

STATE OF NEW MEXICO
REGION VII
HOUSING AUTHORITY, INC.
Financial Statements
for the Years Ended
December 31, 2005 and 2004
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

July 26, 2006

SAO Ref. No. 9007

Emma Johnson Ortiz, Executive Director
and
Members of the Board of Directors
Region VII Housing Authority
105 W. Griggs
Las Cruces, NM 88001-

SUBJECT: Audit Report—Region VII 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 May 12, 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:

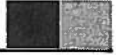
- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements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

Table of Contents



	Page
<i>Official Roster</i>	1
<i>Independent Auditors' Report</i>	2 - 3
<i>Management's Discussion and Analysis</i>	4 - 9
	<u>Exhibit</u>
<i>Financial Statements:</i>	
Balance Sheets – Enterprise Fund.....	1 10
Statements of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Fund.....	2 11
Statements of Cash Flows – Enterprise Fund	3 12 - 13
Notes to Financial Statements	14 - 19
	<u>Schedule</u>
<i>Supplementary Information:</i>	
Schedule of Depository Collateral	A-1 21
Schedule of Individual Deposit Accounts and Investments.....	A-2 22
Schedules of Operating Expenses.....	A-3 23 - 24
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>	25 - 26
Schedule of Findings and Recommendations.....	27
Exit Conference	28

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Official Roster

Region VII Housing Authority, Inc.
December 31, 2005

Board of Directors - Appointed by the Governor of New Mexico

	<u>Title</u>
Benigno "Bennie" Barreras	Chairman
Marjorie Gogolya	Vice Chairman
Leticia Benavidez	Secretary/Treasurer
Valecia Gavin	Member
Fernando Macias	Member
Charles Gallegos	Member
Frances Williams	Member

Administrative Staff

Emma Johnson Ortiz	Executive Director
Pat Carreon-Ralston	Administrative Coordinator



MEYNER'S +
COMPANY, LLC
<i>Certified Public Accountants/ Consultants to Business</i>
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INDEPENDENT AUDITORS' REPORT

Board of Directors
State of New Mexico Region VII Housing Authority, Inc.
Albuquerque, New Mexico
and
Mr. Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying basic financial statements of the State of New Mexico Region VII Housing Authority, Inc. (the Authority) as of and for the years ended December 31, 2005 and 2004, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and 2004, and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 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, contract, 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.

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

The management's discussion and analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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.

Meyners + Company, LLC

January 31, 2006

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

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

The Region VII Housing Authority, Inc.'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 two years ended December 31, 2005 and 2004.

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. The Authority is receiving assistance from Region III, another housing authority located in Albuquerque, New Mexico.

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 and 2004, the total liabilities of the Authority exceeded total assets by \$437,230 and \$218,783, respectively.
- The Authority had no capital asset acquisitions in 2005.
- Of the \$7,261 in total current assets, three percent was a receivable from Housing Enterprises, Inc. (HEI), representing costs advanced on housing rehabs.
- The total cost of Authority programs was \$17,516, whereas the total Authority revenue was \$29,683.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

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

Authority Highlights

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

- ***Acquisition Rehab***

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 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 VII HOUSING AUTHORITY, INC.

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

Overview of the Financial Statement - continued

- *Other Information*

Individual schedules of operating expenses for the Authority can be found on pages 22 and 23 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 2005 fiscal year, the Authority's enterprise funds reported a deficit in ending net assets of (\$437,230). During the 2005 fiscal year, the net assets of the Authority's enterprise fund decreased by (\$218,447). 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 VII HOUSING AUTHORITY, INC.

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

Table A-1

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>
ASSETS:		
Current assets	\$ 7,261	25,360
Capital and non-current assets	<u>9,401</u>	<u>12,170</u>
TOTAL ASSETS	16,662	37,530
LIABILITIES:		
Current liabilities	2,618	7,517
Other liabilities	<u>451,274</u>	<u>248,796</u>
TOTAL LIABILITIES	453,892	256,313
NET ASSETS:		
Invested in capital assets	9,401	12,170
Unrestricted	<u>(446,631)</u>	<u>(230,953)</u>
TOTAL NET ASSETS	\$ <u>(437,230)</u>	<u>(218,783)</u>

The Authority's current assets decreased from the prior year, due mostly to the amount of time it has taken to start 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 as a result of the start-up costs, which were financed through a note payable to Region III.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Management's Discussion and Analysis
For the Periods Ended December 31, 2005 and 2004
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 and 2004 was (\$218,447) and (\$212,169) (Statement of Activities), respectively. Ninety-nine percent 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>
GENERAL REVENUE:		
Sales and Charges	\$ 29,633	9,665
Other	<u>50</u>	<u>1,246</u>
TOTAL GENERAL REVENUE	29,683	10,911
EXPENSES:		
General	230,631	204,248
Program	<u>17,516</u>	<u>18,874</u>
TOTAL EXPENSES	248,147	223,122
OTHER REVENUE	<u>17</u>	<u>42</u>
DECREASE IN NET ASSETS	(218,447)	(212,169)
NET ASSETS, BEGINNING OF YEAR	<u>(218,783)</u>	<u>(6,614)</u>
NET ASSETS, END OF YEAR	\$ <u><u>(437,230)</u></u>	<u><u>(218,783)</u></u>

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

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

Unaudited

Financial Analysis of the Authority as a Whole - continued

The Authority's general revenues increased as a result of real estate sales compared to the prior year.

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 \$25,615 due to the increase in staff size, and professional fees expense decreased \$12,620 due to less 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 \$9,401 (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.

The Authority's total debt increased \$202,478 over the previous fiscal year. The key factor in this increase was the cost incurred to get the Authority operating at full capacity.

Original and Final Budget

The Authority does not have any statutory budget requirements. However, they do prepare an internal budget.

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

On January 1, 2004, the 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 Authority.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Balance Sheets -
Enterprise Fund

Exhibit 1

<i>AS OF DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>
<i>ASSETS</i>		
CURRENT ASSETS:		
Cash	\$ 6,911	9,801
Due from other agency (Note 3)	250	15,459
Refundable deposit	<u>100</u>	<u>100</u>
TOTAL CURRENT ASSETS	<u>7,261</u>	<u>25,360</u>
CAPITAL ASSETS (Note 2)		
Office equipment	13,846	13,846
Less accumulated depreciation	<u>4,445</u>	<u>1,676</u>
TOTAL CAPITAL ASSETS	<u>9,401</u>	<u>12,170</u>
TOTAL ASSETS	\$ <u>16,662</u>	<u>37,530</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES:		
Accounts payable	\$ 582	1,213
Accrued payroll liabilities	1,046	6,304
Compensated absences payable	<u>990</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>2,618</u>	<u>7,517</u>
OTHER LIABILITIES:		
Due to other agency (Note 3)	<u>451,274</u>	<u>248,796</u>
TOTAL LIABILITIES	<u>453,892</u>	<u>256,313</u>
NET ASSETS:		
Invested in capital assets	9,401	12,170
Unrestricted	<u>(446,631)</u>	<u>(230,953)</u>
TOTAL NET ASSETS	<u>(437,230)</u>	<u>(218,783)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>16,662</u>	<u>37,530</u>

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Statements of Revenues, Expenses and Changes in
Fund Net Assets - Enterprise Fund

Exhibit 2

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>
OPERATING REVENUES:		
Charges for service	\$ 12,000	350
Real estate sales	17,633	9,315
Miscellaneous income	<u>50</u>	<u>1,246</u>
TOTAL OPERATING REVENUES	<u>29,683</u>	<u>10,911</u>
OPERATING EXPENSES:		
General and administrative Program	230,631	204,248
	<u>17,516</u>	<u>18,874</u>
TOTAL OPERATING EXPENSES	<u>248,147</u>	<u>223,122</u>
OPERATING LOSS	<u>(218,464)</u>	<u>(212,211)</u>
NON-OPERATING REVENUE:		
Interest income	<u>17</u>	<u>42</u>
TOTAL NON-OPERATING REVENUE	<u>17</u>	<u>42</u>
CHANGE IN NET ASSETS	(218,447)	(212,169)
TOTAL NET ASSETS - BEGINNING	<u>(218,783)</u>	<u>(6,614)</u>
TOTAL NET ASSETS - ENDING	\$ <u><u>(437,230)</u></u>	<u><u>(218,783)</u></u>

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Statements of Cash Flows -
Enterprise Fund

Exhibit 3

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from sales or services	\$ 29,683	10,911
Payments to suppliers and to and on behalf of employees	<u>(250,277)</u>	<u>(214,029)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(220,594)	(203,118)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	<u>-</u>	<u>(13,846)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(13,846)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from other agencies	202,478	242,182
Payments to other agencies	-	(15,459)
Repayments from other agencies	15,209	-
Interest received	<u>17</u>	<u>42</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	217,704	226,765
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,890)	9,801
CASH BALANCES - BEGINNING OF THE PERIOD	<u>9,801</u>	<u>-</u>
CASH BALANCES - END OF THE PERIOD	\$ <u>6,911</u>	<u>9,801</u>

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Statements of Cash Flows - continued
Enterprise Fund

Exhibit 3 - continued

<i>YEARS ENDED DECEMBER 31,</i>	<i>2005</i>	<i>2004</i>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</i>		
OPERATING LOSS	\$ (218,464)	(212,211)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense	2,769	1,676
Change in assets and liabilities:		
Refundable deposit	-	(100)
Accounts payable	(631)	1,213
Accrued payroll liabilities	(5,258)	6,304
Compensated absences payable	<u>990</u>	<u>-</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(220,594)</u>	<u>(203,118)</u>

NATURE OF BUSINESS

Region VII Housing Authority, 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 Socorro, Sierra and Dona Ana 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 and Rehab*

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

◆ *Lease Purchase*

Funded by bond issue fees, this program allows qualified low income families to lease a home for a three year period, during which credit counseling is provided. If the family has adequately remedied their credit situation at the end of the three-year period, they are then allowed to purchase the property and retain the equity accumulated during the lease period.

◆ *Home Ownership Counseling*

Funded by bond issue fees, this program provides credit and home ownership counseling to qualified low-income families and individuals.

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 - 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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 applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Enterprise funds apply Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") 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 balance sheet 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, 2004, 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.

◆ ***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.

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

◆ **Cash and Investments - continued**

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.

◆ **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 and 2004, the balance of accrued annual leave with pay was \$990 and \$0, respectively.

◆ **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 VII HOUSING AUTHORITY, INC.

Notes to Financial Statements - continued

2. 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	\$ 13,846	-	-	13,846
Total capital assets	13,846	-	-	13,846
Less accumulated depreciation for: Office equipment	(1,676)	(2,769)	-	(4,445)
Total accumulated depreciation	(1,676)	(2,769)	-	(4,445)
Capital assets, net	\$ 12,170	(2,769)	-	9,401

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

3. DUE FROM AND DUE TO OTHER AGENCIES

A. Due From Other Agencies

Due from other agencies represents a receivable from Housing Enterprises, Inc. (HEI) for costs paid by the Authority on behalf of HEI. HEI is a blended component of the Region III Housing Authority (Region III) and serves housing authorities throughout New Mexico. HEI is involved in the acquisition and rehabilitation of properties to be sold throughout New Mexico for use in their programs. The balance due for the year ended December 31, 2005 and 2004 was \$250 and \$15,459, respectively.

B. 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 Authority has agreed to repay Region III once the Authority becomes self-sufficient. The balance due Region III at December 31, 2005 and 2004 was \$451,274 and \$248,796, respectively.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Notes to Financial Statements - continued

4. PROGRAM INFORMATION

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

December 31, 2005	<u>Acquisition And Rehab</u>	<u>Lease Purchase</u>	<u>General and Administrative</u>	<u>Total</u>
Operating revenues	\$ 29,633	-	50	29,683
Operating expenses	13,037	4,479	230,631	248,147
Operating income (loss)	16,596	(4,479)	(230,581)	(218,464)
Net income (loss)	\$ 16,596	(4,479)	(230,564)	(218,447)
December 31, 2004	<u>Acquisition And Rehab</u>	<u>Lease Purchase</u>	<u>General and Administrative</u>	<u>Total</u>
Operating revenues	\$ 9,315	-	1,596	10,911
Operating expenses	13,241	5,633	204,248	223,122
Operating income (loss)	(3,926)	(5,633)	(202,652)	(212,211)
Net income (loss)	\$ (3,926)	(5,633)	(202,610)	(212,169)

5. 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 years ended December 31, 2005 and 2004 were \$7,756 and \$0, respectively.

6. 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.

7. CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

Region VII financed operating costs through a note payable from Region III. The Authority expects to generate operating revenues in the near future without the assistance of Region III.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Notes to Financial Statements - continued

8. NET ASSETS (DEFICIT)

The Authority has a net asset deficit of \$437,230 and \$218,783 for the years ended December 31, 2005 and 2004, respectively. The Authority's corrective action plan to reverse this deficit is to generate operating revenue by the construction of affordable homes. In November 2005, the Authority entered into a contract to build 33 homes in a Las Cruces, New Mexico, subdivision.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Schedule A-1

Schedule of Depository Collateral

AS OF DECEMBER 31, 2005

	<u>Citizens Bank</u>
Total deposits (bank balance)	\$ 12,819
Less: FDIC insurance	<u>12,819</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 VII HOUSING AUTHORITY, INC.

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>
Citizens Bank	Checking	\$ <u>12,819</u>	<u>6,911</u>
		\$ <u>12,819</u>	<u>6,911</u>
Cash per balance sheet			\$ <u>6,911</u>

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

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	\$ 11,681	4,380	16,061	130,946	147,007
Professional fees	-	-	-	19,753	19,753
Travel and entertainment	-	-	-	24,025	24,025
Payroll taxes	1,254	99	1,353	10,945	12,298
Rent	-	-	-	13,400	13,400
Office expenses	-	-	-	6,920	6,920
Telephone	-	-	-	6,870	6,870
Insurance	-	-	-	11,384	11,384
Advertising	-	-	-	2,296	2,296
Depreciation expense	-	-	-	2,769	2,769
Postage	-	-	-	847	847
Repairs and maintenance	102	-	102	441	543
Other expense	-	-	-	15	15
Licenses and permits	-	-	-	20	20
Printing	-	-	-	-	-
Total operating expenses	\$ <u>13,037</u>	<u>4,479</u>	<u>17,516</u>	<u>230,631</u>	<u>248,147</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Schedule A-3 - continued

Schedules of Operating Expenses - continued

YEAR ENDED DECEMBER 31, 2004

	Acquisition and Rehab	Lease Purchase	Total Program	General and Administrative	Grand Total
Salaries	\$ 9,104	3,541	12,645	108,747	121,392
Professional fees	2,428	944	3,372	29,001	32,373
Travel and entertainment	-	-	-	25,141	25,141
Payroll taxes	789	307	1,096	9,429	10,525
Rent	683	266	949	8,163	9,112
Office expenses	237	-	237	5,972	6,209
Telephone	-	575	575	4,532	5,107
Insurance	-	-	-	4,983	4,983
Advertising	-	-	-	3,796	3,796
Depreciation expense	-	-	-	1,676	1,676
Postage	-	-	-	720	720
Repairs and maintenance	-	-	-	648	648
Other expense	-	-	-	645	645
Licenses and permits	-	-	-	500	500
Printing	-	-	-	295	295
Total operating expenses	\$ 13,241	5,633	18,874	204,248	223,122

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**



MEYNER'S +
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Board of Directors
State of New Mexico Region VII Housing Authority, Inc.
and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State of New Mexico Region VII Housing Authority, 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, 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.

Meyers + Company, LLC

January 31, 2006

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Schedule of Findings and Recommendations

YEAR ENDED DECEMBER 31, 2005

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 VII Housing Authority, Inc..
2. No reportable conditions or other findings relating to the audit of the financial statements are reported in the 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*.

B. *STATUS OF PRIOR YEAR FINDINGS*

None

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, INC.

Exit Conference

An exit conference occurred at a duly constituted executive session on January 30, 2006, and was attended by the following:

Region VII Housing Authority, Inc.

Emma Johnson Ortiz	Executive Director
Pat Carreon-Ralston	Administrative Coordinator
Marjorie Gogolya	Vice-Chairman of the Board

Meyners + Company, LLC

Raul J. Anaya	Senior Auditor
W. Eddie Vasquez	Senior Auditor

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