

**STATE AUDITOR
STATE OF NEW MEXICO
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STATE OF NEW MEXICO
REGION I
HOUSING AUTHORITY
Financial Statements for the
Years Ended December 31,
2005, 2004 and 2003,
and
Independent Auditors' Report

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State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

May 15, 2006

SAO Ref. No. 9001

Carmen B. Morin, Executive Director
and
Members of the Board of Directors
Region I Housing Authority
411 W. Santa Fe Avenue, Suite 5
Grants, NM 87020-

SUBJECT: Audit Report—Region I Housing Authority—2004-2005 Fiscal Year--Prepared by
Meyners & Company, LLC

Your agency audit report was received by the Office of the State Auditor (Office) on March 10, 2006. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

As per your written request, this office is waiving the ten (10) day waiting period and is making the report public record immediately. The audit report will be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.


DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Meyners & Company, LLC

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

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STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Official Roster

Region I Housing Authority
December 31, 2005

Board of Directors - Appointed by the Governor of New Mexico

Title

Ernest Becenti, Jr.	Chairman
Malcolm Bowekaty	Vice Chairman
Mary Lundstrom	Secretary/Treasurer
Elisa Bro	Member
Wanda Derizotis	Member
Charles Esparza	Member
Cordelia Trimble	Member

Administrative Staff

Carmen B. Morin	Executive Director
Lisa Garcia	Administrative Assistant



MEYNER'S +
COMPANY, LLC
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INDEPENDENT AUDITORS' REPORT

Board of Directors
 State of New Mexico Region I Housing Authority
 and
 Domingo P. Martinez, CGFM
 New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities and the major fund of the State of New Mexico Region I Housing Authority (the Authority) as of and for the years ended December 31, 2005, 2004 and 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 activity and the major fund of the State of New Mexico Region I Housing Authority as of and for the years ended December 31, 2005, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2005.

Board of Directors
State of New Mexico Region I Housing Authority
and
Domingo P. Martinez, CGFM
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006, on our consideration of the Authority's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Mexico Region I Housing Authority's basic financial statements. The accompanying schedules listed as supplementary information in the table of contents is presented for purposes of additional analysis and is 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.

Mayners + Company, LLC

January 26, 2006

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

The Region I Housing Authority's (the Authority) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Housing Authority's financial activity, identify changes in the Authority's financial position, and identify any financial issues or concerns. The MD&A is designed to focus on the past year's activities and financial changes.

As management of the Authority, we offer readers this narrative overview and analysis of the financial activities of the Authority for the three years ended December 31, 2005, 2004 and 2003.

Authority Overview

The Authority is one of seven Regional Housing Authorities within the State of New Mexico. The Authority's mission is to facilitate the creation of affordable housing opportunities for persons of lower, low and moderate income that is safe, decent and meets or exceeds Housing Qualities Standards; retention and expansion of jobs; and to increase investment through public/private partnerships to establish a stable diverse economy in an effort to improve the quality of life for New Mexicans.

To achieve our mission, the Authority provides leadership and technical assistance to communities, businesses, and other regional housing authorities and non-profit organizations. This is done to empower both the public and private sectors to facilitate economic growth and improve housing conditions throughout New Mexico. Our emphasis is on the creation of safe, decent and affordable housing.

Financial Highlights

Overview of the Financial Statements:

- In the fiscal years ended December 31, 2005, 2004 and 2003, the total liabilities of the Authority exceeded total assets by \$95,934, \$11,280 and \$4,819, respectively.
- The Authority acquired \$7,070 in total capital assets in 2005.
- The total cost of Authority programs was \$0, whereas the total Authority revenue was \$56,990.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

Authority Highlights

During the 2005 fiscal year, the Authority had many accomplishments in housing activities.

- *Acquisition Rehab/New Construction*

Funded by bond issues provided by Region III, Acquisition and Rehab helped the Authority to purchase homes and refurbish them to meet or exceed the housing quality standards established by HUD.

- *Lease Purchase*

Funded by bond issues, the Lease Purchase Plus Program allows persons or families with credit issues and low FICO scores to partner with the Region I Housing Authority to purchase and lease a home while they repair their credit. The program utilizes credit counseling, finance counseling and home ownership counseling provided by Region III during the duration of the lease period, which is thirty-nine months. After the mortgage is assumed, the family earns the accrued equity to that point.

- *Home Ownership Counseling*

Assisted by Region III personnel, this program provides an extensive counseling program, which includes Home Ownership Counseling, Credit Counseling, and Finance Counseling to qualified low income families and individuals.

Overview of the Financial Statement

- *Enterprise Funds*

Enterprise funds are used to account for its operations. It is the intent of the governing body that the cost of providing goods and services to the public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy management control, accountability, or other purposes.

The Authority adopts an annual non-appropriated, board-approved budget for all of its operational activities.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

Overview of the Financial Statement - continued

- ***Other Information***

Individual schedules of operating expenses for Region I Housing Authority can be found on pages 27 to 29 of this report.

Financial Analysis of the Enterprise Funds

The focus of the Authority's Enterprise funds is to provide information on all inflows, outflows and balances of all resources. Such information is useful in assessing the Authority's financial requirements.

As of the end of the 2003 fiscal year, the Authority's enterprise funds reported a deficit in ending net assets of (\$4,819). During the 2004 fiscal year, the net assets of the Authority's enterprise fund decreased by (\$6,461). During the 2005 fiscal year, the net assets of the Authority's enterprise fund decreased by (\$84,654). The key factor in this was the increase in housing inventories and the cost of maintaining operations during the start up phase of the programs.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

Financial Analysis of the Authority as a Whole

Net Assets: Table A-1 summarizes the Authority's net assets for the fiscal years ended December 31, 2005, 2004 and 2003.

Table A-1

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ASSETS:			
Current assets	\$ 2,443	-	-
Capital and non-current assets	<u>63,550</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	65,993	-	-
LIABILITIES:			
Current liabilities	220	-	-
Other liabilities	<u>161,707</u>	<u>11,280</u>	<u>4,819</u>
TOTAL LIABILITIES	161,927	11,280	4,819
NET ASSETS:			
Invested in capital assets	-	-	-
Unrestricted	<u>(95,934)</u>	<u>(11,280)</u>	<u>(4,819)</u>
TOTAL ASSETS	\$ <u>65,993</u>	<u>-</u>	<u>-</u>

The Authority's current assets decreased from the prior year, due mostly to the amount of time it has taken to stand the Region up, and the delay in moving inventory owned by HEI in market. Capital and non-current assets increased as a result of purchases of equipment during the year. Liabilities increased from the prior year, also as a result of the start-up costs, which were financed through a note payable to Region III.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

Financial Analysis of the Authority as a Whole - continued

Changes in net assets: The Authority's change in net assets for fiscal years 2005, 2004 and 2003 was (\$84,654), (\$6,461) and (\$4,819) (Statement of Activities), respectively. None of the Authority's revenue comes from sales and charges to the general public.

Table A-2

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
GENERAL REVENUE:			
Sales and charges	\$ -	-	-
Other	<u>56,990</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL REVENUE	56,990	-	-
EXPENSES:			
General	141,644	6,461	4,819
Program	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>141,644</u>	<u>6,461</u>	<u>4,819</u>
INCREASE (DECREASE) IN NET ASSETS	(84,654)	(6,461)	(4,819)
NET ASSETS, BEGINNING OF YEAR	<u>(11,280)</u>	<u>(4,819)</u>	<u>-</u>
NET ASSETS, END OF YEAR	\$ <u>(95,934)</u>	<u>(11,280)</u>	<u>(4,819)</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Management's Discussion and Analysis
For the Periods Ended December 31, 2005, 2004 and 2003

Unaudited

Financial Analysis of the Authority as a Whole - continued

The Authority's total expenses increased from the prior year due to the establishment of full operations. Other expenses increased as a result of growth and increased activity. For example, salaries increased approximately \$63,168 due to the increase in staff size, and professional fees expense increased \$2,685 due to the need for increased legal consultation relating to the bond issuances.

Capital Assets and Debt Administration

The Authority's investment in capital assets for its governmental activities amounts to \$6,560 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment. Additional information on the Authority's capital assets can be found in the notes to this report.

Original and Final Budget

There were no significant variations between the original and final budget.

Currently Known Facts, Decisions, or Conditions Expected to Have an Effect on Operations

On January 1, 2004, the Region I Housing Authority helped create an association of the Regional Housing Authorities throughout the state. The activities of the authorities were to identify the housing needs of the regions and to collaborate with each other to pool resources and to provide the technical assistance to accomplish the identified tasks. As a result of these efforts, the authorities have developed partnerships with cities, counties, schools, colleges and other state agencies to enhance the delivery of affordable housing.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Region I Housing Authority.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statements of Net Assets -
Enterprise Fund

Exhibit 1

<i>AS OF DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
<i>ASSETS</i>			
CURRENT ASSETS:			
Cash (Note 2)	\$ 2,443	-	-
PROPERTY, PLANT AND EQUIPMENT (Note 3):			
Property, plant and equipment	7,070	-	-
Less accumulated depreciation	<u>510</u>	<u>-</u>	<u>-</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>6,560</u>	<u>-</u>	<u>-</u>
OTHER ASSETS			
Land held for sale	<u>56,990</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>65,993</u>	<u>-</u>	<u>-</u>
<i>LIABILITIES AND NET ASSETS</i>			
CURRENT LIABILITIES:			
Accrued payroll liabilities	\$ 220	-	-
OTHER LIABILITIES:			
Due to other agency (Note 4)	<u>161,707</u>	<u>11,280</u>	<u>4,819</u>
TOTAL LIABILITIES	161,927	11,280	4,819
NET ASSETS:			
Unrestricted	<u>(95,934)</u>	<u>(11,280)</u>	<u>(4,819)</u>
TOTAL NET ASSETS	<u>(95,934)</u>	<u>(11,280)</u>	<u>(4,819)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>65,993</u>	<u>-</u>	<u>-</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statements of Activities -
Enterprise Fund

Exhibit 2

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
OPERATING REVENUES:			
Contributions	\$ <u>56,990</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	56,990	-	-
OPERATING EXPENSES:			
General and administrative Program	<u>141,644</u>	<u>6,461</u>	<u>4,819</u>
TOTAL OPERATING EXPENSES	<u>141,644</u>	<u>6,461</u>	<u>4,819</u>
OPERATING LOSS	<u>(84,654)</u>	<u>(6,461)</u>	<u>(4,819)</u>
CHANGE IN NET ASSETS	(84,654)	(6,461)	(4,819)
TOTAL NET ASSETS - BEGINNING	<u>(11,280)</u>	<u>(4,819)</u>	<u>-</u>
TOTAL NET ASSETS - ENDING	\$ <u><u>(95,934)</u></u>	<u><u>(11,280)</u></u>	<u><u>(4,819)</u></u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund

Exhibit 3

YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Payments to suppliers and to and on behalf of employees \$ (140,914)

NET CASH (USED) BY OPERATING ACTIVITIES

(140,914)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets (7,070)

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(7,070)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from other agencies 150,427

NET CASH PROVIDED BY INVESTING ACTIVITIES

150,427

NET INCREASE IN CASH AND CASH EQUIVALENTS

2,443

CASH BALANCES - BEGINNING OF THE PERIOD

-

CASH BALANCES - END OF THE PERIOD

\$ 2,443

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund - continued

Exhibit 3 - continued

YEAR ENDED DECEMBER 31, 2005

***RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:***

OPERATING (LOSS)	\$	(84,654)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation expense		510
Land contribution		(56,990)
Change in assets and liabilities:		
Accrued payroll liabilities		<u>220</u>
NET CASH USED BY OPERATING ACTIVITIES	\$	<u>(140,914)</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund - continued

Exhibit 3 - continued

YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from sales or services	\$ -
Payments to suppliers and to and on behalf of employees	(6,461)

NET CASH (USED) BY OPERATING ACTIVITIES (6,461)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from other agencies	6,461
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NET INCREASE IN CASH AND CASH EQUIVALENTS -

CASH BALANCES - BEGINNING OF THE PERIOD -

CASH BALANCES - END OF THE PERIOD \$ -

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund - continued

Exhibit 3 - continued

YEAR ENDED DECEMBER 31, 2004

*RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:*

OPERATING (LOSS)	\$ (6,461)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(6,461)</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund - continued

Exhibit 3 - continued

YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Payments to suppliers and to and on behalf of employees \$ (4,819)

NET CASH (USED) BY OPERATING ACTIVITIES (4,819)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from other agencies 4,819

NET INCREASE IN CASH AND CASH EQUIVALENTS -

CASH BALANCES - BEGINNING OF THE PERIOD -

CASH BALANCES - END OF THE PERIOD \$ -

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Statement of Cash Flows -
Enterprise Fund - continued

Exhibit 3 - continued

YEAR ENDED DECEMBER 31, 2003

*RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:*

OPERATING (LOSS)	\$	(4,819)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	\$	<u>(4,819)</u>

NATURE OF BUSINESS

Region I Housing Authority (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 Cibola, McKinley and San Juan Counties. The Authority also assists other organizations and units of local government to operate, manage and administer housing programs and projects that achieve this objective. The Authority commenced operations on June 11, 2003. They were incorporated as a New Mexico non-profit on March 30, 2005. The following is a description of the Authority's programs:

◆ *Acquisition, Rehab and New Construction*

Funded by bond issue fees and notes from various lenders, the Authority purchases, refurbishes and constructs homes listed by HUD for resale to qualified low-income buyers.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

◆ *Basis of Presentation and Reporting Format*

Proprietary Fund Types - The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Enterprise Fund - Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services, and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges to recover similar costs. The Authority's only fund (operating) is an enterprise fund.

The financial statements of the Authority have been prepared on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority utilizes an enterprise fund to account for its operations as it is the intent of the governing body that the costs providing goods and services to the general public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public police, management control, accountability, or other purposes. The Authority does not utilize encumbrance accounting. The Authority applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Enterprise funds apply Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB")

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ ***Basis of Presentation and Reporting Format - continued***

opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Authority has no component units.

◆ ***Government-wide Statements***

The statement of net assets and statement of activities display information about the primary government (the Authority). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-accounting of internal activities.

◆ ***Implementation of New Accounting Principles***

For the fiscal year ended December 31, 2005, the Authority has implemented GASB Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37 (GASB 37), *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38 (GASB 38), *Certain Financial Statement Disclosure*. The implementation of these statements had no effect on the Authority's financial statements.

◆ ***Budgets***

Budgets are prepared by Authority management and approved by the Board of Directors. Budgets are not legally required. No budgets were prepared for the years ended December 31, 2004 and 2003.

◆ ***Cash and Investments***

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

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

New Mexico statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Capital Assets**

Capital assets are defined by the Authority as assets, including software, with a useful life. These assets are recorded at cost. Depreciation is recorded using the straight-line method based upon the estimated useful life of the asset. The following lives are utilized:

Furniture and equipment	5 years
-------------------------	---------

◆ **Compensated Absences**

Vested or accumulated leave with pay is reported as an expenditure and a fund liability of the enterprise funds. A salaried employee is able to accrue up to ten days a year of accumulated leave. Accumulated leave may be accrued up to a maximum of 30 days. As of December 31, 2005, 2004 and 2003, no balance of accrued annual leave with pay existed; therefore, no liability has been recorded.

◆ **Cash Flows**

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

◆ **Revenues**

Operating revenues are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Operating revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including interest and contributions, are presented as non-operating revenues.

◆ **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Notes to Financial Statements - continued

2. CASH

◆ **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. The Authority's cash balances are not exposed to custodial credit risk. All deposits are covered by Federal Deposit Insurance Coverage (Schedule A-1).

3. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Office equipment	\$ -	7,070	-	7,070
Total capital assets	-	7,070	-	7,070
Less accumulated depreciation for: Office equipment	-	510	-	510
Total accumulated depreciation	-	510	-	510
Capital assets, net	\$ -	6,560	-	6,560

The Authority had no capital assets for the years ended December 31, 2004 and 2003.

The Authority had no infrastructure as of December 31, 2005.

4. DUE FROM AND DUE TO OTHER AGENCIES

Due to other agencies represents a payable to Region III for funds provided to the Authority for the start up and initial operation of the Authority. The balance due Region III at December 31, 2005, 2004 and 2003 was \$161,707, \$11,280 and \$4,819, respectively. No payment schedule or terms have been agreed upon.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Notes to Financial Statements - continued

5. **PROGRAM INFORMATION**

Program financial information for the years ended December 31, 2005, 2004 and 2003 is as follows:

December 31, 2005	<u>Acquisition, Rehab and New Construction</u>	<u>General and Administrative</u>	<u>Total</u>
Operating revenues	\$ -	56,990	56,990
Operating expenses	-	141,644	141,644
Operating income (loss)	<u>-</u>	<u>(84,654)</u>	<u>(84,654)</u>
Net income (loss)	\$ <u>-</u>	<u>(84,654)</u>	<u>(84,654)</u>
December 31, 2004			
Operating revenues	\$ -	-	-
Operating expenses	-	6,461	6,461
Operating income (loss)	<u>-</u>	<u>(6,461)</u>	<u>(6,461)</u>
Net income (loss)	\$ <u>-</u>	<u>(6,461)</u>	<u>(6,461)</u>
December 31, 2003			
Operating revenues	\$ -	-	-
Operating expenses	-	4,819	4,819
Operating income (loss)	<u>-</u>	<u>(4,819)</u>	<u>(4,819)</u>
Net income (loss)	\$ <u>-</u>	<u>(4,819)</u>	<u>(4,819)</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Notes to Financial Statements - continued

6. RETIREMENT PLAN

The Authority offers a tax-sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b) for all full-time employees. Employees may elect to defer a portion of their wages and the Authority has the option to make a discretionary matching contribution. Plan expenses incurred by the Authority for the year ended December 31, 2005, were \$9,705.

7. FINANCIAL DATA SCHEDULE

During 2005, the Authority did not receive any monies from the U.S. Department of Housing and Urban Development (HUD); therefore, it is not required to prepare or submit a financial data schedule (FDS) to the HUD Real Estate Assessment Center.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedule A-1

Schedule of Depository Collateral

AS OF DECEMBER 31, 2005

	<u>Grants State Bank</u>
Total deposits (bank balance)	\$ 6,131
Less: FDIC insurance	<u>6,131</u>
Total uninsured public funds	\$ <u> -</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u> -</u>
Pledged collateral	<u> -</u>
Amount over (under) collateralized	\$ <u> -</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedule A-2

Schedule of Individual Deposit Accounts and Investments

AS OF DECEMBER 31, 2005

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Grants State Bank	Checking	\$ 6,131	2,443
		\$ <u>6,131</u>	<u>2,443</u>
Cash per balance sheet			\$ <u>2,443</u>

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedule A-3

Schedules of Operating Expenses

YEAR ENDED DECEMBER 31, 2005

	Acquisition and Rehab	Lease Purchase	Total Program	General and Administrative	Grand Total
Salaries	-	-	-	63,168	63,168
Travel and entertainment	-	-	-	31,164	31,164
Fringe benefits and payroll taxes	-	-	-	15,414	15,414
Office expenses	-	-	-	10,935	10,935
Other expense	-	-	-	4,279	4,279
Advertising	-	-	-	4,000	4,000
Telephone	-	-	-	3,846	3,846
Insurance	-	-	-	2,938	2,938
Professional fees	-	-	-	2,685	2,685
Rent	-	-	-	1,500	1,500
Postage	-	-	-	604	604
Repairs and maintenance	-	-	-	601	601
Depreciation expense	-	-	-	510	510
Total operating expenses	\$ -	\$ -	\$ -	141,644	141,644

See Notes to Financial Statements.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedules of Operating Expenses - continued

Schedule A-3 - continued

YEAR ENDED DECEMBER 31, 2004

	Acquisition and Rehab	Lease Purchase	Total Program	General and Administrative	Grand Total
Travel and entertainment	\$ -	-	-	6,101	6,101
Advertising	-	-	-	360	360
Total operating expenses	\$ -	-	-	6,461	6,461

See Notes to Financial Statements.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedules of Operating Expenses - continued

Schedule A-3 - continued

YEAR ENDED DECEMBER 31, 2003

	Acquisition and Rehab	Lease Purchase	Total Program	General and Administrative	Grand Total
Travel and entertainment	\$ _____	_____	_____	4,819	4,819
Total operating expenses	\$ _____	_____	_____	4,819	4,819

See Notes to Financial Statements.

**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**



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Board of Directors
State of New Mexico Region I Housing Authority
and
Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities and the major fund of the State of New Mexico Region I Housing Authority, New Mexico, Inc. (the Authority) as of and for the years ended December 31, 2005, 2004 and 2003, and have issued our report thereon dated January 26, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State of New Mexico Region I Housing Authority, New Mexico, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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,

Board of Directors
State of New Mexico Region I Housing Authority
and
Domingo P. Martinez, CGFM
New Mexico State Auditor

Compliance and Other Matters - continued

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Meyners + Company, LLC

January 26, 2006

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Schedule of Findings and Recommendations

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the State of New Mexico Region I Housing Authority.
2. There are no reportable conditions or other findings relating to the audit of the financial statements.

B. STATUS OF PRIOR YEAR FINDINGS

None.

These financial statements were prepared by Meyners + Company, LLC. However, the contents of the financial statements remain the responsibility of the Authority.

STATE OF NEW MEXICO
REGION I HOUSING AUTHORITY

Exit Conference

An exit conference occurred at a duly constituted executive session on February 6, 2006, and was attended by the following:

Region I Housing Authority

Dennis Kennedy, Chief Financial Officer
Malcolm Bowekaty, Vice Chairman
Jim Raia, Fiscal Manager
Elisa Bro, Member
Carmen Marin, Executive Director
Lisa Garcia, Administrative Assistant

Meyners + Company, LLC

Patrick Wilkins, Audit Partner
Georgie Ortiz, Senior Audit Manager