

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

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
OFFICIAL ROSTER
June 30, 2008

Commissioners Appointed by Governor

Chairman	Michael O'Hara	Otero County Representative Alamogordo, New Mexico
Vice-Chairman	Ella Turner	Lea County Representative Hobbs, New Mexico
Treasurer	Betty Madrid	Chaves County Representative Roswell, New Mexico
Member	Mary Beth Fowler	Lincoln County Representative Capitan, New Mexico
Member	Bill Fleming	Eddy County Representative Carlsbad, New Mexico
Member	Manuel Madrid	Eddy County Representative Artesia, New Mexico

Executive Staff

Executive Director	Chris Herbert
Deputy Director	Irene Andazola
Finance Director	Olivia Cruz
Section 8 Supervisor	Carol Cheadle
Property Maintenance Coordinator	Raymond Prescott

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
Year Ended June 30, 2008

Table of Contents (Continued)

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		iii
Table of Contents		iv
FINANCIAL SECTION		
Independent Auditor’s Report		3
Management Discussion and Analysis		5
Basic Financial Statements:		
Statement of Net Assets – Proprietary Funds	A	12
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	B	14
Statement of Cash Flows – Proprietary Funds	C	16
Notes to Financial Statements		21
	<u>Statement/ Schedule</u>	
SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual:		
Woodleaf Development Fund	A-1	43
Colonial Hillcrest Development Fund	A-2	44
La Posada Development Fund	A-3	45
Casa Hermosa Development Fund	A-4	46
Rio Felix FmHA Program Fund	A-5	47
Low Rent Public Housing Program Fund	A-6	48
Section 8 Housing Program Fund	A-7	49
Administrative Services Department Fund	A-8	50
SUPPORTING SCHEDULES		
Schedule of Pledged Collateral	I	53
Schedule of Deposit and Investment Accounts	II	54
Supporting Data Required by the Bond Indenture	III	55
Financial Data Schedule	IV	58

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
Year Ended June 30, 2008

Table of Contents

	<u>Statement/ Schedule</u>	<u>Page</u>
COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		69
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		71
Schedule of Expenditures of Federal Awards	V	73
Notes to Schedule of Expenditures of Federal Awards		
Schedule of Findings and Questioned Costs	VI	74
Other Disclosures		86

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

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 business-type activities and each major fund of the Regional Housing Authority of Region VI, New Mexico, Inc. (the Authority), as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison schedules of each of the enterprise funds presented as supplementary information for the year ended June 30, 2008 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

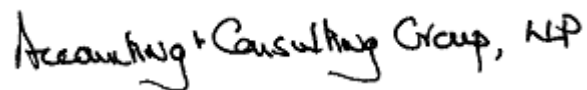
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Regional Housing Authority of Region VI, New Mexico, Inc. as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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, 2008, 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 19, 2008 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.

As more fully described in Note 1 to the financial statements, the Authority increased their capitalization threshold to \$5,000 effective January 1, 2008. The Authority considered the increase to be a change in estimate, accordingly, the Authority applied the change prospectively. The effect of the difference between the application of the old capitalization threshold and the new capitalization threshold on the statement of net assets and the statement of activities has not been determined.

The *Management's Discussion and Analysis* on pages 5 through 10 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 inquires 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 19, 2008



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, 2008

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, 2008. 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 increased \$169,435 from June 30, 2007.
- The Authority had total revenue of \$8,834,529 and total expenses of \$8,496,809.
- The total assets of the Authority for June 30, 2008 is \$9,329,377 and the total liabilities for this period is \$6,487,303.

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

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.



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

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.

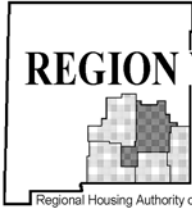
The *statement of net assets* presents information on all of the assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Region VI Housing Authority is improving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

The *statement of revenues, expenses and changes in fund net assets* 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 only one fund type, namely a proprietary fund. 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, 2008 and June 30, 2007.

Statement of Net Assets				
<u>Category</u>	<u>FYE 2007</u>	<u>FYE 2008</u>	<u>Change</u>	
Current Assets	\$ 1,034,585	\$ 1,731,788	\$	697,203
Restricted Assets	1,097,568	930,197	(167,371)
Other Assets	7,027,789	6,667,392	(360,397)
Total Assets	\$ 9,159,942	\$ 9,329,377	\$	169,435
Current Liabilities	\$ 488,651	\$ 475,641	\$ (13,010)
Long-Term Liabilities	6,166,937	6,011,662	(155,275)
Total Net Assets	2,504,354	2,842,074		337,720
Total Liabilities and Net Assets	\$ 9,159,942	\$ 9,329,377	\$	169,435



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

Cash and Investments

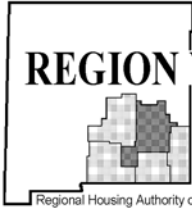
Cash and Investments increased by \$735,981 from June 30, 2007 to June 30, 2008 mostly related to the Section 8 Housing Program.

Net Assets

The Authority's unrestricted net assets increased by \$620,494 for the current year.

Statement of Revenues, Expenses and Changes in Fund Net Assets

Category	FYE 2007	FYE 2008	Change
Operating Revenues			
Rent Income	\$ 1,400,292	\$ 1,475,370	\$ 75,078
Management and Admin Fees	868,821	969,470	100,649
Miscellaneous Income	152,623	106,863	(45,760)
Total Operating Revenue	2,421,736	2,551,703	129,967
Operating Expenses			
Housing Assistance Payments	4,364,699	4,230,648	(134,051)
Salaries, payroll taxes and employee benefits	1,110,888	1,197,753	86,865
Management & Admin Fees	847,639	897,127	49,488
Depreciation & Amortization Expense	369,759	371,927	2,168
Utilities	388,287	422,762	34,475
Maintenance	275,715	322,453	46,738
Office Expense	56,302	63,239	6,937
General Expense	82,363	181,242	98,879
Travel	68,525	88,245	19,720
Professional Fees	74,410	97,254	22,844
Rent Expense	36,879	16,678	(20,201)
Repair & Replacement	150,690	112,771	(37,919)
Insurance	100,499	38,696	(61,803)
Total Operating Expenses	7,926,655	8,040,795	114,140
Operating Income	(5,504,919)	(5,489,092)	15,827
Total nonoperating revenues (expenses)	5,591,251	5,826,812	235,561
Net Income (loss)	\$ 86,332	\$ 337,720	\$ 251,388



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

Results of Operations:

Operating revenues of the Authority are generated principally from dwelling rents and HUD Operating Subsidies. The Authority's operating revenues increased by \$368,992. Operating expenses increased by \$114,140. There were no capital grants received by the low rent public housing fund this fiscal year.

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.

The significant variations between the original and final budget amounts for the various fund are as follows:

In the Woodleaf Development Fund the significant variations are in the utilities and repair and replacements. The cost of utilities increased throughout the year and the budget was increased for this. Also, the development required more repairs due to a hard winter.

In the La Posada Development Fund the significant variations are in the salaries and professional fees. The administration of the development was less than originally expected.

The significant variations between the final budget and actual amounts for the various fund are as follows:

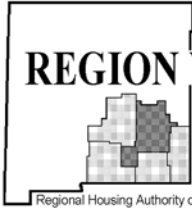
In the Casa Hermosa Development Fund the significant variations are in the maintenance and general expenses. The cost of maintaining the property was more than expected and administration costs increased throughout the year.

In the Administrative Service Department Fund the significant variations are in salaries and travel expenses. The amount of time to administer the authority as a whole was greater than originally anticipated. Also, travel increased as the staff of the organization traveled more than originally anticipated.

Individual Fund Analysis:

The Authority's Woodleaf Development experienced an increase in revenues of approximately 1.33% to \$918,164. The increase was due to an increase in the rental rates. This was partially offset by a 6.17% increase in operating expenses to \$735,263. After interest expense, the result was net income of \$4,098.

The Colonial Hillcrest Development experienced a decrease in revenues of approximately 1% to \$499,295. Due to normal maintenance this year there was a decrease in operating expenses of approximately 2.4% to \$387,059.



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

The La Posada Development revenue activity remained steady, with a 31% decrease in expenses.

The Casa Hermosa Development continues to show operational losses, with an increase (approximately 4.37%) in revenues to \$414,636. Due to heavy maintenance and repairs, operating expenses increased by 13% to \$458,129. The loss before transfers was \$160,792, which is about \$52,448 more than the prior year. The Authority is seeking approval for a special rent increase to alleviate the operating losses.

The Rio Felix FmHA Program Fund showed a decrease in overall revenues of 15.19% and an increase in expenses of approximately 4%, resulting in net loss of \$15,664 for the year. There remains a substantial net assets balance of \$443,367 as of June 30, 2008.

Individual Fund Analysis (continued):

The Low Rent Public Housing Program revenues increased approximately 8% to \$423,652, while expenses increased by 5% to \$483,515. The net loss before transfers for the Program was \$75,869 for the year, but the net assets balance was \$2,410,830 at June 30, 2008.

The Section 8 Housing Program remained steady in 2008, with an overall increase in revenues of 5% and expenses decreased 2.16%. The net income before transfers was \$573,089.

The Administrative Services Department continues to collect management and administrative fees from the projects and showed net loss before transfers for the year of \$29,999, due to an increase in revenues of approximately 8% to \$923,200, and an increase of expenses of 16.13% to \$945,830.

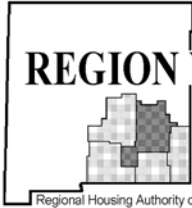
Notes and Bonds Payable:

During the year the Authority repaid notes payable in the amount of \$53,399 and bonds payable in the amount of \$115,000, representing all long term liability payments due from the Authority during the year.

Capital Asset and Debt Administration:

Capital Assets:

As of June 30, 2008 the Authority's investment in capital assets was \$12,473,319 less accumulated depreciation of \$6,330,929 and related debt of \$6,105,742 resulting in an investment in net assets of \$36,648. This investment includes land, building, building improvements, office equipment and maintenance equipment.



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

Long Term Debt:

For the period ending June 30, 2008 the Authority has a total of \$6,223,176 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.

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

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2008

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	\$ 123,531	\$ 92,970	\$ 6,760	\$ 3,542
Investments	-	-	-	-
Accounts receivable - tenants	6,088	1,191	182	16,771
Due from other funds	126,184	95,822	47,800	-
Total Current Assets	<u>255,803</u>	<u>189,983</u>	<u>54,742</u>	<u>20,313</u>
<i>Restricted Assets</i>				
Cash	46,575	12,000	2,300	15,050
Replacement reserves/escrow deposits	330,951	295,221	54,229	154,401
Total Restricted Assets	<u>377,526</u>	<u>307,221</u>	<u>56,529</u>	<u>169,451</u>
<i>Other Assets</i>				
Land, structures & equipment, (Note 4)	3,609,204	1,365,734	245,907	1,242,931
Accumulated depreciation	(1,767,835)	(810,885)	(173,013)	(568,161)
Bond issue costs	293,360	241,202	39,265	242,544
Accumulated amortization	(103,084)	(88,523)	(14,198)	(85,564)
Advances to other funds (Note 7)	-	333,322	54,440	-
Total Other Assets	<u>2,031,645</u>	<u>1,040,850</u>	<u>152,401</u>	<u>831,750</u>
Total Assets	<u>\$ 2,664,974</u>	<u>\$ 1,538,054</u>	<u>\$ 263,672</u>	<u>\$ 1,021,514</u>
LIABILITIES AND NET ASSETS				
<i>Current Liabilities</i>				
Accounts payable	\$ 16,342	\$ 3,515	\$ 91	\$ 23,590
Accrued expenses	-	-	79	-
Prepaid rents	25,294	251	54	1,490
Due to other funds	-	-	-	321,067
Bond interest payable	7,941	37,263	6,066	9,652
Security deposits	44,806	11,869	1,974	13,760
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	1,529	95	-	735
Total Current Liabilities	<u>155,912</u>	<u>83,093</u>	<u>13,164</u>	<u>405,294</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)	2,615,000	1,320,100	214,900	1,565,000
Deferred loss on advanced refunding (Note 6)	-	-	-	(117,434)
Total Long-Term Liabilities	<u>2,615,000</u>	<u>1,320,100</u>	<u>214,900</u>	<u>1,447,566</u>
Total Liabilities	<u>2,770,912</u>	<u>1,403,193</u>	<u>228,064</u>	<u>1,852,860</u>
<i>Net Assets</i>				
Invested in capital assets, net of related debt	(833,631)	(795,351)	(146,906)	(807,796)
Restricted for:				
Replacement reserves/escrow deposits	330,951	295,221	54,229	154,401
Unrestricted	<u>396,742</u>	<u>634,991</u>	<u>128,285</u>	<u>(177,951)</u>
Total Net Assets	<u>(105,938)</u>	<u>134,861</u>	<u>35,608</u>	<u>(831,346)</u>
Total Liabilities and Net Assets	<u>\$ 2,664,974</u>	<u>\$ 1,538,054</u>	<u>\$ 263,672</u>	<u>\$ 1,021,514</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
\$ 75,546	\$ 81,824	\$ 1,219,942	\$ 1,500	\$ -	\$ 1,605,615
-	94,377	-	-	-	94,377
1,513	2,641	-	3,410	-	31,796
-	14,000	-	67,937	(351,743)	-
<u>77,059</u>	<u>192,842</u>	<u>1,219,942</u>	<u>72,847</u>	<u>(351,743)</u>	<u>1,731,788</u>
4,470	15,000	-	-	-	95,395
-	-	-	-	-	834,802
<u>4,470</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>930,197</u>
797,306	4,958,055	-	254,182	-	12,473,319
(354,792)	(2,456,533)	-	(199,710)	-	(6,330,929)
-	-	-	-	-	816,371
-	-	-	-	-	(291,369)
-	-	-	-	(387,762)	-
<u>442,514</u>	<u>2,501,522</u>	<u>-</u>	<u>54,472</u>	<u>(387,762)</u>	<u>6,667,392</u>
<u>\$ 524,043</u>	<u>\$ 2,709,364</u>	<u>\$ 1,219,942</u>	<u>\$ 127,319</u>	<u>\$ (739,505)</u>	<u>\$ 9,329,377</u>
\$ 1,764	\$ 5,980	\$ -	\$ 19,240	\$ -	\$ 70,522
-	-	400	858	-	1,337
713	631	-	-	-	28,433
30,676	-	-	-	(351,743)	-
-	-	-	-	-	60,922
3,825	14,864	-	-	-	91,098
-	-	15,845	-	-	15,845
4,178	32,675	-	17,610	-	184,463
363	1,571	639	18,089	-	23,021
<u>41,519</u>	<u>55,721</u>	<u>16,884</u>	<u>55,797</u>	<u>(351,743)</u>	<u>475,641</u>
-	-	-	387,762	(387,762)	-
-	-	90,383	-	-	90,383
39,157	242,813	-	41,743	-	6,038,713
-	-	-	-	-	(117,434)
<u>39,157</u>	<u>242,813</u>	<u>90,383</u>	<u>429,505</u>	<u>(387,762)</u>	<u>6,011,662</u>
<u>80,676</u>	<u>298,534</u>	<u>107,267</u>	<u>485,302</u>	<u>(739,505)</u>	<u>6,487,303</u>
399,179	2,226,034	-	(4,881)	-	36,648
-	-	-	-	-	834,802
<u>44,188</u>	<u>184,796</u>	<u>1,112,675</u>	<u>(353,102)</u>	<u>-</u>	<u>1,970,624</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>\$ 524,043</u>	<u>\$ 2,709,364</u>	<u>\$ 1,219,942</u>	<u>\$ 127,319</u>	<u>\$ (739,505)</u>	<u>\$ 9,329,377</u>

**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, 2008

	<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	\$ 884,097	\$ 134,899	\$ 22,953	\$ 319,920
Management and administrative fees	-	-	-	-
Miscellaneous income	34,067	21,982	1,459	16,922
<i>Total operating revenues</i>	<u>918,164</u>	<u>156,881</u>	<u>24,412</u>	<u>336,842</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	151,546	74,564	10,327	86,715
Management and administrative fees (Note 7)	62,197	43,938	7,659	29,171
Depreciation and amortization expense	98,770	38,947	10,237	37,495
Utilities	129,226	95,681	12,680	111,523
Maintenance	119,697	38,768	3,457	69,110
Office expenses	10,536	4,746	286	2,945
General expenses	32,320	38,118	2,248	81,707
Travel expenses	22,361	19,167	1,540	5,151
Professional fees	22,920	10,755	1,570	13,052
Rent expense	801	900	-	158
Repair and replacement	72,673	14,599	924	12,980
Insurance	12,216	6,876	736	8,122
<i>Total operating expenses</i>	<u>735,263</u>	<u>387,059</u>	<u>51,664</u>	<u>458,129</u>
<i>Operating income (loss)</i>	<u>182,901</u>	<u>(230,178)</u>	<u>(27,252)</u>	<u>(121,287)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	342,414	61,153	77,794
Interest income	13,439	10,261	1,459	5,952
Interest expense	(192,242)	(98,900)	(16,100)	(123,251)
	<u>(178,803)</u>	<u>253,775</u>	<u>46,512</u>	<u>(39,505)</u>
<i>Income (loss) before transfers</i>	<u>4,098</u>	<u>23,597</u>	<u>19,260</u>	<u>(160,792)</u>
Transfers in	-	-	-	-
Transfers (out)	(54,551)	(46,240)	-	-
<i>Total transfers</i>	<u>(54,551)</u>	<u>(46,240)</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(50,453)</u>	<u>(22,643)</u>	<u>19,260</u>	<u>(160,792)</u>
Net assets, beginning of year	<u>(55,485)</u>	<u>157,504</u>	<u>16,348</u>	<u>(670,554)</u>
Net assets, end of year	<u>\$ (105,938)</u>	<u>\$ 134,861</u>	<u>\$ 35,608</u>	<u>\$ (831,346)</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
\$ 33,954	\$ 79,547	\$ -	\$ -	\$ -	\$ 1,475,370
-	-	54,360	915,110	-	969,470
7,454	7,455	9,434	8,090	-	106,863
<u>41,408</u>	<u>87,002</u>	<u>63,794</u>	<u>923,200</u>	<u>-</u>	<u>2,551,703</u>
-	-	4,230,648	-	-	4,230,648
23,365	115,436	-	735,800	-	1,197,753
4,500	92,296	657,366	-	-	897,127
16,172	154,069	-	16,237	-	371,927
18,233	27,301	-	28,118	-	422,762
10,941	48,199	-	32,281	-	322,453
1,169	3,740	-	39,817	-	63,239
10,731	5,725	-	10,393	-	181,242
27	9,748	-	30,251	-	88,245
3,438	9,088	-	36,431	-	97,254
-	813	-	14,006	-	16,678
1,178	10,417	-	-	-	112,771
1,567	6,683	-	2,496	-	38,696
<u>91,321</u>	<u>483,515</u>	<u>4,888,014</u>	<u>945,830</u>	<u>-</u>	<u>8,040,795</u>
(49,913)	(396,513)	(4,824,220)	(22,630)	-	(5,489,092)
34,615	336,650	5,397,309	-	-	6,249,935
90	2,990	-	-	(1,300)	32,891
(456)	(18,996)	-	(7,369)	1,300	(456,014)
<u>34,249</u>	<u>320,644</u>	<u>5,397,309</u>	<u>(7,369)</u>	<u>-</u>	<u>5,826,812</u>
(15,664)	(75,869)	573,089	(29,999)	-	337,720
-	-	-	100,791	-	100,791
-	-	-	-	-	(100,791)
-	-	-	100,791	-	-
<u>(15,664)</u>	<u>(75,869)</u>	<u>573,089</u>	<u>70,792</u>	<u>-</u>	<u>337,720</u>
459,031	2,486,699	539,586	(428,775)	-	2,504,354
<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>

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	<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	\$ 940,395	\$ 170,304	\$ 24,514
Payment to and on behalf of employees	(152,325)	(76,564)	(11,874)
Payment to vendors	<u>(563,985)</u>	<u>(263,713)</u>	<u>(55,566)</u>
<i>Net cash provided (used) by operating activities</i>	<u>224,085</u>	<u>(169,973)</u>	<u>(42,926)</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition and construction of capital assets	-	(1,230)	-
Principal payments on notes payable	(55,000)	(25,800)	(4,200)
Interest payments on notes payable	(192,242)	(98,900)	(16,100)
Loan proceeds	-	-	-
Receipts in FSS escrow	-	-	-
Interfund transfers In (Out)	<u>(54,551)</u>	<u>(46,240)</u>	<u>-</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(301,793)</u>	<u>(172,170)</u>	<u>(20,300)</u>
<i>Cash flows from non-capital financing activities:</i>			
Government subsidies	<u>-</u>	<u>342,414</u>	<u>61,153</u>
<i>Cash flows from investing activities:</i>			
Interest income	<u>13,439</u>	<u>10,261</u>	<u>1,459</u>
<i>Net cash provided by investing activities</i>	<u>13,439</u>	<u>10,261</u>	<u>1,459</u>
<i>Net increase (decrease) in cash and temporary investments</i>	(64,269)	10,532	(614)
<i>Cash and temporary investments - beginning of year</i>	<u>565,326</u>	<u>389,659</u>	<u>63,903</u>
<i>Cash and temporary investments - end of year</i>	<u>\$ 501,057</u>	<u>\$ 400,191</u>	<u>\$ 63,289</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>
\$ 349,186	\$ 55,251	\$ 89,591	\$ 63,794	\$ 919,790	\$ 2,612,825
(86,883)	(23,046)	(114,397)	-	(739,516)	(1,204,605)
<u>(215,678)</u>	<u>(54,626)</u>	<u>(202,222)</u>	<u>(4,888,007)</u>	<u>(293,669)</u>	<u>(6,537,466)</u>
<u>46,625</u>	<u>(22,421)</u>	<u>(227,028)</u>	<u>(4,824,213)</u>	<u>(113,395)</u>	<u>(5,129,246)</u>
-	-	(4,800)	-	(5,500)	(11,530)
(30,000)	(4,136)	(30,624)	-	(18,639)	(168,399)
<u>(116,525)</u>	<u>(456)</u>	<u>(18,996)</u>	-	<u>(7,369)</u>	<u>(450,588)</u>
-	-	-	-	26,500	26,500
-	-	-	17,747	-	17,747
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,791</u>	<u>-</u>
<u>(146,525)</u>	<u>(4,592)</u>	<u>(54,420)</u>	<u>17,747</u>	<u>95,783</u>	<u>(586,270)</u>
<u>77,794</u>	<u>34,615</u>	<u>336,650</u>	<u>5,397,309</u>	<u>-</u>	<u>6,249,935</u>
<u>5,952</u>	<u>90</u>	<u>2,990</u>	<u>-</u>	<u>-</u>	<u>34,191</u>
<u>5,952</u>	<u>90</u>	<u>2,990</u>	<u>-</u>	<u>-</u>	<u>34,191</u>
(16,154)	7,692	58,192	590,843	(17,612)	568,610
<u>189,147</u>	<u>72,324</u>	<u>133,009</u>	<u>629,099</u>	<u>19,112</u>	<u>2,061,579</u>
<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>

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	<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)	\$ 182,901	\$ (230,178)	\$ (27,252)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	98,770	38,947	10,237
(Increase) decrease in:			
Accounts receivable - tenants	12,309	11,252	(141)
Due from other funds	(66,414)	15,697	(22,478)
Increase (decrease) in:			
Accounts payable	(12,312)	(4,459)	(1,678)
Accrued expenses	-	-	(82)
Prepaid rents	10,111	(7)	13
Bond interest payable	(312)	(1,403)	(228)
Tenant deposits	(189)	2,178	230
Due to other funds	-	-	-
Compensated absences	(779)	(2,000)	(1,547)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 224,085</u>	<u>\$ (169,973)</u>	<u>\$ (42,926)</u>
Cash and temporary investments:			
Cash	\$ 123,531	\$ 92,970	\$ 6,760
Investments	-	-	-
Restricted Assets	<u>377,526</u>	<u>307,221</u>	<u>56,529</u>
 Total cash and temporary investments	 <u>\$ 501,057</u>	 <u>\$ 400,191</u>	 <u>\$ 63,289</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>\$ (1,300)</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>
\$ (121,287)	\$ (49,913)	\$ (396,513)	\$ (4,824,220)	\$ (22,630)	\$ (5,489,092)
37,495	16,172	154,069	-	16,237	371,927
14,687	3,379	702	-	(3,410)	38,778
-	-	13,778	-	(62,174)	(121,591)
6,997	(3,249)	(1,990)	-	(37,702)	(54,393)
-	-	-	7	(6,766)	(6,841)
(902)	467	217	-	-	9,899
(350)	407	-	-	-	(1,886)
(1,441)	9,997	1,670	-	-	12,445
111,594	-	-	-	-	111,594
(168)	319	1,039	-	3,050	(86)
<u>\$ 46,625</u>	<u>\$ (22,421)</u>	<u>\$ (227,028)</u>	<u>\$ (4,824,213)</u>	<u>\$ (113,395)</u>	<u>\$ (5,129,246)</u>
\$ 3,542	\$ 75,546	\$ 81,824	\$ 1,219,942	\$ 1,500	\$ 1,605,615
-	-	94,377	-	-	94,377
<u>169,451</u>	<u>4,470</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>930,197</u>
<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ -</u>

(This page intentionally left blank.)

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

Notes to Financial Statements
June 30, 2008

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

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

Notes to Financial Statements
June 30, 2008

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, 2008.
- 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.

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. *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.

All of the Authority's 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.

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

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

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

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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

The government reports all proprietary funds as major funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's 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.

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.

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

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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

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, 2008.

Investments for the Authority are reported at fair value.

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.

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

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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

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.

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.

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

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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

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.

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.

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

Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

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

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.

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.

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

Notes to Financial Statements
June 30, 2008

Note 2 Deposits and Investments (continued)

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 \$100,000 in the aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that the government's deposits may not be returned to it in the event of a bank failure. The Authority does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits. As of June 30, 2008, \$2,500,023 of the Authority's bank balance of \$2,700,023 was exposed to custodial credit risk as follows:

		Wells Fargo Bank
Total amount of deposits	\$	1,865,221
Money market fund deposits		834,802
		<u>2,700,023</u>
FDIC coverage		(200,000)
Total uninsured public funds		<u>2,500,023</u>
 Pledged collateral held by the pledging institution or by its trust department or agent in other than the Authority's name		 <u>2,500,023</u>
 Uninsured and uncollateralized	 \$	 <u><u>-</u></u>
 Collateral requirement (50% of uninsured public funds)	 \$	 1,250,012
Pledged securities		<u>2,581,720</u>
Over (under) collateralization	\$	<u><u>1,331,708</u></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.

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

Notes to Financial Statements
June 30, 2008

Note 2 Deposits and Investments (continued)

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

Carrying amount		
Deposits	\$	2,628,739
Petty cash		1,450
	\$	2,630,189
Included in the following statement of net assets captions		
Cash	\$	1,605,615
Investments		94,377
Restricted cash		95,395
Replacement reserves/escrow deposits		834,802
	\$	2,630,189

Note 3 Interfund Transfers and Due From/To Other Funds

The following transfers were made between funds. The transfers were from surplus funds and were made to assist the receiving fund in covering operating costs.

<u>Transfers From</u>		<u>Amount</u>	<u>Transfers To</u>
Woodleaf	\$	54,551	Administrative Services Department
Colonial Hillcrest		46,240	Administrative Services Department

Interfund balances at June 30, 2007 were:

Due From	Due To							Totals
	Woodleaf	Colonial Hillcrest	La Posada	Casa Hermosa	Rio Felix	Low Rent Pub. Hsg.	Admin. Services	
Woodleaf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (126,184)	\$ (126,184)
Colonial Hillcrest	-	-	-	(36,004)	-	-	(59,818)	(95,822)
La Posada	-	-	-	(4,285)	-	-	(43,515)	(47,800)
Casa Hermosa	-	36,004	4,285	-	-	14,000	266,778	321,067
Rio Felix	-	-	-	-	-	-	30,676	30,676
Low Rent Pub. Hsg.	-	-	-	(14,000)	-	-	-	(14,000)
Admin. Services	126,184	59,818	43,515	(266,778)	(30,676)	-	-	(67,937)
Totals	\$ 126,184	\$ 95,822	\$ 47,800	\$ (321,067)	\$ (30,676)	\$ 14,000	\$ 67,937	\$ -

The interfund balances due to/from other funds 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.

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

Notes to Financial Statements
June 30, 2008

Note 4 Capital Assets

The following summarizes capital assets at June 30, 2008:

<u>Land</u>	Balance July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2008
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.	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Land	\$ <u>906,517</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>906,517</u>
<u>Structures</u>	Balance July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2008
Woodleaf Development	\$ 3,296,667	\$ -	\$ -	\$ 3,296,667
Colonial Hillcrest Dev.	1,275,991	1,229	-	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	<u>4,538,345</u>	<u>4,800</u>	<u>-</u>	<u>4,543,145</u>
Total Structures	\$ <u>11,130,398</u>	\$ <u>6,029</u>	\$ <u>-</u>	\$ <u>11,136,427</u>
<u>Equipment</u>	Balance July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2008
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.	<u>228,682</u>	<u>5,500</u>	<u>-</u>	<u>234,182</u>
Total Equipment	\$ <u>424,875</u>	\$ <u>5,500</u>	\$ <u>-</u>	\$ <u>430,375</u>
Total Land, Structures, and Equipment	\$ 12,461,790	\$ 11,529	\$ -	\$ 12,473,319
Less accumulated depreciation-Structures	(5,637,430)	(315,481)	-	(5,952,911)
Less accumulated depreciation-Equipment	<u>(348,786)</u>	<u>(29,232)</u>	<u>-</u>	<u>(378,018)</u>
Capital assets, net	\$ <u>6,475,574</u>	\$ <u>(333,184)</u>	\$ <u>-</u>	\$ <u>6,142,390</u>

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

Notes to Financial Statements
June 30, 2008

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, 2008 was \$2,470,000.

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, 2008 was \$2,740,000.

Note 6 Long-term Debt and Bonds Payable

Long-term debt and bonds payable of the Authority's respective programs at June 30, 2008 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. \$ 2,675,000

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. 1,350,200

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. 219,800

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. 1,600,000

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

Notes to Financial Statements
June 30, 2008

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

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.

23,872

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

19,463

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.

275,488

Administrative Services Department

Note payable to Wells Fargo Bank, National Association at a
floating rate based on Prime + 1% (6.00% as of June 30, 2008).
Monthly principal and interest payments of \$1,298, maturity in
January 2011.

39,684

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.

14,724

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.

4,945

	6,223,176
Less current portion of long-term debt	(184,463)
Total Long-Term Debt	\$ 6,038,713

The following summarizes the changes in long-term debt during the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Woodleaf	\$ 2,730,000	\$ -	\$ 55,000	\$ 2,675,000	\$ 60,000
Colonial Hillcrest	1,376,000	-	25,800	1,350,200	30,100
La Posada	224,000	-	4,200	219,800	4,900
Casa Hermosa	1,630,000	-	30,000	1,600,000	35,000
Rio Felix FmHA	47,471	-	4,136	43,335	4,178
Low Rent Pub. Housing	306,112	-	30,624	275,488	32,675
Admin. Services	51,492	-	11,808	39,684	13,261
Admin. Services	-	21,000	6,276	14,724	2,776
Admin. Services	-	5,500	555	4,945	1,573
Total Long-Term Debt	\$ 6,365,075	\$ 26,500	\$ 168,399	\$ 6,223,176	\$ 184,463

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

Notes to Financial Statements
June 30, 2008

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

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
2009	\$ 184,463	\$ 438,587	\$ 623,050
2010	192,543	425,944	618,487
2011	204,743	411,584	616,327
2012	193,995	397,830	591,825
2013	215,352	384,280	599,632
2014-2018	1,137,080	1,683,185	2,820,265
2019-2023	1,460,000	1,231,063	2,691,063
2024-2028	2,635,000	577,614	3,212,614
Totals	<u>\$ 6,223,176</u>	<u>\$ 5,550,087</u>	<u>\$ 11,773,263</u>

Annual requirements to amortize Woodleaf Development revenue bonds as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 60,000	\$ 188,456	\$ 248,456
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
2014-2018	475,000	755,784	1,230,784
2019-2023	670,000	553,613	1,223,613
2024-2028	1,200,000	258,994	1,458,994
Totals	<u>\$ 2,675,000</u>	<u>\$ 2,465,428</u>	<u>\$ 5,140,428</u>

Annual requirements to amortize Colonial Hillcrest Development revenue bonds as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 30,100	\$ 98,277	\$ 128,377
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
2014-2018	236,500	395,613	632,113
2019-2023	335,400	291,121	626,521
2024-2028	610,600	136,999	747,599
Totals	<u>\$ 1,350,200</u>	<u>\$ 1,291,734</u>	<u>\$ 2,641,934</u>

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

Notes to Financial Statements
June 30, 2008

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

Annual requirements to amortize La Posada Development revenue bonds as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 4,900	\$ 15,999	\$ 20,899
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
2014-2018	38,500	64,402	102,902
2019-2023	54,600	47,392	101,992
2024-2028	99,400	22,302	121,702
Totals	<u>\$ 219,800</u>	<u>\$ 210,283</u>	<u>\$ 430,083</u>

Annual requirements to amortize Casa Hermosa Development revenue bonds as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 35,000	\$ 114,600	\$ 149,600
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
2014-2018	280,000	461,463	741,463
2019-2023	400,000	338,938	738,938
2024-2028	725,000	159,319	884,319
Totals	<u>\$ 1,600,000</u>	<u>\$ 1,506,014</u>	<u>\$ 3,106,014</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
2009	\$ 4,178	\$ 414	\$ 4,592
2010	4,220	372	4,592
2011	4,262	330	4,592
2012	4,305	287	4,592
2013	4,348	243	4,591
2014-2018	22,022	555	22,577
Totals	<u>\$ 43,335</u>	<u>\$ 2,201</u>	<u>\$ 45,536</u>

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

Notes to Financial Statements
June 30, 2008

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

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
2009	\$ 32,675	\$ 16,945	\$ 49,620
2010	34,864	14,756	49,620
2011	37,199	12,421	49,620
2012	39,690	9,930	49,620
2013	46,002	7,753	53,755
2014-2018	85,058	5,368	90,426
Totals	<u>\$ 275,488</u>	<u>\$ 67,173</u>	<u>\$ 342,661</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
2009	\$ 13,261	\$ 2,319	\$ 15,580
2010	14,220	1,360	15,580
2011	12,203	351	12,554
Totals	<u>\$ 39,684</u>	<u>\$ 4,030</u>	<u>\$ 43,714</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
2009	\$ 2,776	\$ 582	\$ 3,358
2010	7,256	803	8,059
2011	4,692	149	4,841
Totals	<u>\$ 14,724</u>	<u>\$ 1,534</u>	<u>\$ 16,258</u>

Annual debt service requirements to maturity for Administrative Services Department capital lease outstanding as of June 30, 2008 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 1,573	\$ 995	\$ 2,568
2010	1,983	585	2,568
2011	1,389	109	1,498
Totals	<u>\$ 4,945</u>	<u>\$ 1,689</u>	<u>\$ 6,634</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, 2008 was \$1,220,000.

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

Notes to Financial Statements
June 30, 2008

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

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, 2008, the unamortized deferred loss is \$117,434 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, 2008, 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, 2008 was \$106,228 of which \$15,845 is shown as short-term relating to the current year's graduates of the program.

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, 2008. \$1,300 in payments were made by the Administrative Services Department to Colonial Hillcrest and La Posada development during the year ended June 30, 2008.

Annual requirements to amortize this long-term debt as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ -	\$ 1,200	\$ 1,200
2010	-	1,200	1,200
2011	-	1,200	1,200
2012	-	1,200	1,200
2013	-	1,200	1,200
2014-2018	-	6,000	6,000
2019-2023	-	6,000	6,000
2024-2028	387,762	470,285	858,047
Totals	\$ 387,762	\$ 488,285	\$ 876,047

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

Notes to Financial Statements
June 30, 2008

Note 7 Interfund Activities (continued)

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.

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 which can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Plan members are required to contribute 7% of their gross salary. The Authority is also required to contribute 7%. The contribution requirements of plan members and the Authority are established 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, 2008, 2007 and 2006 were \$52,551, \$50,974, and \$48,278, respectively.

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

71% 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.

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

Notes to Financial Statements
June 30, 2008

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.

Note 12 Deficit Balance of Net Assets

The Authority had the following negative net assets balances at June 30, 2008 by fund:

Woodleaf Development Fund	\$ 105,938
Casa Hermosa Development Fund	831,346
Administrative Services Department Fund	357,983

Woodleaf Development had numerous major repairs during the year that caused their net assets to go further into the negative. 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 Newly Issued or Adopted GASB Pronouncements

In November, 2006 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 49, Accounting and financial reporting for Pollution Remediation Obligations, which is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

In May, 2007 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is effective for periods beginning after June 15, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

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

Notes to Financial Statements
June 30, 2008

Note 13 Newly Issued or Adopted GASB Pronouncements (continued)

In June, 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. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The Authority is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

Note 14 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.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

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

Statement A-1

WOODLEAF DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 786,774	\$ 786,774	\$ 884,097	\$ 97,323
Management and administrative fees	-	-	-	-
Miscellaneous income	41,772	41,772	34,067	(7,705)
<i>Total operating revenues</i>	828,546	828,546	918,164	89,618
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	154,773	158,705	151,546	7,159
Management and administrative fees	56,557	54,171	62,197	(8,026)
Depreciation and amortization expense	99,899	99,087	98,770	317
Utilities	113,269	136,189	129,226	6,963
Maintenance	108,680	106,529	119,697	(13,168)
Office expenses	5,000	8,936	10,536	(1,600)
General expenses	3,072	4,227	32,320	(28,093)
Travel expenses	13,995	19,197	22,361	(3,164)
Professional fees	57,600	29,058	22,920	6,138
Rent expense	94	130	801	(671)
Repair and replacement	16,792	88,357	72,673	15,684
Insurance	24,000	24,000	12,216	11,784
<i>Total operating expenses</i>	653,731	728,586	735,263	(6,677)
<i>Operating income (loss)</i>	174,815	99,960	182,901	82,941
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	-	-	-
Interest income	19,482	19,482	13,439	(6,043)
Interest expense	(194,513)	(194,513)	(192,242)	2,271
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	(175,031)	(175,031)	(178,803)	(3,772)
<i>Income (loss) before transfers</i>	(216)	(75,071)	4,098	79,169
Transfers in	-	-	-	-
Transfers (out)	-	-	(54,551)	(54,551)
<i>Total transfers</i>	-	-	(54,551)	(54,551)
<i>Change in net assets</i>	(216)	(75,071)	(50,453)	24,618
Net assets, beginning of year	(55,485)	(55,485)	(55,485)	-
Net assets, end of year	\$ (55,701)	\$ (130,556)	\$ (105,938)	\$ 24,618
Net assets necessary to balance the budget	\$ 216	\$ 75,071	\$ 50,453	\$ 24,618

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

**REGIONAL HOUSING AUTHORITY
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, 2008

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	\$ 118,012	\$ 118,012	\$ 134,899	\$ 16,887
Management and administrative fees	-	-	-	-
Miscellaneous income	18,958	18,958	21,982	3,024
<i>Total operating revenues</i>	<u>136,970</u>	<u>136,970</u>	<u>156,881</u>	<u>19,911</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	81,636	66,003	74,564	(8,561)
Management and administrative fees	36,777	37,448	43,938	(6,490)
Depreciation and amortization expense	38,706	39,041	38,947	94
Utilities	84,075	94,738	95,681	(943)
Maintenance	40,965	49,562	38,768	10,794
Office expenses	7,310	4,602	4,746	(144)
General expenses	7,249	9,570	38,118	(28,548)
Travel expenses	12,671	21,057	19,167	1,890
Professional fees	32,100	11,521	10,755	766
Rent expense	171	194	900	(706)
Repair and replacement	4,407	15,188	14,599	589
Insurance	12,000	12,000	6,876	5,124
<i>Total operating expenses</i>	<u>358,067</u>	<u>360,924</u>	<u>387,059</u>	<u>(26,135)</u>
<i>Operating income (loss)</i>	<u>(221,097)</u>	<u>(223,954)</u>	<u>(230,178)</u>	<u>(6,224)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	354,066	354,066	342,414	(11,652)
Interest income	12,370	12,370	10,261	(2,109)
Interest expense	(100,303)	(100,303)	(98,900)	1,403
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>266,133</u>	<u>266,133</u>	<u>253,775</u>	<u>(12,358)</u>
<i>Income (loss) before transfers</i>	<u>45,036</u>	<u>42,179</u>	<u>23,597</u>	<u>(18,582)</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	(46,240)	(46,240)
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>(46,240)</u>	<u>(46,240)</u>
<i>Change in net assets</i>	<u>45,036</u>	<u>42,179</u>	<u>(22,643)</u>	<u>(64,822)</u>
Net assets, beginning of year	<u>157,504</u>	<u>157,504</u>	<u>157,504</u>	<u>-</u>
Net assets, end of year	<u>\$ 202,540</u>	<u>\$ 199,683</u>	<u>\$ 134,861</u>	<u>\$ (64,822)</u>
Net assets necessary to balance the budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,643</u>	<u>\$ (22,643)</u>

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

**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, 2008

Statement A-3

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 20,020	\$ 20,020	\$ 22,953	\$ 2,933
Management and administrative fees	-	-	-	-
Miscellaneous income	3,294	3,294	1,459	(1,835)
<i>Total operating revenues</i>	<u>23,314</u>	<u>23,314</u>	<u>24,412</u>	<u>1,098</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	29,035	15,812	10,327	5,485
Management and administrative fees	7,642	6,307	7,659	(1,352)
Depreciation and amortization expense	9,853	10,237	10,237	-
Utilities	14,930	12,264	12,680	(416)
Maintenance	6,130	3,970	3,457	513
Office expenses	349	98	286	(188)
General expenses	1,417	1,835	2,248	(413)
Travel expenses	316	2,310	1,540	770
Professional fees	5,419	1,698	1,570	128
Rent expense	-	-	-	-
Repair and replacement	-	1,387	924	463
Insurance	2,000	2,000	736	1,264
<i>Total operating expenses</i>	<u>77,091</u>	<u>57,918</u>	<u>51,664</u>	<u>6,254</u>
<i>Operating income (loss)</i>	<u>(53,777)</u>	<u>(34,604)</u>	<u>(27,252)</u>	<u>7,352</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	53,202	53,202	61,153	7,951
Interest income	2,041	2,041	1,459	(582)
Interest expense	(16,328)	(16,328)	(16,100)	228
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>38,915</u>	<u>38,915</u>	<u>46,512</u>	<u>7,597</u>
<i>Income (loss) before transfers</i>	<u>(14,862)</u>	<u>4,311</u>	<u>19,260</u>	<u>14,949</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(14,862)</u>	<u>4,311</u>	<u>19,260</u>	<u>14,949</u>
Net assets, beginning of year	<u>16,348</u>	<u>16,348</u>	<u>16,348</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,486</u>	<u>\$ 20,659</u>	<u>\$ 35,608</u>	<u>\$ 14,949</u>
Net assets necessary to balance the budget	<u>\$ 14,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Statement A-4

CASA HERMOSA DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 291,783	\$ 291,783	\$ 319,920	\$ 28,137
Management and administrative fees	-	-	-	-
Miscellaneous income	10,239	10,239	16,922	6,683
<i>Total operating revenues</i>	302,022	302,022	336,842	34,820
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	110,093	86,953	86,715	238
Management and administrative fees	27,434	25,395	29,171	(3,776)
Depreciation and amortization expense	37,993	37,844	37,495	349
Utilities	111,513	114,877	111,523	3,354
Maintenance	20,875	27,954	69,110	(41,156)
Office expenses	338	3,033	2,945	88
General expenses	15,283	10,492	81,707	(71,215)
Travel expenses	20,780	5,648	5,151	497
Professional fees	6,693	13,030	13,052	(22)
Rent expense	116	63	158	(95)
Repair and replacement	8,225	12,872	12,980	(108)
Insurance	13,500	13,500	8,122	5,378
<i>Total operating expenses</i>	372,843	351,661	458,129	(106,468)
<i>Operating income (loss)</i>	(70,821)	(49,639)	(121,287)	(71,648)
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	75,498	75,498	77,794	2,296
Interest income	9,124	9,124	5,952	(3,172)
Interest expense	(117,925)	(117,925)	(123,251)	(5,326)
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	(33,303)	(33,303)	(39,505)	(6,202)
<i>Income (loss) before transfers</i>	(104,124)	(82,942)	(160,792)	(77,850)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	(104,124)	(82,942)	(160,792)	(77,850)
Net assets, beginning of year	(670,554)	(670,554)	(670,554)	-
Net assets, end of year	\$ (774,678)	\$ (753,496)	\$ (831,346)	\$ (77,850)
Net assets necessary to balance the budget	\$ 104,124	\$ 82,942	\$ 160,792	\$ (77,850)

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

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

Statement A-5

RIO FELIX FMHA PROGRAM FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 30,587	\$ 30,587	\$ 33,954	\$ 3,367
Management and administrative fees	-	-	-	-
Miscellaneous income	4,156	4,156	7,454	3,298
<i>Total operating revenues</i>	<u>34,743</u>	<u>34,743</u>	<u>41,408</u>	<u>6,665</u>
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	23,079	23,552	23,365	187
Management and administrative fees	5,700	3,375	4,500	(1,125)
Depreciation and amortization expense	16,021	16,219	16,172	47
Utilities	17,561	18,297	18,233	64
Maintenance	10,677	10,149	10,941	(792)
Office expenses	577	1,114	1,169	(55)
General expenses	1,367	990	10,731	(9,741)
Travel expenses	500	-	27	(27)
Professional fees	1,900	4,763	3,438	1,325
Rent expense	-	-	-	-
Repair and replacement	1,005	1,541	1,178	363
Insurance	3,200	3,200	1,567	1,633
<i>Total operating expenses</i>	<u>81,587</u>	<u>83,200</u>	<u>91,321</u>	<u>(8,121)</u>
<i>Operating income (loss)</i>	<u>(46,844)</u>	<u>(48,457)</u>	<u>(49,913)</u>	<u>(1,456)</u>
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	46,686	46,686	34,615	(12,071)
Interest income	139	139	90	(49)
Interest expense	(507)	(507)	(456)	51
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	<u>46,318</u>	<u>46,318</u>	<u>34,249</u>	<u>(12,069)</u>
<i>Income (loss) before transfers</i>	<u>(526)</u>	<u>(2,139)</u>	<u>(15,664)</u>	<u>(13,525)</u>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in net assets</i>	<u>(526)</u>	<u>(2,139)</u>	<u>(15,664)</u>	<u>(13,525)</u>
Net assets, beginning of year	459,031	459,031	459,031	-
Net assets, end of year	<u>\$ 458,505</u>	<u>\$ 456,892</u>	<u>\$ 443,367</u>	<u>\$ (13,525)</u>
Net assets necessary to balance the budget	<u>\$ 526</u>	<u>\$ 2,139</u>	<u>\$ 15,664</u>	<u>\$ (13,525)</u>

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

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

Statement A-6

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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ 69,220	\$ 69,220	\$ 79,547	\$ 10,327
Management and administrative fees	-	-	-	-
Miscellaneous income	7,127	77,127	7,455	(69,672)
<i>Total operating revenues</i>	76,347	146,347	87,002	(59,345)
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	150,986	117,761	115,436	2,325
Management and administrative fees	42,540	47,858	92,296	(44,438)
Depreciation and amortization expense	154,258	154,457	154,069	388
Utilities	24,485	27,650	27,301	349
Maintenance	43,414	44,787	48,199	(3,412)
Office expenses	3,097	3,468	3,740	(272)
General expenses	1,681	184	5,725	(5,541)
Travel expenses	12,332	10,209	9,748	461
Professional fees	6,999	8,610	9,088	(478)
Rent expense	1,440	720	813	(93)
Repair and replacement	5,908	8,382	10,417	(2,035)
Insurance	13,500	13,500	6,683	6,817
<i>Total operating expenses</i>	460,640	437,586	483,515	(45,929)
<i>Operating income (loss)</i>	(384,293)	(291,239)	(396,513)	(105,274)
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	216,686	216,686	213,486	(3,200)
Interest income	2,321	2,321	2,990	669
Interest expense	(21,230)	(21,230)	(18,996)	2,234
Capital grants	-	-	123,164	123,164
<i>Total nonoperating revenues (expenses)</i>	197,777	197,777	320,644	122,867
<i>Income (loss) before transfers</i>	(186,516)	(93,462)	(75,869)	17,593
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	(186,516)	(93,462)	(75,869)	17,593
Net assets, beginning of year	2,486,699	2,486,699	2,486,699	-
Net assets, end of year	\$ 2,300,183	\$ 2,393,237	\$ 2,410,830	\$ 17,593
Net assets necessary to balance the budget	\$ 186,516	\$ 93,462	\$ 75,869	\$ 17,593

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

**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, 2008

Statement A-7

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ -	\$ -	\$ -	\$ -
Management and administrative fees	55,554	55,554	54,360	(1,194)
Miscellaneous income	16,715	16,715	9,434	(7,281)
<i>Total operating revenues</i>	72,269	72,269	63,794	(8,475)
<i>Operating expenses</i>				
Housing assistance payments	4,285,535	4,285,535	4,230,648	54,887
Salaries, payroll taxes, and employee benefits	-	-	-	-
Management and administrative fees	606,084	681,737	657,346	24,391
Depreciation and amortization expense	-	-	-	-
Utilities	-	-	-	-
Maintenance	-	-	-	-
Office expenses	-	-	-	-
General expenses	2	32	20	12
Travel expenses	-	-	-	-
Professional fees	-	-	-	-
Rent expense	-	-	-	-
Repair and replacement	-	-	-	-
Insurance	-	-	-	-
<i>Total operating expenses</i>	4,891,621	4,967,304	4,888,014	79,290
<i>Operating income (loss)</i>	(4,819,352)	(4,895,035)	(4,824,220)	70,815
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	5,227,122	5,227,122	5,397,309	170,187
Interest income	98	98	-	(98)
Interest expense	-	-	-	-
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	5,227,220	5,227,220	5,397,309	170,089
<i>Income (loss) before transfers</i>	407,868	332,185	573,089	240,904
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	-	-
<i>Change in net assets</i>	407,868	332,185	573,089	240,904
Net assets, beginning of year	539,586	539,586	539,586	-
Net assets, end of year	\$ 947,454	\$ 871,771	\$ 1,112,675	\$ 240,904
Net assets necessary to balance the budget	\$ -	\$ -	\$ -	\$ -

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

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

Statement A-8

ADMINISTRATIVE SERVICES DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>				
Rent Income	\$ -	\$ -	\$ -	\$ -
Management and administrative fees	782,734	782,734	915,110	132,376
Miscellaneous income	9,371	9,371	8,090	(1,281)
<i>Total operating revenues</i>	792,105	792,105	923,200	131,095
<i>Operating expenses</i>				
Housing assistance payments	-	-	-	-
Salaries, payroll taxes, and employee benefits	702,755	706,693	735,800	(29,107)
Management and administrative fees	-	-	-	-
Depreciation and amortization expense	12,485	15,850	16,237	(387)
Utilities	32,830	28,742	28,118	624
Maintenance	19,512	27,353	32,281	(4,928)
Office expenses	38,354	30,661	39,817	(9,156)
General expenses	996	5,268	10,393	(5,125)
Travel expenses	7,325	15,066	30,251	(15,185)
Professional fees	28,788	26,682	36,431	(9,749)
Rent expense	7,317	15,229	14,006	1,223
Repair and replacement	-	-	-	-
Insurance	850	850	2,496	(1,646)
<i>Total operating expenses</i>	851,212	872,394	945,830	(73,436)
<i>Operating income (loss)</i>	(59,107)	(80,289)	(22,630)	57,659
<i>Nonoperating revenues (expenses)</i>				
Government subsidies	-	-	-	-
Interest income	-	-	-	-
Interest expense	(5,619)	(6,210)	(7,369)	(1,159)
Capital grants	-	-	-	-
<i>Total nonoperating revenues (expenses)</i>	(5,619)	(6,210)	(7,369)	(1,159)
<i>Income (loss) before transfers</i>	(64,726)	(86,499)	(29,999)	56,500
Transfers in	-	-	100,791	100,791
Transfers (out)	-	-	-	-
<i>Total transfers</i>	-	-	100,791	100,791
<i>Change in net assets</i>	(64,726)	(86,499)	70,792	157,291
Net assets, beginning of year	(428,775)	(428,775)	(428,775)	-
Net assets, end of year	\$ (493,501)	\$ (515,274)	\$ (357,983)	\$ 157,291
Net assets necessary to balance the budget	\$ 64,726	\$ 86,499	\$ -	\$ 86,499

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

SUPPORTING SCHEDULES

(This page intentionally left blank.)

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2008

Schedule I

<u>Depository</u>	<u>Type</u>	<u>CUSIP #</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2008</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	Bond	31371NNV3	FNCL 257004 Due 5/1/2036	\$ 482,145	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 6/1/2036	436,125	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 6/1/2036	1,663,450	Wells Fargo Bank San Francisco, California
Total Collateral Pledged				<u>\$ 2,581,720</u>	

See accompanying independent auditor's report.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2008

Schedule II

Description	Cash On Hand	Wells Fargo Bank	Totals
<u><i>Cash on Hand</i></u>			
Casa Hermosa Development	\$ 400	\$ -	\$ 400
Woodleaf Development	500	-	500
Colonial Hillcrest Development	-	-	-
La Posada Development	-	-	-
Rio Felix FmHA Program	150	-	150
Low Rent Public Housing Program	400	-	400
<u><i>Demand Deposit Accounts</i></u>			
La Posada Development- Operating	-	6,715	6,715
La Posada Development- Tenant security	-	2,300	2,300
Rio Felix FmHA Program- Operating	-	494	494
Rio Felix FmHA Program- Tenant security	-	4,470	4,470
Colonial Hillcrest Development- Operating	-	97,516	97,516
Colonial Hillcrest Development- Tenant security	-	12,000	12,000
Low Rent Public Housing Program- Operating	-	82,303	82,303
Low Rent Public Housing Program- Tenant security	-	15,000	15,000
Casa Hermosa Development- Operating	-	5,043	5,043
Casa Hermosa Development- Tenant security	-	15,050	15,050
Woodleaf Development- Operating	-	129,010	129,010
Woodleaf Development- Tenant security	-	46,575	46,575
Administrative Services Department- Operating	-	40,235	40,235
Administrative Services Department- Payroll	-	-	-
Section 8 Voucher Program	-	1,133,238	1,133,238
<u><i>Savings Account</i></u>			
Certificate of Deposit	-	94,377	94,377
Family Self Sufficiency Escrow account	-	106,228	106,228
Rio Felix FmHA Program-Insurance Reserve	-	547	547
Rio Felix FmHA Program-Reserve	-	74,120	74,120
<u><i>Trust Accounts</i></u>			
Government Money Market Account	-	834,802	834,802
Total Public Funds- Bank Balances	1,450	2,700,023	2,701,473
Less reconciling items	-	(71,284)	(71,284)
Reconciled Balance - June 30, 2008	<u>\$ 1,450</u>	<u>\$ 2,628,739</u>	<u>\$ 2,630,189</u>
Reconciliation to the statement of net assets:			
Cash			\$ 1,605,615
Investments			94,377
Restricted cash			95,395
Replacement reserves/escrow deposits			834,802
			<u>\$ 2,630,189</u>

See accompanying independent auditor's report.

**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, 2008

Debt Service Ratio Calculation:

Net revenue available for debt service on the bonds	(1) \$	295,110
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	248,456
 Debt service ratio:		<u>1.19</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	\$	931,603
 Total operating expenses and interest expense		(927,505)
 Plus: Recorded bond amortization and depreciation expense		98,770
Interest expense related to 1997A Series bonds		<u>192,242</u>
 Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) \$	<u>295,110</u>

Debt Service for the year ended June 30, 2009

Principal reduction on 1997A Series bonds during the year ended June 30, 2009	\$	60,000
 Interest due attributable to 1997A Series bonds during the year ended June 30, 2009		<u>188,456</u>
 <i>Maximum Annual Debt Service as defined in the bond trust indenture</i>	(2) \$	<u>248,456</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2008, ("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.

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

Schedule III
Page 2 of 3

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, 2008

	<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) \$	161,444	\$ 45,597	\$ 207,041
Divided by			
Maximum Annual Debt Service as defined in the bond trust indenture (2)	128,377	20,899	149,276
Debt service ratio:	<u>1.26</u>	<u>2.18</u>	<u>1.39</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	\$ 509,556	\$ 87,024	\$ 596,580
Total operating expenses and interest expense	(485,959)	(67,764)	(553,723)
Plus: Recorded bond amortization & depreciation expense	38,947	10,237	49,184
Interest expense related to 1997A Series bonds	<u>98,900</u>	<u>16,100</u>	<u>115,000</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds (1) \$	<u>161,444</u>	<u>\$ 45,597</u>	<u>\$ 207,041</u>
 <i>Debt Service for the year ended June 30, 2009:</i>			
Principal reduction on 1997A Series bonds during the year ended June 30, 2009	\$ 30,100	\$ 4,900	\$ 35,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2009	<u>98,277</u>	<u>15,999</u>	<u>114,276</u>
 <i>Maximum Annual Debt Service as defined in the bond trust indenture (2) \$</i>	 <u>128,377</u>	 <u>\$ 20,899</u>	 <u>\$ 149,276</u>

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2008, ("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.

See accompanying independent auditor's report.

**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, 2008

Debt Service Ratio Calculation:

Net revenue available for debt service on the bonds	(1) \$	6,680
Divided by		
Maximum Annual Debt Service as defined in the bond trust indenture	(2)	149,600
Debt service ratio:		<u>0.04</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	\$	420,588
Total operating expenses and interest expense		(581,380)
Plus: Amortization of deferred loss on refunding of 1995A Series bonds		6,726
Recorded bond issue costs amortization and depreciation expense		37,495
Interest expense related to 1997A Series bonds		<u>123,251</u>
Net revenues from project excluding non-cash expenses and interest expense on 1997A Series bonds	(1) \$	<u>6,680</u>

Debt Service for the year ended June 30, 2009:

Principal reduction on 1997A Series bonds during the year ended June 30, 2009	\$	35,000
Interest due attributable to 1997A Series bonds during the year ended June 30, 2009		<u>114,600</u>

<i>Maximum Annual Debt Service as defined in the bond trust indenture</i>	(2) \$	<u>149,600</u>
---	--------	----------------

Note:

The computation of Debt Service Coverage Ratio for the year ended June 30, 2008, ("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.

See accompanying independent auditor's report.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

PHA: NM063 FYED: 06/30/2008

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants
111	Cash - Unrestricted	\$ 1,500	\$ 75,546
113	Cash - Other Restricted	-	-
114	Cash - Tenant Security Deposits	-	4,470
100	Total Cash	1,500	80,016
126	Accounts Receivable - Tenants - Dwelling Rents	3,410	3,016
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	(1,503)
129	Accrued Interest Receivable	-	-
120	Total Receivables, net of allowances for doubtful accounts	3,410	1,513
131	Investments - Unrestricted	-	-
135	Investments - Restricted for Payment of Current Liabilities	-	-
132	Investments Restricted	-	-
144	Interprogram Due From	67,937	-
150	Total Current Assets	72,847	81,529
161	Land	20,000	169,050
162	Buildings	-	618,248
163	Furniture, Equipment & Machinery - Dwellings	234,182	10,008
166	Accumulated Depreciation	(199,710)	(354,792)
160	Total Fixed Assets, Net of Accumulated Depreciation	54,472	442,514
171	Notes, Loans, & Mortgages Receivable - Non Current	-	-
174	Other Assets	-	-
180	Total Non-Current Assets	54,472	442,514
190	Total Assets	127,319	524,043

See accompanying independent auditor's report.

Sec. 8 Housing Assistance Payments Program-Special Allocations	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
\$ 103,272	\$ 81,824	\$ 1,219,942	\$ -	\$ 123,531	\$ 1,605,615
-	-	-	-	-	-
29,350	15,000	-	-	46,575	95,395
132,622	96,824	1,219,942	-	170,106	1,701,010
57,839	3,193	-	-	11,103	78,561
(39,695)	(552)	-	-	(5,015)	(46,765)
115,361	-	-	-	-	115,361
133,505	2,641	-	-	6,088	147,157
-	94,377	-	-	-	94,377
-	-	-	-	-	-
503,851	-	-	-	330,951	834,802
-	14,000	-	-	126,184	208,121
769,978	207,842	1,219,942	-	633,329	2,985,467
121,814	335,734	-	-	259,919	906,517
2,677,137	4,543,144	-	-	3,296,667	11,135,196
55,621	79,177	-	-	52,618	431,606
(1,552,059)	(2,456,533)	-	-	(1,767,835)	(6,330,929)
1,302,513	2,501,522	-	-	1,841,369	6,142,390
272,401	-	-	-	-	272,401
452,160	-	-	-	190,276	642,436
2,027,074	2,501,522	-	-	2,031,645	7,057,227
2,797,052	2,709,364	1,219,942	-	2,664,974	10,042,694

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

PHA: NM063 FYED: 06/30/2008

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants
312	Accounts Payable < = 90 Days	\$ 19,431	\$ 1,764
321	Accrued Wage/Payroll Taxes Payable	667	-
322	Accrued Compensated Absences - Current Portion	18,089	363
325	Accrued Interest Payable	-	-
341	Tenant Security Deposits	-	3,825
342	Deferred Revenues	-	713
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	17,610	4,178
345	Other Current Liabilities	-	-
347	Interprogram Due To	-	30,676
310	Total Current Liabilities	55,797	41,519
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	41,743	39,157
353	Noncurrent Liabilities - Other	387,762	-
350	Total Noncurrent Liabilities	429,505	39,157
300	Total Liabilities	485,302	80,676
508	Total Contributed Capital	-	-
508.1	Invested in Capital Assets, Net of Related Debt	(4,881)	399,179
511	Total Reserved Fund Balance	-	-
511.1	Restricted Net Assets	-	-
512.1	Unrestricted Net Assets	(353,102)	44,188
513	Total Equity/Net Assets	(357,983)	443,367
600	Total Liabilities and Equity/Net Assets	127,319	524,043

See accompanying independent auditor's report.

Sec. 8 Housing Assistance Payments Program-Special Allocations	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
\$ 27,193	\$ 5,980	\$ -	\$ -	\$ 16,342	\$ 70,710
-	-	400	-	-	1,067
909	1,571	639	-	1,529	23,100
52,981	-	-	-	7,941	60,922
27,603	14,864	-	-	44,806	91,098
1,795	631	-	-	25,294	28,433
70,000	-	-	-	60,000	130,000
-	32,675	-	-	-	54,463
-	-	15,845	-	-	15,845
177,448	-	-	-	-	208,124
357,929	55,721	16,884	-	155,912	683,762
3,100,000	-	-	-	2,615,000	5,715,000
-	242,813	-	-	-	323,713
-	-	90,383	-	-	478,145
3,100,000	242,813	90,383	-	2,615,000	6,516,858
3,457,929	298,534	107,267	-	2,770,912	7,200,620
-	-	-	-	-	-
(1,501,679)	2,226,034	-	-	(833,631)	285,022
-	-	-	-	-	-
503,851	-	-	-	330,951	834,802
336,951	184,796	1,112,675	-	396,742	1,722,250
(660,877)	2,410,830	1,112,675	-	(105,938)	2,842,074
2,797,052	2,709,364	1,219,942	-	2,664,974	10,042,694

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

PHA: NM063 FYED: 06/30/2008

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants
703	Net Tenant Rental Revenue	\$ -	\$ 33,954
704	Tenant Revenue - Other	-	7,454
705	Total Tenant Revenue	-	41,408
706	HUD PHA Operating Grants	-	-
708	Other Government Grants	-	34,615
711	Investment Income - Unrestricted	-	90
712	Mortgage Interest Income	-	-
714	Fraud Recovery	-	-
715	Other Revenue	923,200	-
716	Gain/Loss on Sale of Fixed Assets	-	-
720	Investment Income - Restricted	-	-
700	Total Revenue	923,200	76,113
911	Administrative Salaries	521,020	16,654
912	Auditing Fees	11,425	1,142
913	Outside Management Fees	-	4,500
914	Compensated Absences	31,300	656
915	Employee Benefit Contributions - Administrative	183,480	6,054
916	Other Operating - Administrative	39,817	1,169
931	Water	1,433	11,641
932	Electricity	7,872	2,821
933	Gas	-	2,125
938	Other Utilities Expense	18,829	1,646
941	Ordinary Maintenance and Operations - Labor	-	-
942	Ordinary Maintenance and Operations - Materials and Other	32,265	12,120
961	Insurance Premiums	2,496	1,567
962	Other General Expenses	79,656	3,138
964	Bad Debt - Tenant Rents	-	9,916
967	Interest Expense	7,369	456
969	Total Operating Expenses	936,962	75,605
970	Excess Operating Revenue over Operating Expenses	(13,762)	508
971	Extraordinary Maintenance	-	-
973	Housing Assistance Payments	-	-
974	Depreciation Expense	16,237	16,172
975	Fraud Losses	-	-
900	Total Expenses	953,199	91,777
1001	Operating Transfers In	100,791	-
1002	Operating Transfers Out	-	-
1010	Total Other Financing Sources (Uses)	100,791	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	70,792	(15,664)

See accompanying independent auditor's report.

Sec. 8 Housing Assistance Payments Program-Special Allocations	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
\$ 477,772	\$ 79,547	\$ -	\$ -	\$ 884,097	\$ 1,475,370
62,187	7,329	-	-	34,067	111,037
539,959	86,876	-	-	918,164	1,586,407
481,361	213,486	5,397,309	123,164	-	6,215,320
-	-	-	-	-	34,615
17,671	2,990	-	-	13,439	34,190
-	-	-	-	-	-
-	-	9,428	-	-	9,428
121	126	54,366	-	-	977,813
-	-	-	-	-	-
-	-	-	-	-	-
1,039,112	303,478	5,461,103	123,164	931,603	8,857,773
45,298	17,148	-	-	34,517	634,637
10,054	4,798	-	-	8,683	36,102
80,768	46,085	657,346	-	62,197	850,896
3,792	3,426	-	-	1,456	40,630
43,618	39,322	-	-	47,460	319,934
8,954	3,645	-	-	10,536	64,121
94,128	4,591	-	-	45,484	157,277
50,887	9,673	-	-	27,853	99,106
63,742	3,660	-	-	14,502	84,029
10,150	7,217	-	-	41,387	79,229
78,897	55,935	-	-	68,114	202,946
161,783	60,777	-	45,814	192,369	505,128
15,734	6,683	-	-	12,216	38,696
59,314	15,260	20	-	40,826	198,214
104,998	5,412	-	-	28,893	149,219
238,251	18,996	-	-	192,242	457,314
1,070,368	302,628	657,366	45,814	828,735	3,917,478
(31,256)	850	4,803,737	77,350	102,868	4,940,295
-	-	-	-	-	-
-	-	4,230,648	-	-	4,230,648
86,679	154,069	-	-	98,770	371,927
-	-	-	-	-	-
1,157,047	456,697	4,888,014	45,814	927,505	8,520,053
-	77,350	-	-	-	178,141
(46,240)	-	-	(77,350)	(54,551)	(178,141)
(46,240)	77,350	-	(77,350)	(54,551)	-
(164,175)	(75,869)	573,089	-	(50,453)	337,720

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

PHA: NM063 FYED: 06/30/2008

Line Item No.	Account Description	Business Activities	Farm Labor Housing Loans and Grants
1102	Debt Principal Payments - Enterprise Funds	\$ 18,639	\$ 4,136
1103	Beginning Equity	(428,775)	459,031
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-
1120	Unit Months Available	-	360
1121	Number of Unit Months Leased	-	197
1117	Administrative Fee Equity	-	-
1118	Housing Assistance Payments Equity	-	-

See accompanying independent auditor's report.

Sec. 8 Housing Assistance Payments Program-Special Allocations	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
\$ 60,000 (496,702)	\$ 30,624 2,486,699	\$ - 539,586	\$ - -	\$ 55,000 (55,485)	\$ 168,399 2,504,354
-	-	-	-	-	-
2,040	972	15,420	-	1,776	20,568
1,890	950	12,846	-	1,718	17,601
-	-	10,843	-	-	10,843
-	-	1,101,832	-	-	1,101,832

(This page intentionally left blank.)

COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE

(This page intentionally left blank.)

**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 business type activities and each major fund of Regional Housing Authority of Region VI, New Mexico, Inc. (the Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 19, 2008. We have also audited the budgetary comparison schedules of each of the enterprise funds presented as supplementary information for the year ended June 30, 2008, 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, 2008-3 and 2008-4 to be significant deficiencies in internal control over financial reporting.

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

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.

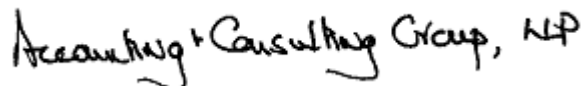
Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 2007-2, 2007-4 and 2007-6.

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 19, 2008

**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, 2008. 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, 2008. 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.

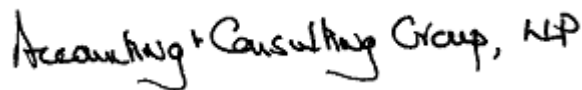
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority'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 Authority'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 Authority'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
Certified Public Accountants

Carlsbad, New Mexico
September 19, 2008

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

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	FW-5977	\$	213,486
Section 8 Housing Voucher Program	(1)	14.871	FW5351		5,397,309
Section 8 Housing Assistance Payment Programs:					
Colonial Hillcrest Development	(1)	14.195	NM16M000097		342,414
La Posada Development	(1)	14.195	NM16M000078		61,153
Casa Hermosa Development	(1)	14.195	NM160000040		77,794
Low Rent Public Housing - Capital Fund		14.872	NM02P063501-00		<u>45,546</u>
Total expenditures of federal awards				\$	<u><u>6,137,702</u></u>

Notes to Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of the Authority's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Expenditures related to federal awards have been included in various categories in the Statement of Revenues, Expenses and Changes in Fund Net Assets. During the year ended June 30, 2008 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.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

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:

CFDA Number(s)	Name of Federal Program or Cluster
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

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

B. FINDINGS—FINANCIAL STATEMENT AUDIT

2007-2: Violation of Debt Covenant

Criteria

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

Condition

The agency's ratio is 0.04 for Casa Hermosa and 1.19 for Woodleaf. The Authority did not comply with the debt covenants related to Casa Hermosa Development or Woodleaf Development.

Cause

The primary cause of this noncompliance is that debt service requirements of \$149,600 were too high in relation to revenues available of \$6,680 for Casa Hermosa and debt service requirements of \$248,456 were too high in relation to revenues available of \$295,110 for Woodleaf Development.

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.

Recommendation

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

Agency Response

Woodleaf apartments will not have the extraordinary amount of HVAC replacement that occurred this year. Casa Hermosa is currently for sale and the Board of Commissioners for Region VI is considering an offer.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2007-4: Expenditures in Excess of Budgeted Amounts

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.

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	\$ 8,026
Maintenance	13,168
Office expenses	1,600
General expenses	28,093
Travel expenses	3,164
Rent expense	671
Colonial Hillcrest Development Fund:	
Salaries, payroll taxes, and employee benefits	8,561
Management and administrative fees	6,490
Utilities	943
Office expenses	144
General expenses	28,548
Rent expense	706
La Posada Development Fund:	
Management and administrative fees	1,352
Utilities	416
Office expenses	188
General expenses	413
Casa Hermosa Development Fund:	
Management and administrative fees	3,776
Maintenance	41,156
General expenses	71,215
Professional fees	22
Rent expense	95
Repair and replacement	108
Interest expense	5,326
Rio Felix FmHA Program Fund:	
Management and administrative fees	1,125
Maintenance	792
Office expense	55
General expenses	9,741
Travel expenses	27

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

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

Condition (continued)

Low Rent Public Housing Program Fund:	
Management and administrative fees	44,438
Maintenance	3,412
Office expenses	272
General expenses	5,541
Professional fees	478
Rent expense	93
Repair and replacement	2,035
Administrative Services Department Fund:	
Salaries, payroll taxes, and employee benefits	29,107
Depreciation and amortization expense	387
Maintenance	4,928
Office expenses	9,156
General expenses	5,125
Travel expenses	15,185
Professional fees	9,749
Insurance	1,646
Interest expense	1,159

Cause

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

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.

Recommendation

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

Agency Response

Region VI will complete budget adjustments on a more frequent interval in an attempt to correct for changing conditions and unexpected expenses.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2007-5: Preparation of Financial Statements

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.

Condition

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

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.

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.

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

Region VI HA Accounting Staff have just completed the necessary training to prepare the financial reports.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2007-6: Capital Assets Threshold for Capitalization

Criteria

According to the State Audit Rule section 2.2.2.10 Y, "The Audit Act (12-6-10, NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000. All agencies should update their capitalization policies in accordance with the law. The State Auditor still encourages agencies to maintain a separate accountability report of those items that cost \$5,000 or less, for asset safeguarding and management purposes."

Condition

The Authority did not implement the \$5,000 limit for capitalization of capital assets until January 1, 2008. The Authority has continued to record assets in excess of \$300 for the Rio Felix FmHA Program and \$500 for all other programs.

Cause

The Authority was not aware that the State Auditor did not allow capitalization thresholds which are more restrictive than the applicable law.

Effect

There are more assets included on the capital assets listing than are required by the State's capitalization policy.

Recommendation

We recommend that the Authority maintain capital assets records and record depreciation only for those assets with a cost in excess of \$5,000. For accountability purposes, the Authority may continue to track assets in accordance with the existing policy, although these assets should not be included in the capital assets reported on the financial statements.

Agency Response

Since Region VI HA has already changed the limit as of January 1, 2008 no further correction is needed.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2008-1: Laptop Security

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.

Condition

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

Cause

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

Effect

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

Recommendation

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

Agency Response

Laptops and Flash Drives are being encrypted by our IT Specialist.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2008-2: IT Policy

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.

Condition

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

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.

Effect

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

Recommendation

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

Agency Response

Regions VI HA will development an IT policy.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2008-3: Access to Accounting Software

Criteria

Paragraph 4.3 of the State of New Mexico Statewide Policy S-STD-004-001 Account Management Standard states that system, application, and information access shall be granted via a formal and auditable procedure, have a retrievable, associated written record of the request and subsequent authorization, and should be accompanied by appropriate security training. It states further that permissions, or rights shall only be granted in accordance with the requestor's group or role membership. In addition, user authorization should be based on least privilege required to perform assigned tasks.

Condition

During our audit, we noted that the Authority had granted to two employees full access to the Authority's accounting software. These employees should not have had full access to the software programs. In addition, the Authority does not maintain written records of access to the system applications or information, or authorization and changes to computer access. Authority management does not perform regular reviews of the IT access authorizations.

Cause

The Authority has not regularly reviewed employee access records to software programs and they do not have written records of authorization, reviews, or changes to these records. The Authority was not aware that an update to the software could change their previous access restrictions.

Effect

The Authority has the potential for unauthorized access to and misuse of sensitive and confidential information as well as to Authority's assets especially cash.

Recommendation

The Authority should establish and document system, application, and information access policies. This policy should include written records for authorization, and changes to computer access. These authorizations should be reviewed on a regular basis.

Agency Response

Region VI HA will develop an access policy for the accounting software.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

2008-4: Deficit Budgeting

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.

Condition

In the following funds the prior year FY07 ending assets were not adequate to cover the ending budget deficit in FY08:

- Casa Hermosa Development budgeted expenditures in excess of revenues for the year of \$104,124, but only had unrestricted cash and accounts receivable from the prior year of \$33,458.
- Low Rent Public Housing budgeted expenditures in excess of revenues for the year of \$186,516, but only had unrestricted cash and accounts receivable from the prior year of \$118,852.
- Administrative Services Department budgeted expenditures in excess of revenues for the year of \$64,726, but only had unrestricted cash from the prior year of \$19,112.

Cause

Prior year ending available cash and accounts receivable were not carefully monitored to determine adequacy for FY08 budgeting purposes.

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.

Recommendation

We recommend improved monitoring of the budget.

Agency Response

Region VI HA will not conduct deficit budgeting practices

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

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

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.

Condition

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

- 14 of 40 files tested had missing documentation of criminal background checks.
- 10 of 40 files tested had no documentation of being admitted from the waiting list.
- 2 of 40 files tested had no documentation of status of failed annual inspections.
- 1 of 40 files tested had missing Social Security Card documentation.

Questioned Costs

None

Cause

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

Effect

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

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

Further enhancements to our Quality Control will be developed.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

D. PRIOR YEAR FINDINGS

- 2007-1 Disbursements Cycle
Resolved and not repeated.
- 2007-2 Violation of Debt Covenant
Revised and repeated.
- 2007-3 Public Employees Retirement Association (PERA)
Resolved and not 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
Revised and repeated.
- 2007-7 Improper Payments
Resolved and not repeated.

**REGIONAL HOUSING AUTHORITY
OF REGION VI, NEW MEXICO, INC.**
OTHER DISCLOSURES
June 30, 2008

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 26, 2008. The following individuals were in attendance.

Region VI Housing Officials
Mary Beth Fowler, Board Member
Chris Herbert, Executive Director
Irene Andazola, Deputy Director
Olivia Cruz, Finance Director

Auditors
Becky Dinwiddie, CPA