

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A Component Unit of the State of New Mexico)

Notes to Financial Statements

September 30, 2006 and 2005

- (e) The Authority entered into a JPA with DFA in October 2005, which was amended in November 2005. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective October 18, 2005 and terminated on June 30, 2006. The estimated amount of the project is \$3,300,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.
- (f) The Authority entered into a JPA with DFA in July 2006. The purpose of the agreement is for DFA to transfer funds to the Authority for administering the Weatherization Assistance Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective July 18, 2006 and will terminate on June 30, 2007. The estimated amount of the project is \$800,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.
- (g) The Authority entered into a JPA with DFA in January 2004, which was amended in May 2004. The purpose of the agreement is for DFA to transfer funds to the Authority to develop and administer the Innovation in Housing Awards Program. The Authority has the primary responsibility for financial and programmatic aspects of the program. The JPA was effective January 16, 2004 and will remain in effect until the expenditure by the Authority of all the program funds. The estimated amount of the project is \$1,500,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (h) The Authority entered into a JPA with DFA in August 2006. The purpose of the agreement is for DFA to transfer funds to the Authority to renovate, expand, and improve infrastructure for low-income rental housing to be managed by the Albuquerque Mental Health Housing Coalition. The JPA was effective August 4, 2006 and will remain in effect until June 30, 2010. The estimated amount of the project is \$625,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project.

(15) Related-Party Transactions

In July 2003, the Governor of New Mexico appointed the Executive Director of Homewise (formerly Neighborhood Housing Services) to the Authority's board of directors. During fiscal years 2006 and 2005, the Authority awarded federal grants of \$50,000 and \$485,000, respectively, to Homewise.

The Authority purchases various insurance policies from an insurance company that is controlled by the family of the chair of the Authority's board of directors. The total amount of these particular insurance expenses for 2006 and 2005 are \$10,000.

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(16) Subsequent Event

On November 1, 2006, the Authority issued an additional \$74,400,000 of bonds under the Single Family Mortgage Program Bonds Draw Down Issue 2006. These short-term bonds will be refunded by bonds to be issued either under a separate or general indenture, and the proceeds will be used to purchase securitized mortgage loans to be held either under separate or general indentures.

On November 29, 2006, the Authority issued \$60,000,000 Single Family Mortgage Program Class I Bonds, 2006 Series F.

(17) Segment Financial Information

The Authority issues separate revenue bonds to finance the single family and multi-family mortgage financing programs. The investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary of financial information for each bond resolution is presented on the following pages.

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Schedule of Findings and Questioned Costs

September 30, 2006

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Reportable conditions identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Reportable conditions identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

Program name	CFDA number
Mortgage Insurance – Homes (FHA)	14.117
542 (c) Risk Sharing Program	14.188

Dollar threshold used to distinguish between type A and type B programs \$1,066,043

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

No such findings were identified.

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Schedule of Findings and Questioned Costs

September 30, 2006

Section III – Federal Award Findings and Questioned Costs

No such findings were identified.

Section IV – Other Findings, as required by New Mexico State Statute, Section 12-6-5, NMSA 1978

No such findings were identified.

Section V – Financial Statement Preparation, required disclosure under Audit Rule NMAC 2.2.2.8 K (4)

KPMG prepared the financial statements, in conformance with NMAC Subsection I 2.2.2.8 for management's review and approval. These circumstances do not constitute a finding. Maintenance of the Authority's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with U.S. generally accepted accounting principles.