

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Notes to Financial Statements - continued

4. LONG-TERM DEBT – continued

Future maturities of long-term debt as of December 31, 2004 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,139,733	23,402	7,163,135
2006	8,117	10,238	18,355
2007	8,878	9,476	18,354
2008	9,711	8,644	18,355
2009	10,622	7,733	18,355
2010 - 2014	75,014	16,761	91,775
2015	<u>4,473</u>	<u>1,400</u>	<u>5,873</u>
	\$ <u>7,256,548</u>	<u>77,654</u>	<u>7,334,202</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ -	16,120	(10,228)	5,892	5,892

5. LEASE PURCHASE PROGRAM SERIES 2003 A PASS-THROUGH BONDS

On February 1, 2003 pursuant to a trust agreement by and between the Authority (Issuer) and a Financial Institution (Trustee) a \$27,625,000 Region III Housing Authority New Mexico, Inc. Variable Lease Revenue Bonds (Lease Purchase Program) Series 2003 A (the "Bonds") were issued. The bonds no not constitute indebtedness or a loan to the Authority. The proceeds of the Bonds are used by the Trustee to purchase mortgage loans. The mortgage loans provide funds for the Authority's acquisition of homes, which are selected by participants enrolled in the lease purchase program.

6. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2004 consists of:

Business-type activities:

Lease purchase, repair and maintenance fund	\$ 121,036
Amounts due from other housing authorities	260,076
Current portion of note receivable (Note 8)	<u>12,616</u>
Accounts receivable	\$ <u>393,728</u>

6. *ACCOUNTS RECEIVABLE - continued*

Business-type activities - component unit:

Mortgage receivable \$ 115,491

7. *NOTE RECEIVABLE*

The Authority holds a note receivable from a local non-profit organization pursuant to a lease agreement dated February 1, 2003. The note bears interest of 10%, and is due in monthly installments of \$1,323. Upon expiration of the lease term on January 31, 2008, the property, deed and title will transfer to the lessee free and clear of monetary liens and encumbrances. The balance of the note as of December 31, 2004 was \$42,735. Future maturities of amounts due are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 12,616	\$3,260	\$15,876
2006	13,772	2,104	15,87
2007	15,034	842	15,876
2008	<u>1,313</u>	<u>10</u>	<u>1,323</u>
	\$ <u>42,735</u>	<u>6,216</u>	<u>48,951</u>

8. *RENT INCOME*

In October 2002, the Authority purchased an office building, which included the assignment of an existing lease for office space through March 2006. Total rent collected during 2004 was \$7,772. Future minimum receipts are as follows:

<u>Year Ending December 31</u>		
2005	\$	8,043
2006		<u>2,025</u>
	\$	<u>10,068</u>

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Notes to Financial Statements - continued

9. EMPLOYEE BENEFIT PLANS

The Authority maintains and administers an eligible deferred compensation plan in accordance with section 457 of the Internal Revenue Code. The Authority's contributions to the plan equal 15 percent of gross salaries for qualified employees. This contribution was \$24,660 for the year ended December 31, 2004.

10. CONTINGENT RECEIVABLES

As of December 31, 2004, the Authority had allowed use of its powers for ten bond issues for which they will collect 1/8th of 1% of the total outstanding bond amount per year for the life of the bond. Because these bonds are callable and subject to change, no amount has been accrued as of December 31, 2004. The bonds are serviced by various financial institutions and the Authority assumes no obligation thereof. Expected total revenues are as follows:

BONDS ISSUED IN 2003:

<u>Project</u>	<u>Annual Amount</u>	<u>Remaining Bond Life</u>	<u>Total Expected Revenues</u>
El Paseo Phase I	\$ 9,375	28 years	\$ 262,500
El Paseo Phase II	9,375	28 years	262,500
Arbor Apartments	18,750	28 years	525,000
Brentwood Apartments	7,500	28 years	210,000
Villa Del Oso	17,219	28 years	482,132
Enchanted Vista	10,000	29 years	290,000
Vista Grande	5,406	29 years	156,774
Vista Del Rio	<u>5,000</u>	29 years	<u>145,000</u>
Total for 2003 issuance	\$ <u>82,625</u>		\$ <u>2,333,906</u>

BONDS ISSUED IN 2004:

Enchanted Vista	\$ 938	30 years	\$ 28,140
Pueblo Madera	<u>3,500</u>	30 years	<u>105,000</u>
Total for 2004 issuance	<u>4,438</u>		<u>133,140</u>
Total	\$ <u>87,063</u>		\$ <u>2,467,046</u>

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Notes to Financial Statements - continued

11. PROGRAM INFORMATION

Program financial information for the year ended December 31, 2004 is as follows:

REGION III HOUSING AUTHORITY, NEW MEXICO, INC.	<u>Acquisition And Rehab</u>	<u>Lease Purchase</u>	<u>Home- ownership Counseling</u>	<u>General and Administrative</u>	<u>Total</u>
Operating revenues	\$ 128,459	130,081	-	101,730	360,270
Operating expenses	419,617	82,090	92,893	354,783	949,383
Operating income (loss)	(291,158)	47,991	(92,893)	(253,053)	(589,113)
Net income (loss)	\$ (281,799)	289,772	(92,893)	(2,100,503)	(2,185,423)

HOUSING ENTERPRISES, INC.	<u>Acquisition And Rehab</u>	<u>Lease Purchase</u>	<u>General and Administrative</u>	<u>Total</u>
Operating revenues	\$ 2,137,394	367,054	-	2,504,448
Operating expenses	2,290,970	147,238	222,359	2,660,567
Operating income (loss)	(153,576)	219,816	(222,359)	(156,119)
Net income (loss)	\$ (153,576)	219,816	1,630,583	1,696,823

12. FINANCIAL DATA SCHEDULE

During 2004, 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.

13. TRANSFERS

	<u>In (Out)</u>
Region III Housing Authority	\$ (1,852,942)
Housing Enterprises, Inc.	<u>1,852,942</u>
	\$ <u> -</u>

The transfer was for the purpose of home purchases by HEI.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Schedule A-1

Schedule of Depository Collateral

<i>AS OF DECEMBER 31, 2004</i>	<i>Region III</i>	<i>Housing Enterprises, Inc.</i>
First State Bank		
Total deposits (bank balance)	\$ 464,448	519,200
Less: FDIC insurance	<u>100,000</u>	<u>100,000</u>
Total uninsured public funds	\$ <u>364,448</u>	<u>419,200</u>
50% collateralization requirement (Section 6-10-17 NMSA)	182,224	209,600
Pledged collateral	<u>428,838</u>	<u>509,739</u>
Amount over (under) collateralized	\$ <u>246,614</u>	<u>300,139</u>
Compass Bank		
Total deposits (bank balance)	\$ 11,185	12,284
Less: FDIC insurance	<u>11,185</u>	<u>12,284</u>
Total uninsured public funds	\$ <u>-</u>	<u>-</u>
50% collateralization requirement (Section 6-10-17 NMSA)	-	-
Pledged collateral	<u>-</u>	<u>-</u>
Amount over (under) collateralized	\$ <u>-</u>	<u>-</u>

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Schedule A-2

Schedule of Individual Deposit Accounts and Investments

AS OF DECEMBER 31, 2004

	Type of Account	Bank Balance	Reconciled Balance
First State Bank - Region III Housing Authority, New Mexico, Inc.	Checking	\$ 464,448	\$ 434,671
First State Bank - Housing Enterprises, Inc.	Checking	519,200	488,543
Compass Bank - Region III Housing Authority, New Mexico, Inc.	Checking	11,185	11,185
Compass Bank - Housing Enterprises, Inc.	Checking	12,284	10,938
		\$ 1,007,117	\$ 945,337
Cash per balance sheet			\$ 945,337

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Schedule A-3

Schedule of Operating Expenses
Region III Housing Authority, New Mexico, Inc.

YEAR ENDED DECEMBER 31, 2004

	Acquisition and Rehab	Lease Purchase	Home- ownership Counseling	Total Program	General and Administrative	Grand Total
Cost of homes sold	\$ 51,301	-	-	51,301	-	51,301
Salaries	94,796	48,519	83,962	227,277	93,291	320,568
Payroll taxes	6,668	3,960	5,832	16,460	5,632	22,092
Professional fees	-	-	-	-	64,925	64,925
Office expenses	98	-	-	98	12,910	13,008
Interest expense	250,900	-	-	250,900	41,427	292,327
Other expense	-	-	-	-	4,829	4,829
Contract labor	275	446	-	721	175	896
Repairs and maintenance	-	2,491	-	2,491	6,014	8,505
Depreciation expense	3,575	2,145	3,099	8,819	3,099	11,918
Telephone	-	-	-	-	8,611	8,611
Insurance	471	283	-	754	7,833	8,587
Utilities	14	10	-	24	8,945	8,969
Board expense	-	-	-	-	39,348	39,348
Pension expense	-	-	-	-	24,660	24,660
Bond issue expense	10,400	24,000	-	34,400	7,000	41,400
Travel and entertainment	-	-	-	-	19,664	19,664
Advertising	-	-	-	-	285	285
Training	-	-	-	-	6,135	6,135
Property taxes	1,112	236	-	1,355	-	1,355
Total operating expenses	\$ 419,617	82,090	92,893	594,600	354,783	949,383

See Notes to Financial Statements.

STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Schedule A-4
Schedule of Operating Expenses
Housing Enterprises, Inc.

YEAR ENDED DECEMBER 31, 2004

	Acquisition and Rehab	Lease Purchase	Total Program	General and Administrative	Grand Total
Cost of homes sold	\$ 2,240,931	145,514	2,386,445	-	2,386,445
Salaries	-	-	-	148,707	148,707
Payroll taxes	-	-	-	12,878	12,878
Office expenses	-	-	-	4,344	4,344
Other expense	20	224	244	1,370	1,614
Contract labor	1,882	1,500	3,382	-	3,382
Repairs and maintenance	-	-	-	2,352	2,352
Depreciation expense	-	-	-	5,689	5,689
Administrative fee	47,965	-	47,965	-	47,965
Insurance	-	-	-	-	-
Utilities	47	-	47	-	47
Home Bid Cost	-	-	-	-	-
Board expense	-	-	-	2,605	2,605
Training	-	-	-	10,404	10,404
Travel and entertainment	125	-	125	34,010	34,135
Advertising	-	-	-	-	-
Total operating expenses	\$ 2,290,970	147,238	2,438,208	222,359	2,660,567

See Notes to Financial Statements.

Domingo Martinez, State Auditor
and
Board of Directors
State of New Mexico
Region III Housing Authority, New Mexico, Inc.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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.

Meyers + Company, LLC

June 15, 2005

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***



MEYNEERS +
COMPANY, L.L.C.
<i>Certified Public Accountants/ Consultants to Business</i>
500 Marquette NW, Suite 800
Albuquerque, NM 87102
P 505/842-8290
F 505/842-1568
E cpa@meyners.com

Domingo Martinez, State Auditor
and
Board of Directors
State of New Mexico
Region III Housing Authority, New Mexico, Inc.
Albuquerque, NM

We have audited the financial statements of the State of New Mexico Region III Housing Authority, New Mexico, Inc. (the Authority) as of and for the years ended December 31, 2004, and have issued our report thereon dated June 15, 2005. 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.

Compliance

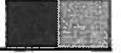
As part of obtaining reasonable assurance about whether State of New Mexico Region III Housing Authority, New Mexico, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying memorandum on Accounting Procedures and Internal Controls as findings 04-1.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 effect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying memorandum on Accounting Procedures and Internal Controls as finding 04-1.

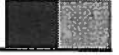
**STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.**

Schedule of Findings and Recommendations



STATE OF NEW MEXICO
REGION III HOUSING AUTHORITY, NEW MEXICO, INC.

Schedule of Findings and Recommendations

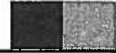


B. FINDINGS AND RECOMMENDATIONS - FINANCIAL STATEMENT AUDIT – continued

04-1 FILING OF AUDIT REPORTS – continued

Recommendation: The Authority should complete preparations for the audit and have the audit fieldwork conducted at an earlier date than in the current year to ensure the auditors have sufficient time to complete the audit report by the specified date.

Management's Response: Management agrees with the findings and recommendations above.



C. EXIT CONFERENCE

An exit conference was held on June 21, 2005, and attended by the following:

Region III Housing Authority, New Mexico, Inc.

Filo M. "Bobo" Sedillo	Board Chairman
Delores Molina	Board Member
Vincent "Smiley" Gallegos	Executive Director
Dennis Kennedy, CPA	Chief Financial Officer
Denise Padilla	Executive Secretary

Meyners + Company, LLC

Georgie Ortiz, CPA	Senior Audit Manager
Raul Anaya	In-Charge Auditor

8-11-2005