,956,413</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 4,220	\$ 372	\$ 4,592
2011	4,262	330	4,592
2012	4,305	287	4,592
2013	4,348	243	4,591
2014	4,391	200	4,591
2015-2019	17,621	445	18,066
Totals	<u>\$ 39,147</u>	<u>\$ 1,877</u>	<u>\$ 41,024</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 34,864	\$ 14,756	\$ 49,620
2011	37,199	12,421	49,620
2012	39,690	9,930	49,620
2013	42,348	7,272	49,620
2014	45,184	4,436	49,620
2015	43,528	1,413	44,941
Totals	<u>\$ 242,813</u>	<u>\$ 50,228</u>	<u>\$ 293,041</u>

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June 30, 2009

Note 6 Long-term Debt and Bonds Payable (continued)

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 21,907	\$ 3,853	\$ 25,760
2011	23,276	2,500	25,776
2012	24,711	1,065	25,776
2013	4,236	31	4,267
Totals	<u>\$ 74,130</u>	<u>\$ 7,449</u>	<u>\$ 81,579</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 2,239	\$ 1,766	\$ 4,005
2011	2,586	1,419	4,005
2012	2,986	1,018	4,004
2013	3,449	555	4,004
2014	1,920	82	2,002
Totals	<u>\$ 13,180</u>	<u>\$ 4,840</u>	<u>\$ 18,020</u>

In a prior year, the Authority defeased the 1995A series bond issue for Casa Hermosa Development by creating an irrevocable trust fund from proceeds of the 1997A series revenue bonds. The proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investment and earnings from the investment are sufficient to service the defeased debt until the debt is called or matures. The amount outstanding at June 30, 2009 was \$1,220,000.

For financial reporting purposes, the debt had been considered defeased and therefore removed as a liability from the Casa Hermosa's financial statements. A deferred loss arising from the debt defeasance is recorded as an offset to the 1997A series revenue bonds. The deferral is being amortized over the original remaining life of the 1995A series bonds, twenty-eight years, with the resulting amortization reported as interest expense. For the year ended June 30, 2009, the unamortized deferred loss is \$110,708 and amortization of \$6,726 was reported as interest expense.

Debt coverage service and other covenants exist for the Authority's bonds and notes payable listed above. As of June 30, 2009, the Authority was in violation of certain debt covenants. Since the Authority has been in violation of this bond covenant for several years without having their bonds called, we are continuing to report the bonds as long term debt. The Authority has obtained a forbearance agreement which indicates that the debt will not be called as long as the Authority provides monthly financial information to the bond trustee.

The Section 8 Housing Program has a long-term obligation for a Family Self Sufficiency (FSS) Escrow for Section 8 money being held for the benefit of the program participants. The money is to assist the participants in achieving home ownership. The money can be drawn upon completion of the program or under certain other circumstances. The total amount at June 30, 2009 was \$104,136 of which \$633 is shown as short-term relating to the current year's graduates of the program.

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Notes to Financial Statements
June 30, 2009

Note 7 Interfund Activities

In a prior year, the Colonial Hillcrest and La Posada developments completed a bond issue in the amount of \$1,800,000. Bond proceeds of \$284,790 were loaned to the Administrative Services Department. A restructured promissory note was executed in May 2007, which provides for repayment of monthly interest payments of \$100, interest at 8.47%, with a maturity in August 2027. A balance of \$387,762 (including \$115,361 of accrued interest) was outstanding at June 30, 2009. \$1,200 in payments were made by the Administrative Services Department to Colonial Hillcrest and La Posada development during the year ended June 30, 2009.

Annual requirements to amortize this long-term debt as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ -	\$ 1,200	\$ 1,200
2011	-	1,200	1,200
2012	-	1,200	1,200
2013	-	1,200	1,200
2014	-	1,200	1,200
2015-2019	-	6,000	6,000
2020-2024	-	6,000	6,000
2025-2028	387,762	469,085	856,847
Totals	\$ <u>387,762</u>	\$ <u>487,085</u>	\$ <u>874,847</u>

The Administrative Services Department is to receive fees for the management of the apartment complexes and programs described in Note 1. As set forth in bond indentures, the Administrative Services Department receives a management fee equal to 6% of the gross revenues for Woodleaf, 6% of gross revenues for Casa Hermosa, and 8.25% of gross revenues from Colonial Hillcrest and La Posada. The Administrative Services Department can receive additional management fees from these complexes provided certain bond debt ratios are met or if rehabilitation work is performed. Management and administrative fees earned for remaining programs and complexes are based on factors and rates specified in executed agreements. The Administrative Services Department also assesses an additional fee of five dollars per unit per month.

Inter-program receivable and payable balances relate to payment of operating and payroll expenses and advance of funds between the entities which are expected to be repaid within one year.

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OF REGION VI, NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2009

Note 8 Retirement Plan

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 the plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The 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.

Plan members are required to contribute 7% of their gross salary. The Authority is also required to contribute 7% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$66,745, \$52,551, and \$50,974, respectively, which equal the amount of the required contributions for each fiscal year.

Note 9 Risk Management

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, 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 10 Concentrations

65% 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 11 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.

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OF REGION VI, NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2009

Note 12 Deficit Balance of Net Assets

The Authority had the following negative net assets balances at June 30, 2009 by fund:

Casa Hermosa Development Fund	\$ 984,804
Administrative Services Department Fund	383,160

Casa Hermosa Development is continuing to operate at a loss and the Authority is in the process of trying to negotiate its sale. Administrative Services Department is currently operating with a profit, however, it experienced large losses in the prior year resulting in a negative net asset balance.

Note 13 Subsequent Event

The Authority is currently in the process of negotiating a contract for the sale of the Casa Hermosa apartment complex located in Hobbs, New Mexico.

On March 31, 2009 the New Mexico Legislature restructured the Regional Housing Authorities. Region VI and Region IV Housing Authorities were combined to form the Eastern Regional Housing Authority. The two housing authorities continued to operate as two separate entities until July 1, 2009 when all operations were combined. Region VI Housing Authority chose to maintain financial records separate from Region IV Housing Authority through the end of the fiscal year since all HUD contracts were separately issued through June 30, 2009.

Note 14 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.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
WOODLEAF DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 989,971	\$ 989,971	\$ 962,107	\$ (27,864)
Management and administrative fees	-	-	-	-
Miscellaneous income	42,660	42,660	18,692	(23,968)
<i>Total operating revenues</i>	1,032,631	1,032,631	980,799	(51,832)
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	162,853	162,853	155,885	6,968
Management and administrative fees	62,038	62,038	66,830	(4,792)
Depreciation and amortization expense	99,404	99,404	97,329	2,075
Utilities	153,641	153,641	123,987	29,654
Maintenance	95,358	95,358	96,210	(852)
Office expenses	10,297	10,297	8,141	2,156
General expenses	1,140	1,140	21,417	(20,277)
Travel expenses	20,720	20,720	17,853	2,867
Professional fees	29,624	29,624	18,277	11,347
Rent expense	174	174	2,633	(2,459)
Repair and replacement	127,187	127,187	40,541	86,646
Insurance	23,718	23,718	8,383	15,335
<i>Total operating expenses</i>	786,154	786,154	657,486	128,668
<i>Operating income (loss)</i>	246,477	246,477	323,313	76,836
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	-	-	-
Interest income	18,869	18,869	1,949	(16,920)
Interest expense	(188,456)	(188,456)	(188,279)	177
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	(169,587)	(169,587)	(186,330)	(16,743)
<i>Income (loss) before transfers</i>	76,890	76,890	136,983	60,093
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	76,890	76,890	136,983	60,093
Net assets, beginning of year	(105,938)	(105,938)	(105,938)	-
Net assets, end of year	\$ (29,048)	\$ (29,048)	\$ 31,045	\$ 60,093
Net assets necessary to balance the budget	\$ -	\$ -	\$ -	\$ -

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

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OF REGION VI, NEW MEXICO, INC.
COLONIAL HILLCREST DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Operating revenues</i>				
Rent Income	\$ 121,021	\$ 121,021	\$ 133,796	\$ 12,775
Management and administrative fees	-	-	-	-
Miscellaneous income	<u>27,631</u>	<u>27,631</u>	<u>13,032</u>	<u>(14,599)</u>
<i>Total operating revenues</i>	<u>148,652</u>	<u>148,652</u>	<u>146,828</u>	<u>(1,824)</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	66,640	66,640	78,930	(12,290)
Management and administrative fees	41,938	41,938	40,032	1,906
Depreciation and amortization expense	39,070	39,070	37,937	1,133
Utilities	95,425	95,425	93,439	1,986
Maintenance	46,147	46,147	39,251	6,896
Office expenses	4,246	4,246	4,903	(657)
General expenses	9,855	9,855	27,369	(17,514)
Travel expenses	15,658	15,658	23,552	(7,894)
Professional fees	10,441	10,441	10,532	(91)
Rent expense	259	259	325	(66)
Repair and replacement	15,177	15,177	10,565	4,612
Insurance	<u>10,546</u>	<u>10,546</u>	<u>3,510</u>	<u>7,036</u>
<i>Total operating expenses</i>	<u>355,402</u>	<u>355,402</u>	<u>370,345</u>	<u>(14,943)</u>
<i>Operating income (loss)</i>	<u>(206,750)</u>	<u>(206,750)</u>	<u>(223,517)</u>	<u>(16,767)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	332,044	332,044	296,643	(35,401)
Interest income	11,540	11,540	3,088	(8,452)
Interest expense	(98,277)	(98,277)	(97,458)	819
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>245,307</u>	<u>245,307</u>	<u>202,273</u>	<u>(43,034)</u>
<i>Income (loss) before transfers</i>	<u>38,557</u>	<u>38,557</u>	<u>(21,244)</u>	<u>(59,801)</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>38,557</u>	<u>38,557</u>	<u>(21,244)</u>	<u>(59,801)</u>
Net assets, beginning of year	<u>134,861</u>	<u>134,861</u>	<u>134,861</u>	<u>-</u>
Net assets, end of year	<u>\$ 173,418</u>	<u>\$ 173,418</u>	<u>\$ 113,617</u>	<u>\$ (59,801)</u>
Net assets necessary to balance the budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,244</u>	<u>\$ (21,244)</u>

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
LA POSADA DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 19,848	\$ 19,848	\$ 24,956	\$ 5,108
Management and administrative fees	-	-	-	-
Miscellaneous income	2,010	2,010	1,369	(641)
<i>Total operating revenues</i>	21,858	21,858	26,325	4,467
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	18,096	18,096	18,696	(600)
Management and administrative fees	7,343	7,343	7,118	225
Depreciation and amortization expense	10,237	10,237	9,330	907
Utilities	12,504	12,504	13,733	(1,229)
Maintenance	1,271	1,271	1,997	(726)
Office expenses	87	87	16	71
General expenses	1,431	1,431	3,521	(2,090)
Travel expenses	1,553	1,553	1,497	56
Professional fees	1,750	1,750	1,678	72
Rent expense	-	-	-	-
Repair and replacement	1,821	1,821	-	1,821
Insurance	2,264	2,264	865	1,399
<i>Total operating expenses</i>	58,357	58,357	58,451	(94)
<i>Operating income (loss)</i>	(36,499)	(36,499)	(32,126)	4,373
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	60,432	60,432	52,591	(7,841)
Interest income	1,879	1,879	307	(1,572)
Interest expense	(15,999)	(15,999)	(15,865)	134
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	46,312	46,312	37,033	(9,279)
<i>Income (loss) before transfers</i>	9,813	9,813	4,907	(4,906)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	9,813	9,813	4,907	(4,906)
Net assets, beginning of year	35,608	35,608	35,608	-
Net assets, end of year	\$ 45,421	\$ 45,421	\$ 40,515	\$ (4,906)
Net assets necessary to balance the budget	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
CASA HERMOSA DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-4

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 315,721	\$ 315,721	\$ 344,735	\$ 29,014
Management and administrative fees	-	-	-	-
Miscellaneous income	18,466	18,466	10,838	(7,628)
<i>Total operating revenues</i>	334,187	334,187	355,573	21,386
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	90,893	90,893	73,618	17,275
Management and administrative fees	29,226	29,226	29,122	104
Depreciation and amortization expense	37,993	37,993	36,319	1,674
Utilities	127,821	127,821	150,901	(23,080)
Maintenance	69,932	69,932	51,729	18,203
Office expenses	3,279	3,279	1,974	1,305
General expenses	9,592	9,592	45,736	(36,144)
Travel expenses	4,719	4,719	6,791	(2,072)
Professional fees	14,543	14,543	36,678	(22,135)
Rent expense	-	-	-	-
Repair and replacement	15,989	15,989	5,118	10,871
Insurance	11,935	11,935	3,922	8,013
<i>Total operating expenses</i>	415,922	415,922	441,908	(25,986)
<i>Operating income (loss)</i>	(81,735)	(81,735)	(86,335)	(4,600)
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	83,162	83,162	47,263	(35,899)
Interest income	8,242	8,242	1,149	(7,093)
Interest expense	(114,600)	(114,600)	(121,122)	(6,522)
Insurance proceeds	25,081	25,081	5,587	(19,494)
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	1,885	1,885	(67,123)	(69,008)
<i>Income (loss) before transfers</i>	(79,850)	(79,850)	(153,458)	(73,608)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	(79,850)	(79,850)	(153,458)	(73,608)
Net assets, beginning of year	(831,346)	(831,346)	(831,346)	-
Net assets, end of year	\$ (911,196)	\$ (911,196)	\$ (984,804)	\$ (73,608)
Net assets necessary to balance the budget	\$ 79,850	\$ 79,850	\$ 153,458	\$ (73,608)

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
RIO FELIX FMHA PROGRAM FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Operating revenues</i>				
Rent Income	\$ 36,772	\$ 36,772	\$ 22,627	\$ (14,145)
Management and administrative fees	-	-	-	-
Miscellaneous income	8,394	8,394	4,204	(4,190)
<i>Total operating revenues</i>	<u>45,166</u>	<u>45,166</u>	<u>26,831</u>	<u>(18,335)</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	25,039	25,039	11,571	13,468
Management and administrative fees	4,500	4,500	5,400	(900)
Depreciation and amortization expense	16,000	16,000	16,050	(50)
Utilities	19,227	19,227	22,018	(2,791)
Maintenance	9,248	9,248	5,015	4,233
Office expenses	751	751	418	333
General expenses	823	823	1,859	(1,036)
Travel expenses	-	-	68	(68)
Professional fees	3,566	3,566	2,861	705
Rent expense	-	-	-	-
Repair and replacement	1,750	1,750	1,321	429
Insurance	3,190	3,190	1,139	2,051
<i>Total operating expenses</i>	<u>84,094</u>	<u>84,094</u>	<u>67,720</u>	<u>16,374</u>
<i>Operating income (loss)</i>	<u>(38,928)</u>	<u>(38,928)</u>	<u>(40,889)</u>	<u>(1,961)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	32,944	32,944	30,660	(2,284)
Interest income	105	105	53	(52)
Interest expense	(420)	(420)	(414)	6
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>32,629</u>	<u>32,629</u>	<u>30,299</u>	<u>(2,330)</u>
<i>Income (loss) before transfers</i>	<u>(6,299)</u>	<u>(6,299)</u>	<u>(10,590)</u>	<u>(4,291)</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(6,299)</u>	<u>(6,299)</u>	<u>(10,590)</u>	<u>(4,291)</u>
Net assets, beginning of year	<u>443,367</u>	<u>443,367</u>	<u>443,367</u>	<u>-</u>
Net assets, end of year	<u>\$ 437,068</u>	<u>\$ 437,068</u>	<u>\$ 432,777</u>	<u>\$ (4,291)</u>
Net assets necessary to balance the budget	<u>\$ 6,299</u>	<u>\$ 6,299</u>	<u>\$ 10,590</u>	<u>\$ (4,291)</u>

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
LOW RENT PUBLIC HOUSING PROGRAM FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-6

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Operating revenues</i>				
Rent Income	\$ 78,557	\$ 78,557	\$ 105,135	\$ 26,578
Management and administrative fees	-	-	-	-
Miscellaneous income	11,384	11,384	7,353	(4,031)
<i>Total operating revenues</i>	<u>89,941</u>	<u>89,941</u>	<u>112,488</u>	<u>22,547</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	123,707	123,707	134,472	(10,765)
Management and administrative fees	42,540	42,540	50,266	(7,726)
Depreciation and amortization expense	154,377	154,377	151,634	2,743
Utilities	30,056	30,056	22,830	7,226
Maintenance	43,387	43,387	45,262	(1,875)
Office expenses	3,087	3,087	5,167	(2,080)
General expenses	238	238	6,799	(6,561)
Travel expenses	11,261	11,261	5,239	6,022
Professional fees	9,223	9,223	7,091	2,132
Rent expense	-	-	614	(614)
Repair and replacement	9,304	9,304	7,798	1,506
Insurance	13,222	13,222	4,693	8,529
<i>Total operating expenses</i>	<u>440,402</u>	<u>440,402</u>	<u>441,865</u>	<u>(1,463)</u>
<i>Operating income (loss)</i>	<u>(350,461)</u>	<u>(350,461)</u>	<u>(329,377)</u>	<u>21,084</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	229,200	229,200	297,823	68,623
Interest income	2,693	2,693	1,585	(1,108)
Interest expense	(16,945)	(16,945)	(16,945)	-
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>214,948</u>	<u>214,948</u>	<u>282,463</u>	<u>67,515</u>
<i>Income (loss) before transfers</i>	<u>(135,513)</u>	<u>(135,513)</u>	<u>(46,914)</u>	<u>88,599</u>
Transfers in	70,000	70,000	-	(70,000)
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
<i>Change in net assets</i>	<u>(65,513)</u>	<u>(65,513)</u>	<u>(46,914)</u>	<u>18,599</u>
Net assets, beginning of year	<u>2,410,830</u>	<u>2,410,830</u>	<u>2,410,830</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,345,317</u>	<u>\$ 2,345,317</u>	<u>\$ 2,363,916</u>	<u>\$ 18,599</u>
Net assets necessary to balance the budget	<u>\$ 65,513</u>	<u>\$ 65,513</u>	<u>\$ 46,914</u>	<u>\$ 18,599</u>

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
SECTION 8 HOUSING PROGRAM FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-7

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ -	\$ -	\$ -	\$ -
Management and administrative fees	54,090	54,090	54,494	404
Miscellaneous income	13,104	13,104	11,157	(1,947)
<i>Total operating revenues</i>	67,194	67,194	65,651	(1,543)
<i>Operating expenses</i>				
Housing assistance payments	4,167,006	4,167,006	4,507,949	(340,943)
Salaries, payroll taxes, and employee benefits	-	-	-	-
Management and administrative fees	710,216	710,216	608,635	101,581
Depreciation and amortization expense	-	-	-	-
Utilities	-	-	-	-
Maintenance	-	-	-	-
Office expenses	-	-	-	-
General expenses	40	40	-	40
Travel expenses	-	-	-	-
Professional fees	-	-	-	-
Rent expense	-	-	-	-
Repair and replacement	-	-	-	-
Insurance	-	-	-	-
<i>Total operating expenses</i>	4,877,262	4,877,262	5,116,584	(239,322)
<i>Operating income (loss)</i>	(4,810,068)	(4,810,068)	(5,050,933)	(240,865)
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	5,453,672	5,453,672	5,014,312	(439,360)
Interest income	-	-	-	-
Interest expense	-	-	-	-
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	5,453,672	5,453,672	5,014,312	(439,360)
<i>Income (loss) before transfers</i>	643,604	643,604	(36,621)	(680,225)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	643,604	643,604	(36,621)	(680,225)
Net assets, beginning of year	1,112,675	1,112,675	1,112,675	-
Net assets, end of year	\$ 1,756,279	\$ 1,756,279	\$ 1,076,054	\$ (680,225)
Net assets necessary to balance the budget	\$ -	\$ -	\$ 36,621	\$ (36,621)

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

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
ADMINISTRATIVE SERVICES DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Statement A-8

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ -	\$ -	\$ 3,606	\$ 3,606
Management and administrative fees	896,901	896,901	1,030,632	133,731
Miscellaneous income	63,850	63,850	36,008	(27,842)
<i>Total operating revenues</i>	960,751	960,751	1,070,246	109,495
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	742,648	742,648	939,332	(196,684)
Management and administrative fees	-	-	-	-
Depreciation and amortization expense	19,879	19,879	19,936	(57)
Utilities	30,784	30,784	36,918	(6,134)
Maintenance	28,730	28,730	31,549	(2,819)
Office expenses	34,246	34,246	40,331	(6,085)
General expenses	6,151	6,151	13,857	(7,706)
Travel expenses	21,840	21,840	22,449	(609)
Professional fees	23,442	23,442	28,037	(4,595)
Rent expense	14,991	14,991	21,135	(6,144)
Repair and replacement	-	-	-	-
Insurance	13,125	13,125	3,376	9,749
<i>Total operating expenses</i>	935,836	935,836	1,156,920	(221,084)
<i>Operating income (loss)</i>	24,915	24,915	(86,674)	(111,589)
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	-	76,685	76,685
Interest income	-	-	-	-
Interest expense	(6,509)	(6,509)	(7,442)	(933)
Loss on sale of asset	-	-	(7,746)	(7,746)
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	(6,509)	(6,509)	61,497	68,006
<i>Income (loss) before transfers</i>	18,406	18,406	(25,177)	(43,583)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	18,406	18,406	(25,177)	(43,583)
Net assets, beginning of year	(357,983)	(357,983)	(357,983)	-
Net assets, end of year	\$ (339,577)	\$ (339,577)	\$ (383,160)	\$ (43,583)
Net assets necessary to balance the budget	\$ -	\$ -	\$ 25,177	\$ (25,177)

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

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, 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	Bond	31371NNV3	FNCL 257004 Due 5/1/2036	\$ 416,160	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 6/1/2036	1,480,712	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 6/1/2036	388,214	Wells Fargo Bank San Francisco, California
Total Collateral Pledged				<u>\$ 2,285,086</u>	

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2009

Schedule II

Description	Cash On Hand	Wells Fargo Bank	Totals
<u><i>Cash on Hand</i></u>			
Casa Hermosa Development	\$ 200	\$ -	\$ 200
Woodleaf Development	500	-	500
Colonial Hillcrest Development	200	-	200
La Posada Development	100	-	100
Rio Felix FmHA Program	100	-	100
Low Rent Public Housing Program	400	-	400
<u><i>Demand Deposit Accounts</i></u>			
La Posada Development- Operating	-	9,667	9,667
La Posada Development- Tenant security	-	2,300	2,300
Rio Felix FmHA Program- Operating	-	1,603	1,603
Rio Felix FmHA Program- Tenant security	-	4,470	4,470
Colonial Hillcrest Development- Operating	-	33,015	33,015
Colonial Hillcrest Development- Tenant security	-	12,000	12,000
Low Rent Public Housing Program- Operating	-	154,016	154,016
Low Rent Public Housing Program- Tenant security	-	15,000	15,000
Casa Hermosa Development- Operating	-	8,813	8,813
Casa Hermosa Development- Tenant security	-	14,050	14,050
Woodleaf Development- Operating	-	72,183	72,183
Woodleaf Development- Tenant security	-	46,575	46,575
Administrative Services Department- Operating	-	29,536	29,536
Section 8 Voucher Program	-	1,091,550	1,091,550
Weatherization	-	861	861
<u><i>Savings Account</i></u>			
Certificate of Deposit	-	95,963	95,963
Family Self Sufficiency Escrow account	-	104,136	104,136
Rio Felix FmHA Program-Insurance Reserve	-	547	547
Rio Felix FmHA Program-Reserve	-	78,673	78,673
<u><i>Trust Accounts</i></u>			
Government Money Market Account	-	904,512	904,512
Total Public Funds- Bank Balances	1,500	2,679,470	2,680,970
Less reconciling items	-	(74,129)	(74,129)
Reconciled Balance - June 30, 2009	\$ 1,500	\$ 2,605,341	\$ 2,606,841
Reconciliation to the statement of net assets:			
Cash			\$ 1,511,971
Investments			95,963
Restricted cash			94,395
Replacement reserves/escrow deposits			904,512
			\$ 2,606,841

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
Supporting Data Required by the Bond Indenture
Computation of Debt Service Coverage Ratio
RHA Housing Development Corporation
(Woodleaf Development)
For the Year Ended June 30, 2009

Debt Service Ratio Calculation:

Net revenue available for debt service on the bonds	(1) \$	422,591
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	244,181
 Debt service ratio:		<u>1.73</u>
 Debt service ratio required by bond indenture		<u>1.25</u>

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

Total gross revenues	\$	982,748
 Total operating expenses and interest expense		(845,765)
 Plus: Recorded bond amortization and depreciation expense		97,329
Interest expense related to 1997A Series bonds		<u>188,279</u>
 Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) \$	<u>422,591</u>

Debt Service for the year ended June 30, 2010:

Principal reduction on 1997A Series bonds during the year ended June 30, 2010	\$	60,000
 Interest due attributable to 1997A Series bonds during the year ended June 30, 2010		<u>184,181</u>

<i>Maximum Annual Debt Service as defined in the bond trust indenture</i>	(2) \$	<u>244,181</u>
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Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2009, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the RHA Housing Development Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.
Supporting Data Required by the Bond Indenture
Computation of Debt Service Coverage Ratio
Carlsbad Housing Corporation
(Colonial Hillcrest and La Posada Developments)
For the Year Ended June 30, 2009

		<u>Colonial Hillcrest Development</u>	<u>La Posada Development</u>	<u>Combined Total</u>
<i>Debt Service Ratio Calculation:</i>				
Net revenue available for debt service on the bonds	(1) \$	114,151	\$ 30,102	\$ 144,253
Divided by				
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	126,194	20,543	146,737
Debt service ratio:		<u>0.90</u>	<u>1.47</u>	<u>0.98</u>
Debt service ratio required by bond indenture		<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
 <i>Calculation of Net Revenues Available for Debt Service on the Bonds:</i>				
Total gross revenues	\$	446,559	\$ 79,223	\$ 525,782
Total operating expenses and interest expense		(467,803)	(74,316)	(542,119)
Plus: Recorded bond amortization and depreciation expense		37,937	9,330	47,267
Interest expense related to 1997A Series bonds		<u>97,458</u>	<u>15,865</u>	<u>113,323</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) \$	<u>114,151</u>	<u>\$ 30,102</u>	<u>\$ 144,253</u>
 <i>Debt Service for the year ended June 30, 2010:</i>				
Principal reduction on 1997A Series bonds during the year ended June 30, 2010	\$	30,100	\$ 4,900	\$ 35,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2010		<u>96,094</u>	<u>15,643</u>	<u>111,737</u>
<i>Maximum Annual Debt Service as defined in the bond trust indenture</i>	(2) \$	<u>126,194</u>	<u>\$ 20,543</u>	<u>\$ 146,737</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2009, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series Bond Indenture between the Carlsbad Housing Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.

Supporting Data Required by the Bond Indenture
Computation of Debt Service Coverage Ratio
Southeastern New Mexico Affordable Housing Corporation
(Casa Hermosa Development)
For the Year Ended June 30, 2009

Debt Service Ratio Calculation:

Net revenue available for debt service on the bonds	(1) \$	4,187
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	147,150
Debt service ratio:		<u>0.03</u>
Debt service ratio required by bond indenture		<u>1.25</u>

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

Total gross revenues	\$	409,572
Total operating expenses and interest expense		(563,030)
Plus: Amortization of deferred loss on refunding of 1995A Series bonds		6,726
Recorded bond issue costs amortization and depreciation expense		36,319
Interest expense related to 1997A Series bonds		<u>114,600</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) \$	<u>4,187</u>

Debt Service for the year ended June 30, 2010:

Principal reduction on 1997A Series bonds during the year ended June 30, 2010	\$	35,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2010		<u>112,150</u>

<i>Maximum Annual Debt Service as defined in the bond trust indenture</i>	(2) \$	<u>147,150</u>
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Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2009, ("the computation") is not calculated on a GAAP basis as specified in the 1997A Series bond indenture between the Southeastern New Mexico Affordable Housing Corporation, as issuer, and Wells Fargo Bank, N.A., as trustee, because the computation excludes non-cash expenses. The 1997A Series Bond Indenture is an integral part of the computation and should be read in conjunction with it.

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

PHA: NM063 FYED: 06/30/2009

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants	Sec. 8 Housing Assistance Payments Program-Special Allocations
111	Cash - Unrestricted	\$ -	\$ 80,648	\$ 42,358
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	-	4,470	28,350
100	Total Cash	-	85,118	70,708
126	Accounts Receivable - Tenants - Dwelling Rents	46,292	2,269	59,977
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	(16,903)
129	Accrued Interest Receivable	-	-	115,361
120	Total Receivables, net of allowances for doubtful accounts	46,292	2,269	158,435
131	Investments - Unrestricted	-	-	-
135	Investments - Restricted for Payment of Current Liabilities	-	-	-
132	Investments Restricted	-	-	536,549
144	Interprogram Due From	23,325	-	166,548
150	Total Current Assets	69,617	87,387	932,240
161	Land	6,000	169,050	121,814
162	Buildings	-	618,248	2,678,366
163	Furniture, Equipment & Machinery - Dwellings	283,117	10,008	54,392
166	Accumulated Depreciation	(219,097)	(370,842)	(1,618,211)
160	Total Fixed Assets, Net of Accumulated Depreciation	70,020	426,464	1,236,361
171	Notes, Loans, & Mortgages Receivable - Non Current	-	-	272,401
174	Other Assets	-	-	428,000
180	Total Non-Current Assets	70,020	426,464	1,936,762
190	Total Assets	139,637	513,851	2,869,002

See accompanying independent auditor's report.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Weatherization	State/Local	Total
\$ 150,966	\$ 1,181,229	\$ -	\$ 61	\$ 56,709	\$ 1,511,971
-	-	-	-	-	-
15,000	-	-	-	46,575	94,395
165,966	1,181,229	-	61	103,284	1,606,366
5,061	-	-	91,201	6,400	211,200
(771)	-	-	-	(3,749)	(21,423)
-	-	-	-	-	115,361
4,290	-	-	91,201	2,651	305,138
95,963	-	-	-	-	95,963
-	-	-	-	-	-
-	-	-	-	367,963	904,512
13,900	-	-	-	325,712	529,485
280,119	1,181,229	-	91,262	799,610	3,441,464
335,734	-	-	-	259,919	892,517
4,546,158	-	-	-	3,296,666	11,139,438
79,177	-	-	5,338	52,619	484,651
(2,608,167)	-	-	(89)	(1,855,385)	(6,671,791)
2,352,902	-	-	5,249	1,753,819	5,844,815
-	-	-	-	-	272,401
-	-	-	-	180,498	608,498
2,352,902	-	-	5,249	1,934,317	6,725,714
2,633,021	1,181,229	-	96,511	2,733,927	10,167,178

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

PHA: NM063 FYED: 06/30/2009

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants	Sec. 8 Housing Assistance Payments Program-Special Allocations
312	Accounts Payable < = 90 Days	\$ 24,767	\$ 2,142	\$ 26,148
321	Accrued Wage/Payroll Taxes Payable	4,417	173	1,523
322	Accrued Compensated Absences - Current Portion	18,541	298	1,548
325	Accrued Interest Payable	-	-	51,825
341	Tenant Security Deposits	-	2,634	27,560
342	Deferred Revenues	-	1,057	3,065
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	70,000
344	Current Portion of Long-term Debt - Operating Borrowings	24,146	4,200	
345	Other Current Liabilities	-	-	-
347	Interprogram Due To	-	35,623	488,005
310	Total Current Liabilities	71,871	46,127	669,674
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-	3,030,000
352	Long-term Debt, Net of Current - Operating Borrowings	63,164	34,947	-
353	Noncurrent Liabilities - Other	387,762	-	-
350	Total Noncurrent Liabilities	450,926	34,947	3,030,000
300	Total Liabilities	522,797	81,074	3,699,674
508	Total Contributed Capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	(17,290)	387,317	(1,752,931)
511	Total Reserved Fund Balance	-		
511.1	Restricted Net Assets	-	-	536,549
512.1	Unrestricted Net Assets	(365,870)	45,460	385,710
513	Total Equity/Net Assets	(383,160)	432,777	(830,672)
600	Total Liabilities and Equity/Net Assets	139,637	513,851	2,869,002

See accompanying independent auditor's report.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Weatherization	State/Local	Total
\$ 7,120	\$ -	\$ -	\$ 83,332	\$ -	\$ 143,509
1,235	400	-	-	840	8,588
1,975	639	-	2,073	2,096	27,170
-	-	-	-	7,763	59,588
14,916	-	-	-	45,991	91,101
1,046	-	-	-	31,192	36,360
-	-	-	-	60,000	130,000
34,864	-	-	-	-	63,210
-	633	-	-	-	633
-	-	-	5,857	-	529,485
61,156	1,672	-	91,262	147,882	1,089,644
-	-	-	-	2,555,000	5,585,000
207,949	-	-	-	-	306,060
-	103,503	-	-	-	491,265
207,949	103,503	-	-	2,555,000	6,382,325
269,105	105,175	-	91,262	2,702,882	7,471,969
-	-	-	-	-	-
2,110,089	-	-	5,249	(861,181)	(128,747)
-	-	-	-	-	-
-	-	-	-	367,963	904,512
253,827	1,076,054	-	-	524,263	1,919,444
2,363,916	1,076,054	-	5,249	31,045	2,695,209
2,633,021	1,181,229	-	96,511	2,733,927	10,167,178

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

PHA: NM063 FYED: 06/30/2009

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants	Sec. 8 Housing Assistance Payments Program-Special Allocations
703	Net Tenant Rental Revenue	\$ 3,606	\$ 22,627	\$ 503,487
704	Tenant Revenue - Other	-	4,179	29,275
705	Total Tenant Revenue	3,606	26,806	532,762
706	HUD PHA Operating Grants	-	-	396,497
708	Other Government Grants	76,685	30,660	-
711	Investment Income - Unrestricted	-	53	4,544
712	Mortgage Interest Income	-	-	-
714	Fraud Recovery	-	-	-
715	Other Revenue	1,066,640	25	1,551
716	Gain/Loss on Sale of Fixed Assets	(7,746)	-	-
720	Investment Income - Restricted	-	-	-
700	Total Revenue	1,139,185	57,544	935,354
911	Administrative Salaries	648,167	9,914	48,480
912	Auditing Fees	11,882	1,188	10,456
913	Outside Management Fees	-	5,400	76,272
914	Compensated Absences	43,412	95	3,508
915	Employee Benefit Contributions - Administrative	247,752	1,561	39,128
916	Other Operating - Administrative	40,331	513	7,357
931	Water	1,371	14,361	137,970
932	Electricity	8,480	3,743	53,288
933	Gas	-	2,325	56,932
938	Other Utilities Expense	27,067	1,590	9,420
941	Ordinary Maintenance and Operations - Labor	-	-	80,172
942	Ordinary Maintenance and Operations - Materials and Other	31,549	6,336	108,660
961	Insurance Premiums	3,376	1,139	8,297
962	Other General Expenses	73,597	2,744	94,542
964	Bad Debt - Tenant Rents	-	761	52,636
967	Interest Expense	7,442	414	234,445
969	Total Operating Expenses	1,144,426	52,084	1,021,563
970	Excess Operating Revenue over Operating Expenses	(5,241)	5,460	(86,209)
971	Extraordinary Maintenance	-	-	-
973	Housing Assistance Payments	-	-	-
974	Depreciation Expense	19,936	16,050	83,586
975	Fraud Losses	-	-	-
900	Total Expenses	1,164,362	68,134	1,105,149
1001	Operating Transfers In	-	-	-
1002	Operating Transfers Out	-	-	-
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(25,177)	(10,590)	(169,795)

See accompanying independent auditor's report.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Weatherization	State/Local	Total
\$ 105,135	\$ -	\$ -	\$ -	\$ 962,107	\$ 1,596,962
7,353	-	-	-	18,689	59,496
112,488	-	-	-	980,796	1,656,458
297,823	5,014,312	81,424	-	-	5,790,056
-	-	-	440,887	-	548,232
1,585	-	-	-	1,949	8,131
-	-	-	-	-	-
-	11,157	-	-	-	11,157
-	54,494	-	9	3	1,122,722
-	-	-	-	-	(7,746)
-	-	-	-	-	-
411,896	5,079,963	81,424	440,896	982,748	9,129,010
29,576	-	-	148,463	28,675	913,275
4,990	-	-	-	9,030	37,546
42,540	608,635	-	-	66,830	799,677
2,079	-	-	-	3,556	52,650
39,045	-	-	44,840	34,690	407,016
5,052	-	-	22,743	8,141	84,137
3,512	-	-	-	52,690	209,904
8,142	-	-	-	23,803	97,456
2,187	-	-	-	12,521	73,965
7,377	-	-	2,280	34,972	82,706
63,771	-	-	369	88,966	233,278
63,082	-	8,410	168,345	136,750	523,132
4,693	-	-	3,434	8,383	29,322
8,836	-	-	45,084	38,736	263,539
5,349	-	-	-	12,414	71,160
16,945	-	-	-	188,279	447,525
307,176	608,635	8,410	435,558	748,436	4,326,288
104,720	4,471,328	73,014	5,338	234,312	4,802,722
-	-	-	-	-	-
-	4,507,949	-	-	-	4,507,949
151,634	-	-	89	97,329	368,624
-	-	-	-	-	-
458,810	5,116,584	8,410	435,647	845,765	9,202,861
-	-	-	-	-	-
-	-	(73,014)	-	-	(73,014)
-	-	(73,014)	-	-	(73,014)
(46,914)	(36,621)	-	5,249	136,983	(146,865)

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

PHA: NM063 FYED: 06/30/2009

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants	Sec. 8 Housing Assistance Payments Program-Special Allocations
1102	Debt Principal Payments - Enterprise Funds	\$ -	\$ -	\$ -
1103	Beginning Equity	(357,983)	443,367	(660,877)
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-
1120	Unit Months Available	-	240	2,112
1121	Number of Unit Months Leased	-	192	1,889
1117	Administrative Fee Equity	-	-	-
1118	Housing Assistance Payments Equity	-	-	-

See accompanying independent auditor's report.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Weatherization	State/Local	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,410,830	1,112,675	-	-	(105,938)	2,842,074
-	-	-	-	-	-
1,008	15,420	-	-	1,824	20,604
990	13,282	-	-	1,773	18,126
-	10,843	-	-	-	10,843
-	1,065,211	-	-	-	1,065,211

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COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE

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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
New Mexico State Auditor
The Office of Management and Budget
To the Executive Director and the Board of Commissioners
Regional Housing Authority of Region VI, New Mexico, Inc.
Roswell, New Mexico

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the budgetary comparison for the major special revenue fund of Regional Housing Authority of Region VI, New Mexico, Inc. (the Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 28, 2009. We have also audited the budgetary comparison schedules of each of the enterprise funds presented as supplementary information for the year ended June 30, 2009, as listed in the table of contents. 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 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 2007-5, 2008-1, 2008-2, 2008-4, 2009-1 and 2009-4 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.

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, we believe that none of the significant deficiencies described above is a material weakness.

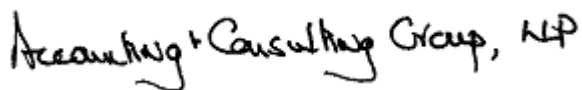
Compliance and Other Matters

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 accompany schedule of findings and questioned costs as items 2007-2, 2007-4, 2009-2, 2009-3, 2009-5, 2009-6 and 2009-7.

We noted no instances of noncompliance 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.

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 the New Mexico Department of Finance and Administration 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
Certified Public Accountants

Carlsbad, New Mexico
September 28, 2009

**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
To the Executive Director and the Board of Commissioners
Regional Housing Authority of Region VI, New Mexico, Inc.
Roswell, New Mexico

Compliance

We have audited the compliance of Regional Housing Authority of Region VI, 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 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 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.

In our opinion, 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. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-5.

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.

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.

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.

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 any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 the New Mexico Department of Finance and Administration 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
September 28, 2009

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

Schedule V

	<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>			
Low Rent Public Housing (1)	14.850		\$ 216,399
Section 8 Housing Voucher Program (1)	14.871		5,014,312
Section 8 Housing Assistance Payment Programs:			
Colonial Hillcrest Development (1)	14.195		296,643
La Posada Development (1)	14.195		52,591
Casa Hermosa Development (1)	14.195		47,263
Low Rent Public Housing - Capital Fund	14.872		81,424
<u>U.S. Department of Agriculture</u>			
Low Rent Public Housing	10.405		30,660
<u>U.S. Department of Health and Human Services</u>			
Low Income Home Energy Assistance	93.568		120,000
<u>U.S. Department of Energy</u>			
Weatherlization Assistance for Low Income Persons	81.042		<u>200,000</u>
Total expenditures of federal awards			<u>\$ 6,059,292</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 auditors' report.

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STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2009

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes x No

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

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x 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 Unqualified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850	Low Rent Public Housing
14.871	Section 8 Housing Voucher Program
14.195	Section 8 Housing Assistance Payment Program

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

Auditee qualified as low-risk auditee? Yes x No

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B. FINDINGS—FINANCIAL STATEMENT AUDIT

2007-2: Violation of Debt Covenant

Condition

The agency's ratio is 0.03 for Casa Hermosa Development and 0.90 for Colonial Hillcrest Development. The Authority did not comply with the debt covenants related to Casa Hermosa Development or Colonial Hillcrest Development.

Criteria

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

Effect

If the ratio is not brought into compliance with the debt covenants, the loan could be declared in default and become due. It is noted that Wells Fargo does not intend to call the bonds unless there is a default by the Authority on their bond payments.

Cause

The primary cause of this noncompliance is that debt service requirements of \$147,150 were too high in relation to revenues available of \$3,983 for Casa Hermosa Development and debt service requirements of \$126,194 were too high in relation to revenues available of \$114,151 for Colonial Hillcrest Development.

Recommendation

Revenues should be increased and expenses should be decreased at Casa Hermosa Development and Colonial Hillcrest Development.

Agency Response

Casa Hermosa remains in the process of completing the sale of the property. Colonial Hillcrest went through a number of management changes which have stabilized and we expect to meet Debt Service Ratio next year.

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2007-4: Expenditures in Excess of Budgeted Amounts

Condition

For the following expenditures, the Authority expended amounts in excess of the budget approved by the Board:

Woodleaf Development Fund:	
Management and administrative fees	\$ 4,792
Maintenance	852
General expenses	20,277
Rent expense	2,459
Colonial Hillcrest Development Fund:	
Salaries, payroll taxes, and employee benefits	12,290
Office expenses	657
General expenses	17,514
Travel expenses	7,894
Professional fees	91
Rent expense	66
La Posada Development Fund:	
Salaries, payroll taxes, and employee benefits	600
Utilities	1,229
Maintenance	726
General expenses	2,090
Casa Hermosa Development Fund:	
Utilities	23,080
General expenses	36,144
Professional fees	22,135
Travel expenses	2,072
Interest expense	6,522
Rio Felix FmHA Program Fund:	
Management and administrative fees	900
Depreciation and amortization expense	50
Utilities	2,791
General expenses	1,036
Travel expenses	68

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2007-4: Expenditures in Excess of Budgeted Amounts (continued)

Condition (continued)

Low Rent Public Housing Program Fund:	
Salaries, payroll taxes, and employee benefits	10,765
Management and administrative fees	7,726
Maintenance	1,875
Office expenses	2,080
General expenses	6,561
Rent expense	614
Section 8 Housing Program Fund:	
Housing assistance payments	340,943
Administrative Services Department Fund:	
Salaries, payroll taxes, and employee benefits	196,684
Depreciation and amortization expense	57
Utilities	6,134
Maintenance	2,819
Office expenses	6,085
General expenses	7,706
Travel expenses	609
Professional fees	4,595
Rent expense	6,144
Interest expense	933
Weatherization Program Fund:	
Weatherization materials	94,136
Contract labor	844
Depreciation and amortization expense	89
Maintenance	2,493
Office expenses	10,928
Travel expenses	11,141
Professional fees	13,515
Rent expense	1,253
Insurance	1,434

Criteria

Per NMSA Section 6-3-7, no expenditures shall be made by any agency for the fiscal year covered by the budget until the budget has been approved.

Effect

The effect of making expenditures that have not been approved by the state budget division, is that the public officer or employee who violated the law is guilty of a felony per Section 6-3-8, NMSA.

Cause

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

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2007-4: Expenditures in Excess of Budgeted Amounts (continued)

Recommendation

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

Agency Response

We have committed to modifying the budget periodically throughout the year, but closer year end modifications are needed and will be put in place in the next fiscal year.

2007-5: 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.

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.

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2007-5: Preparation of Financial Statements (continued)

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

We have completed the needed training for our staff, however, the necessary software was not purchased in time. We will rectify this issue for the upcoming year.

2008-1: 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

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2008-1: Laptop Security (continued)

Cause

The Authority has not properly encrypted information contained on the Authority's laptop computers.

Recommendation

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

Agency Response

We will ensure that all laptops will be properly encrypted.

2008-2: IT 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.

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.

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2008-2: IT Policy (continued)

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.

Agency Response

We will follow the recommendations and implement the above mentioned policy.

2008-4: Deficit Budgeting

Condition

In the following fund the prior year FY08 ending assets were not adequate to cover the ending budget deficit in FY09:

- Casa Hermosa Development budgeted expenditures in excess of revenues for the year of \$79,850, but only had unrestricted cash and accounts receivable from the prior year of \$20,313.

Criteria

Deficit budgeting is not allowed. The "designated cash" must be available at the end of the prior fiscal year to cover the deficit created when budgeted expenditures exceed budgeted revenues.

Effect

The Authority is in violation of 6.20.2.14 (E) NMAC which requires each fund to disburse money for its specific purpose in accordance with its budget. The Authority has not complied with the requirement to ensure adequate cash is available for budgeted expenditures.

Cause

Prior year ending available cash and accounts receivable were not carefully monitored to determine adequacy for FY09 budgeting purposes.

Recommendation

We recommend improved monitoring of the budget.

Agency Response

Casa Hermosa will be sold. We will adjust the budget to assure that we are not deficit budgeting.

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2009-1: Lack of Supporting Documentation for Credit Cards

Condition

During our test work of credit cards, we noted that the following:

- Six of the six items tested did not indicate the purpose of the charge.
- Two (totaling \$788) out of six items tested (totaling \$10,158) were lacking receipts.

Criteria

New Mexico Procurement Code 13-1-1 to 13-1-99, NMSA 1978, states that payments must be supported by valid receipts and payments may only be made for valid charges.

Effect

The Authority could be paying for expenses not incurred or unallowable.

Cause

The Authority is paying credit card charges without obtaining the corresponding receipts for charges. The Authority did not follow up to make certain that the charges were valid. The Authority also needs to document the purpose of the charges on the corresponding receipts.

Recommendation

We recommend that the Authority require credit card holders to turn in receipts as charges are incurred. In the event of an occasional lost receipt, the credit card holder should be required to sign and date an explanation of the amount as well as the purpose of the charge.

Agency Response

We will follow the above mentioned recommendations for all credit card documentation.

2009-2: Bids

Condition

During our examination of the procurement process, we noted the following:

- Three of the three bids tested for the Weatherization Program did not have advertisements at least ten days prior to the bid opening.
- Three out of three bids tested for the Weatherization Program did not have documentation in the file to indicate that the bid accepted was awarded to the low bidder.
- Three of three bids tested for the Weatherization Program did not have complete and organized files required by Section 13-1-104, NMSA 1978.

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2009-2: Bids (continued)

Criteria

Section 13-1-1 to 13-1-99, NMSA 1978 and Section 1.4.1.17 of NMAC require the incitation for bids or a notice thereof to be published not less than ten calendar days prior to the date set forth for the opening of bids. In the case of purchases made by other central purchasing offices, the invitation or notice shall be published at least once in a newspaper of general circulation in the area in which the central purchasing office is located. These requirements of publication are in addition to any other procedures that may be adopted by the central purchasing offices to notify prospective bidders that bids will be received, including publication in a trade journal, if available. If there is no newspaper of general circulation in the area in which the central purchasing office is located, such other notice may be given as is commercially reasonable. Central purchasing offices shall send copies of the notice or invitation for bids involving the expenditure of more than \$20,000 to those businesses that have signed in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and that have paid any required fees. The documentation of these requirements should be kept by the entity in an organized and complete manner, and in a way that is readily available for examination.

Effect

The Authority could be sued for noncompliance with NM Procurement Code bid process and they do not have adequate documentation to verify that the procurement process was in compliance with the Procurement Code.

Cause

The Authority does not retain adequate documentation related to the bid process. The filing system is inefficient. Personnel are not adequately trained to determine what is needed for the bid process.

Recommendation

We recommend that the Authority implement the required bidding process and that bid files include a copy of the contract specifications, the ad placed in newspapers with date, copies of the bids received, a copy of the award letter, and other items as needed, pursuant to the State Procurement Code. When purchases are made under the State Procurement Act, a copy of the bid documentation should be retained in the file.

Agency Response

We will follow the above mentioned recommendations.

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2009-3: Payments for Services Not Rendered

Condition

During our test work of accounts payable we noted that some Weatherization program's invoices were paid prior to completion of work or receipt of materials. Also two employees of the weatherization program may not have attended a conference that they were sent to and was paid for with Weatherization funds. Extent of the problem is undeterminable.

Criteria

Section 30-23-2, NMSA 1978 states "Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payments purports to be for wages, salary or remuneration for personal services which have not in fact been rendered. Nothing in this section shall be construed to prevent payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized process. Whoever commits paying or receiving public monies for services not rendered is guilty of fourth degree felony.

Effect

The Authority could be paying for goods and services that were never completed and for expenses for a conference that may not have been attended. This is a misuse of Federal and State money.

Cause

The Weatherization program falsified documents, in order to make the program look like they were on schedule and performing services at a higher rate.

Recommendation

We recommend that the Authority implement new procedures to provide better controls over the Weatherization program and the completion of projects related to the program. Inspection of completed projects should be done by someone not directly involved with the projects before submitting for final reimbursement of expenses by the Mortgage Finance Authority.

Agency Response

New controls and checks have been implemented including top management review of a sample of files per month to assure compliance with all regulations. Further controls are likewise being put in place to assure that we do not pay for services not yet rendered.

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2009-4: Lack of Internal Controls over Weatherization Program

Condition

During our examination of completed Weatherization job files we noted the following:

- An employee of the Weatherization program signed off on a relatives project.
- As of June 30, 2009, three projects for relatives were completed without notification to Mortgage Finance Authority for approval.

Criteria

New Mexico Weatherization Assistance program manual states, "Prior approval from Mortgage Finance Authority is required for services to subgrantee employees, board members and relatives (brother, sister, mother, father, or child) of employees and board members. The request shall include name, amount and description of work to be completed and a copy of the income documentation."

Effect

The Authority violated New Mexico Weatherization guidelines and may put the Authority at risk of losing funding from Federal and State Sources.

Cause

The Director of Weatherization failed to comply with Mortgage Finance Authority regulations regarding working on relatives homes. The Authority also failed to assign an independent employee to supervise and inspect the work performed on the family members household.

Recommendation

We recommend that the Authority comply will all requirements set forth by the Mortgage Finance Authority. We also recommend that the Authority establish and implement a policy regarding the assessment and work on relatives households to ensure that all work is above reproach and there is no misappropriation of assets.

Agency Response

New controls and checks have been implemented including top management review of a sample of files per month to assure compliance with all regulations. Further controls are likewise being put in place to assure that we do not pay for services not yet rendered.

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2009-5: Payroll Payments for Services Not Rendered

Condition

During our testing of payroll, we noted that the Authority paid a Christmas bonus to all employees. The total amount disbursed was \$16,550.

Criteria

According to New Mexico Constitution, Article IV, Section 27, no law shall be enacted giving any extra compensation to any public officer, servant, agent or contractor after services are rendered. Also, according to the New Mexico Constitution, Article IX, Section 14, neither the state nor any county, school district or municipality shall directly or indirectly make any donation to or in aid of any person, association or public or private corporation. A donation for purposes of anti-donation clause is a gift. A retroactive salary increase or performance bonus is, by its nature additional pay for services already performed by an employee and, as such is a gift of public money.

Effect

The Authority is paying employees for services not performed and therefore, is in violation of the anti-donation clause.

Cause

The Authority was unaware of the State Constitution prohibition against using public funds for gifts to individuals.

Recommendation

We recommend that in the future the Authority refrain from paying employees for services not rendered.

Agency Response

The Authority will discontinue the practice of any holiday related payments to be in compliance with the anti-donation clause.

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2009-6: Salary Advances

Condition

During our testing of payroll, we noted the following:

- The Authority has advanced money to employees that totaled \$10,544.
- The Authority made the salary advances to employees based on available vacation at June 30, 2009, however, the available vacation for those employees with salary advances was insufficient to cover the salary advance amount for each of the employees.

Criteria

Per Section 10-7-2, NMSA 1978, persons employed by and on behalf of the state, except those employed by institutions of higher education, including officers, shall receive their salaries and wages for service rendered in accordance with rules issued by the department of finance and administration. Per 2.20.4.8 of NMAC, the following payroll deductions are allowed by the Department of Finance and Administration: 1) those required by law (state and federal taxes, FICA), 2) state-sponsored and required insurance programs where the state shares the cost of the program, 3) PERA, ERA or other state sponsored retirement programs mandated by the statute, 4) deferred compensation plans under Chapter 10, Article 7A, NMSA 1978, 5) union dues as permitted by the department of finance and administration, 6) charities approved by the department of finance, 7) vanpool associations approved by the department of finance and administration, 8) savings bond programs, 9) exceptional or emergency circumstances which require special consideration and are approved by the department of finance on a case by case basis.

Effect

Authority resources were used in a manner that did not benefit the Authority. Should one of these employees terminate, unused vacation was insufficient to pay back the loan balance. This could result in an uncollectible loan.

Cause

The Authority believed it had the ability to advance money to employees and then set up a payroll deduction until the balance was paid off.

Recommendation

We recommend that the Authority require all employees to pay salary advances back to the Authority and not issue any more interest free loans to its employees to comply with state salary statutes. We also recommend that the Authority implement policies and procedures aimed at the elimination of unapproved payroll deductions so the Authority complies with all state and federal regulations regarding payroll deductions.

Agency Response

We will follow the above mentioned policy and procedure recommendations.

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2009-7: Disposal of Capital Assets

Condition

During our test work of capital assets, we noted that the Authority disposed of equipment with a net book value of \$4,950 during the year ended June 30, 2009. The Authority failed to notify the State Auditor of the planned disposition.

Criteria

State Audit Rule, NMAC 2.2.2.10 G and Section 13-6-1, NMSA 1978, states that disposals of capital assets require written notification to the State Auditor's Office 30 days prior to the disposal.

Effect

The Authority could be disposing of capital assets without proper authorization or by disallowed methods.

Cause

The Authority failed to comply of the requirements set forth in State Audit Rule, NMAC 2.2.2.10 G and Section 13-6-1, NMSA 1978.

Recommendation

We recommend that the Authority notify the State Auditor at least 30 days prior to planned disposition of property and equipment.

Agency Response

We will comply with the regulation to notify the State Auditor of the disposal of any property which meets the requirements for reporting.

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C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

LOW RENT PUBLIC HOUSING PROGRAM – CFDA NO. 14.850
 SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871
 SECTION 8 HOUSING ASSISTANCE PAYMENT PROGRAM – CFDA NO. 14.195
2008-5: Tenant File Documentation

Condition

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

- 10 of 40 files tested had missing documentation of criminal background checks.
- 1 of 40 files tested had missing Social Security Card documentation.
- 1 of 40 files tested had miscalculated rent payments.
- 2 of 40 files tested did not have annual reexaminations of family income.
- 4 of 40 files tested had no documentation of annual inspection
- 1 of 40 files tested had missing Declaration of Citizenship documentation.
- 1 of 40 tested had a HAP contract without a housing authority signature.

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

Agency Response

The Authority will intensify its quality control work to assure that documents required in the tenant files are in order and in file at all times.

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D. PRIOR YEAR FINDINGS

- 2007-2 Violation of Debt Covenant
Revised and repeated.
- 2007-4 Expenditures in Excess of Budgeted Amounts
Revised and repeated.
- 2007-5 Preparation of Financial Statements
Repeated.
- 2007-6 Capital Assets Threshold for Capitalization
Resolved and not repeated.
- 2008-1 Laptop Security
Repeated.
- 2008-2 IT Policy
Revised and repeated.
- 2008-3 Access to Accounting Software
Resolved and not repeated.
- 2008-4 Deficit Budgeting
Revised and repeated.
- 2008-5 Tenant File Documentation
Revised and repeated.

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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 September 28, 2009. The following individuals were in attendance.

Region VI Housing Officials
Michael O'Hara, Board Member
Chris Herbert, Executive Director
Irene Andazola, Deputy Director
Olivia Cruz, Finance Director

Auditors
Ray Roberts, Managing Partner, CPA