

STATE OF NEW MEXICO
VILLAGE OF WAGON MOUND HOUSING AUTHORITY
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2008

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

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VILLAGE OF WAGON MOUND HOUSING AUTHORITY

OFFICIAL ROSTER
JUNE 30, 2008

Board of Directors

<u>Name</u>	<u>Title</u>
<i>Adrian Clouthier</i>	<i>Chair</i>
<i>Margie Woods</i>	<i>Board Member</i>
<i>Nancy Cruz</i>	<i>Board Member</i>
<i>Rosella Muniz</i>	<i>Board Member</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Village of Wagon Mound Housing Authority
(A Component Unit of the Village of Wagon Mound)
Wagon Mound, New Mexico

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of Village of Wagon Mound Housing Authority (a component unit of the Village of Wagon Mound), as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the Housing Authority presented as supplementary information in the individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Village of Wagon Mound Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Village of Wagon Mound Housing Authority, as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly the budgetary comparisons of the major and nonmajor funds in accordance with the budgetary basis described in Note. 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008 on our consideration of the Village of Wagon Mound Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors
Village of Wagon Mound Housing Authority
(A Component Unit of the Village of Wagon Mound)
Wagon Mound, New Mexico
Page Two

The management's discussion and analysis information on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

Kriegel/Gray/Shaw & Co., P.C.

November 28, 2008

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following is an analysis for the Wagon Mound Housing Authority's financial performance. It is to provide the reader with an overview to the Authority's financial activities for the fiscal year ended June 30, 2008. The information contained here in this MD&A should be considered in conjunction with the Authority's basic financial statements.

Financial Highlights

- The Wagon Mound Housing Authority's total assets decreased from \$177,907 to \$134,372, a decrease of \$43,535 or 24%.
- The net asset's balance decreased from \$163,450 to \$128,264 at June 30, 2008. This represents a decrease of \$35,186 or 21% from the previous year. The unrestricted net asset balance decreased from \$31,737 to \$26,858, a decrease of \$4,879 or 15%.
- Revenues increased from \$136,108 to \$138,964 an increase of \$2,856 or 2% from the previous year.
- Total expenses increased by \$42,121 from \$102,029 to \$144,150 for the current year. This represents a decrease of 41%.

Using this Annual Report

This annual report consists of basic financial statements and notes to the financial statements. Management's Discussion and Analysis provides a narrative of the Authority's financial performance and activities for the year ended June 30, 2008. The basic statements provide readers with a broad overview of the Authority's finances. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

1. The Statement of Net Assets provides information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
2. The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
3. The Statement of Cash Flows presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The agency has two individual programs. These include the Low Rent Housing Program and the Capital Fund Program.

- The Low Rent Housing Program consists of the 18 dwelling units one which is being used as the administration office. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula. Tenants typically pay dwelling rent, which is based on a formula that equates to 30 percent of the tenant's adjusted gross income. The HUD subsidy for the year increased substantially and expenditures were down due to vacancies in personnel positions.
- The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations. Capital Fund Program funding was used during the year to create a handicap accessible rental unit.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended June 30, 2008 and June 30, 2007.

Statement of Net Assets-Condensed FYE June 30

<u>Category</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>Dollar Change</u>	<u>Change %</u>
Current Assets	\$8,816	\$44,743	(\$35,927)	(80%)
Noncurrent Assets	1,948	1,451	497	34%
Capital Assets (Net of Depreciation)	123,608	131,713	(8,105)	(6%)
Total Assets	\$134,372	\$177,907	(43,535)	(24%)
Current Liabilities	\$4,160	\$12,043	(\$7,883)	(65%)
Long Term Liabilities	1,948	2,414	(466)	(19%)
Total Liabilities	\$6,108	\$14,457	(8,349)	(58%)
Unrestricted Net Assets	\$4,656	\$31,737	(27,081)	(85%)
Investment in Net Capital Assets	123,608	131,713	(8,105)	(6%)
Total Net Assets	\$128,264	\$163,450	\$(35,186)	(22%)

Cash & Investments

Unrestricted cash and investments totaled \$6,215, a decrease of \$33,180 from the previous year. The cash decrease is attributable to an increase in personnel costs due to hiring of the executive director and high utility costs (gas).

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Capital Assets

Capital assets increased as a result of the expenditure of CFP funding used to create a handicap accessible rental unit.

Current Liabilities

Current liabilities decreased for June 30, 2008 as a result of the following:

- Decrease in accounts payable.
- Waiver of the PILOT liability.

Net Assets

The total net asset balance decreased from \$163,450 to \$128,264 at June 30, 2008. Unrestricted net assets are the amount of available funds for future appropriations. These funds are reserved for expenditures of the actual program. The Authority's unrestricted net assets total \$4,656, a decrease of \$27,081 from the previous year.

Statement of Revenues & Expenses FYE June 30

<u>Category</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>Dollar Change</u>	<u>Change %</u>
Rental Revenue	\$34,002	\$30,926	\$3,076	10%
HUD Operating Grants	42,525	48,711	(6,186)	(13%)
Capital Grants	32,262	56,262	(24,000)	(43%)
Interest Income	175	209	(34)	(16%)
Total Revenue	108,964	136,108	(27,144)	(20%)
Personnel	38,617	11,857	26,760	226%
Operating	95,558	76,258	19,300	25%
Depreciation	9,975	13,914	(3,939)	(28%)
Total Expenses	144,150	102,029	42,121	41%
Excess of Revenue over Expenses	(\$35,186)	\$34,079	(\$69,265)	(203%)

Results of Operations

Operating revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenues decreased by \$27,144. Total expenses increased by \$42,121 from the previous year. Revenues decreased from the previous year due to decreases in the HUD operating subsidy and the CFP capital grants. In 2007 the Authority expended multiple years of CFP funding before they expired. Expenses increased from the previous year principally due to increased (hiring of an executive director) administrative costs and cost of utilities and maintenance costs. The Housing Authority receives 39% of its monthly income from HUD Subsidy and 31% from Dwelling Rent. The Wagon Mound Housing Authority will place strong emphasis in the collection of rent in order for it not to become a liability.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Economic Factors

No significant changes in financial position or results of operations are anticipated for the fiscal year ending June 30, 2008.

Budgets

There were no budget adjustments for the year, consistent with the HUD budgeting process. The variances in actual verses revised budget were a result of the Authority not having a consistent full-time executive director (administration costs less than budget and maintenance costs less than budgeted). Utilities also came in over budget due to higher than anticipated utility rates.

Capital Assets

As of June 30, 2008, the Wagon Mound Housing Authority's investment in capital assets was \$123,608. This investment includes land, building, building improvements, office equipment, and maintenance equipment.

<u>Category</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>Dollar Change</u>	<u>Change %</u>
Land	\$7,227	\$7,227	\$0	0%
Construction in Progress	0	41,441	(41,441)	(100%)
Buildings	792,330	748,107	44,223	6%
Equipment	23,198	30,608	(7,410)	24%
Nondwelling Structures	15,065	15,065	0	0%
Accumulated Depreciation	(714,212)	(710,735)	(3,477)	(49%)
Total Net Capital Assets	\$123,608	\$131,713	(\$8,105)	(6%)

There were \$1,870 in additions to capital assets for the year ended June 30, 2008 due to expenditure of CFP funding. The change in accumulated depreciation is current depreciation expense.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Wagon Mound Housing Authority
Ricardo Valenzuela, Executive Director
P.O. Box 188
Wagon Mound, New Mexico 87728

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$6,215	\$0	\$6,215
Prepaid insurance	733	0	733
Tenant receivable - net of allowance	1,515	0	1,515
Interest receivable	7	0	7
Grant revenue receivable	0	0	0
Due from Low Rent	0	0	0
Inventory	346	0	346
<i>Total current assets</i>	8,816	0	8,816
Noncurrent Assets:			
Restricted cash	1,948	0	1,948
Net capital assets	103,555	20,053	123,608
<i>Total noncurrent assets</i>	105,503	20,053	125,556
Total assets	\$114,319	\$20,053	\$134,372
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$3,332	\$0	\$3,332
Payroll liabilities	828	0	828
Deferred grant revenue	0	0	0
Tenants prepaid rent	0	0	0
Due to CFP fund	0	0	0
PILOT liability	0	0	0
<i>Total current liabilities</i>	4,160	0	4,160
Long-term Liabilities:			
Tenant security deposits	1,948	0	1,948
<i>Total liabilities</i>	6,108	0	6,108
Net Assets:			
Invested in capital assets	103,555	20,053	123,608
Unrestricted	4,656	0	4,656
<i>Total net assets</i>	108,211	20,053	128,264
Total liabilities and net assets	\$114,319	\$20,053	\$134,372

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
OPERATING REVENUES:			
Rental income	\$28,387	\$0	\$28,387
Other income	5,615	0	5,615
<i>Total operating revenues</i>	34,002	0	34,002
OPERATING EXPENSES:			
Personnel	38,617	0	38,617
Operating	82,979	12,579	95,558
Depreciation	8,919	1,056	9,975
<i>Total operating expenses</i>	130,515	13,635	144,150
<i>Net operating income (loss)</i>	(96,513)	(13,635)	(110,148)
NON-OPERATING REVENUE AND (EXPENSES)			
HUD operating subsidy/capital grants	42,525	32,262	74,787
Interest	175	0	175
<i>Total non-operating revenue and (expenses)</i>	42,700	32,262	74,962
<i>Income (loss) before transfers</i>	(53,813)	18,627	(35,186)
Operating transfers in (out)	17,813	(17,813)	0
Capital transfers in (out)	22,202	(22,202)	0
	40,015	(40,015)	0
<i>Change in net assets</i>	(13,798)	(21,388)	(35,186)
Total net assets - beginning	122,009	41,441	163,450
<i>Total net assets, June 30, 2008</i>	\$108,211	\$20,053	\$128,264

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities		
	Low Rent	Nonmajor Fund CFP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers (including other funds)	\$28,498	\$0	\$28,498
Cash paid to suppliers	(84,863)	(12,592)	(97,455)
Cash paid to employees	(40,506)	0	(40,506)
<i>Net cash provided (used) by operating activities</i>	<i>(96,871)</i>	<i>(12,592)</i>	<i>(109,463)</i>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Interfund borrowings	(11)	11	0
Grants - subsidies	46,184	0	46,184
Transfers in (out)	17,813	(17,813)	0
<i>Net cash provided (used) by non capital financing</i>	<i>63,986</i>	<i>(17,802)</i>	<i>46,184</i>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grant	0	32,262	32,262
Purchase of capital assets	0	(1,868)	(1,868)
<i>Net cash provided (used) by capital and related financing activities</i>	<i>0</i>	<i>30,394</i>	<i>30,394</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	202	0	202
<i>Net increase (decrease) in pooled cash and investments</i>	<i>(32,683)</i>	<i>0</i>	<i>(32,683)</i>
Pooled cash and investments, beginning of year	40,846	0	40,846
<i>Pooled cash and investments, end of year</i>	<i>\$8,163</i>	<i>\$0</i>	<i>\$8,163</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (loss)	(\$96,513)	(\$13,635)	(\$110,148)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,919	1,056	9,975
Change in assets and liabilities:			
Accounts receivable	(284)	0	(284)
Inventory	(346)	0	(346)
Prepaid expenses	(320)	0	(320)
Tenants Prepaid rent	(344)	0	(344)
Accounts and contracts payable	(5,628)	(2)	(5,630)
Accrued payroll	(1,889)	0	(1,889)
Customer deposits	(466)	0	(466)
Deferred Revenue	0	(11)	(11)
<i>Total adjustments</i>	<i>(358)</i>	<i>1,043</i>	<i>685</i>
<i>Net cash provided (used) by operating activities</i>	<i>(\$96,871)</i>	<i>(\$12,592)</i>	<i>(\$109,463)</i>

Non-cash transactions consisted of \$22,202 of capital assets transferred from CFP to Low Rent.

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The function of the Village of Wagon Mound Housing Authority is to administer the Housing and Urban Development (HUD) programs to provide housing for qualified individuals in the Village of Wagon Mound Area.

This funding is provided through various grant programs.

The financial statements of the Village of Wagon Mound Housing Authority (Housing Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village of Wagon Mound Housing Authority's most significant accounting policies are described below.

Reporting Entity

The Housing Authority is a component unit of the Village of Wagon Mound. The accompanying financial statements present only the Village of Wagon Mound Housing Authority's financial information.

The Village of Wagon Mound Housing Authority is a Village organization created by Village Ordinance to provide housing for qualified Village residents. The Village has the ability to appoint management; influence operations, and influence the disposition of funds.

The Village of Wagon Mound Housing Authority has no component units.

Basis of Presentation

For financial reporting purposes, the accounts of the Village of Wagon Mound Housing Authority are organized into funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues and expenses as appropriate. The various funds are summarized by type in the financial statements. All programs have been accounted for as proprietary funds under the HUD UFRS guidelines.

Proprietary Fund Type

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary activities have applied all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB statements and Interpretations, APB opinions, and ARB's of Committee on Accounting Procedure. FASB statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, have also been applied.

The Proprietary Funds are as follows:

Low Income Housing Project - To account for the rental activities of the Village-owned low income housing project.

Public Housing Capital Fund Program -To account for HUD's new Public Housing Capital Fund Program, which replaces CIAP and CGP. Provides funds for capital improvements for Housing Authority-owned housing.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The financial statements of the Village of Wagon Mound Housing Authority are recorded using the economic resources measurement focus and the accrual basis of accounting.

Proprietary fund types are reported on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Grants are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Budgets and Budgetary Accounting

The Housing Authority adopts budgets for Proprietary Funds in accordance with the Housing and Urban Development program agreements.

Budgetary Compliance - Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

Budget Amendments - Budget increases and decreases can only be accomplished by Commission resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis - State law prescribes that the Village's budget be prepared on the basis of cash receipts and cash expenses. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenses with a cash basis budget as amended.

Income Taxes

As a local government entity, the Village is not subject to federal or state income taxes.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Village allows employees to accrue annual leave based on years of service. Upon termination, accrued annual leave is paid in full. Employees are eligible to be paid half of their accrued sick leave up to 240 hours upon termination.

The accrual for compensated absences made as of June 30, 2008 is \$-0-.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the proprietary fund considers all highly liquid investments to be cash equivalents.

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

Capital Assets

Purchase or constructed capital assets are reported at cost or estimated historical cost. The Housing Authority defines capital assets as assets with lives of greater than one-year and a cost or donated value of \$5,000 or greater.

Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Non Dwelling Structures	15
Machinery and Equipment	5 -7

Software is capitalized in the machinery and equipment category.

Inventory

Inventory is valued at cost, which approximates market using the first-in/first-out (FIFO) method. Inventory is recorded as expenditures when consumed rather than when purchased.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2. CASH

Cash consists of United States currency and financial institution checking accounts. The Housing Authority follows state law in regard to deposits and investments. At June 30, 2008, the Housing Authority held only short term certificates of deposit and therefore, they were shown as cash equivalents.

Restricted cash is cash from tenants being held as security deposits.

All financial institutions in which the Housing Authority has an account are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Cash on Deposit

	Bank Balance	Carrying Amounts
<u>1st Community Bank</u>		
Public Fund – regular checking	\$6,855	(\$1,315)
CFP 06 – business checking	0	0
<u>1st Community Bank</u>		
Tenant security deposits – business checking	1,948	1,948
Savings	5,649	5,649
Resident council - business checking	1,881	1,881
<i>Total cash on deposit</i>	16,333	8,163
<i>Total cash</i>	\$16,333	\$8,163

There were no uninsured bank deposits (not covered by F.D.I.C).

	First National Bank
Amount held in bank	\$16,340
Less F.D.I.C.	(16,340)
<i>Amount uninsured</i>	\$0
100% Collateral requirement	\$0

NOTE 3. ACCOUNTS RECEIVABLE AND MORTGAGES RECEIVABLE

Accounts receivable are reported at their gross value. Those amounts considered doubtful have been recorded as allowance for doubtful accounts in the amount of \$4,239.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4. CHANGES IN CAPITAL ASSETS

Capital Assets are stated at historical cost. The following is a summary of changes in Capital Assets for the fiscal year in the proprietary funds:

	Balance June 30, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Non Depreciable Assets:					
Land	\$7,227	\$0	\$0		\$7,227
Construction in progress	41,441	0	0	(41,441)	0
Depreciable Assets:					
Buildings	748,107	1,870	0	42,353	792,330
Non dwelling structures	15,065	0	0	0	15,065
Machinery and equipment	30,608	0	(6,498)	(912)	23,198
<i>Total</i>	842,448	1,870	(6,498)	0	837,820
Less Accumulated Depreciation:					
Buildings	(665,746)	(9,975)	0	(228)	(675,949)
Non dwelling structures	(15,064)	0	0	0	(15,064)
Machinery and equipment	(29,925)	0	6,498	228	(23,199)
<i>Total accumulated depreciation</i>	(710,735)	(9,975)	6,498	0	(714,212)
<i>Total Net Assets</i>	\$131,713	(\$8,105)	\$0	\$0	\$123,608

Depreciation uses the straight-line method. Depreciation expense for the year was \$9,975. Buildings are depreciated over forty years and equipment over five years.

NOTE 5. FUND EQUITY

The unreserved Retained Earnings represent the amounts available for budgeting future operations (i.e., current).

Net Assets

Net assets are displayed in three components:

Invested in Capital Assets, net of related debt – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Net assets are reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Net assets that do not meet the definition of “restricted” and “Invested in capital assets, net of related debt.”

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Village is a member of the New Mexico Self-Insurers' Fund (the "Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for insurance coverage, and develop a comprehensive loss control program. The Village pays an annual premium to the Fund for its workers' compensation liability, general liability, auto liability, auto physical damage, and property coverage. The Village's agreement with the Fund provides that the Fund will be self-sustaining through member premiums, and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member cities.

NOTE 7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

A.	Net Working Capital:	
	Proprietary Funds	\$4,656

NOTE 8. PERA PENSION PLAN

The Housing Authority employees participate in a public employee retirement system through the Village of Wagon Mound. For further disclosures, see the Village of Wagon Mound's financial statements.

NOTE 9. TRANSFERS

Transfers between funds were as follows:

	Operating Transfers Out		Totals
	Low Rent	CFP	
Operating Transfers In:			
Low Rent	\$0	\$17,813	\$17,813
CFP	0	0	0
<i>Total</i>	\$0	\$17,813	\$17,813

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

	Capital Transfers Out		Totals
	Low Rent	CFP	
Capital Transfers In:			
Low Rent	\$0	\$22,202	\$22,202
CFP	0	0	0
<i>Total</i>		\$22,202	\$22,202

Capital transfers arose from the purchase or construction of capital assets in one fund, which were then transferred to another fund where they are being utilized.

SUPPLEMENTARY INFORMATION

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

LOW RENT

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Rental income	\$30,970	\$30,970	\$31,000	\$30
Other	1,908	1,908	5,615	3,707
<i>Total revenues</i>	<u>32,878</u>	<u>32,878</u>	<u>36,615</u>	<u>3,737</u>
OPERATING EXPENSES:				
Administration	45,850	45,850	37,456	8,394
Tenant services	280	280	173	107
Ordinary maintenance	44,050	44,050	38,022	6,028
General expenses	8,380	8,380	6,624	1,756
Utilities	36,910	36,910	36,066	844
<i>Total operating expenses</i>	<u>135,470</u>	<u>135,470</u>	<u>118,341</u>	<u>17,129</u>
<i>Operating income (loss)</i>	(102,592)	(102,592)	(81,726)	20,866
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	42,583	42,583	46,184	3,601
Interest income	200	200	203	3
<i>Total non-operating revenue (expenses)</i>	<u>42,783</u>	<u>42,783</u>	<u>46,387</u>	<u>3,604</u>
<i>Net income</i>	<u>(59,809)</u>	<u>(59,809)</u>	<u>(\$35,339)</u>	<u>\$24,470</u>
Budgeted cash carryover	<u>59,809</u>	<u>59,809</u>		
	<u>\$0</u>	<u>\$0</u>		

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

Net income (budgetary basis)	(\$35,339)
Adjustments for revenue accruals, transfers, earnings on investments	33,714
Adjustments for expenditures for payables, inventory, other expenditure accruals	(12,173)
<u>Change in net assets (GAAP basis)</u>	<u>(\$13,798)</u>

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

CFP FUND - 06

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Intergovernmental	\$0	\$0	\$0	\$0
Rental income	0	0	0	0
Other	0	0	0	0
Gain/loss on sale of asset	0	0	0	0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Audit cost	0	0	0	0
Capital outlay	1,247	1,247	1,426	(179)
Fees and costs	0	0	0	0
Operations	0	0	0	0
Management improvements	190	190	11	179
Administration	0	0	0	0
<i>Total operating expenses</i>	1,437	1,437	1,437	0
<i>Operating income (loss)</i>	(1,437)	(1,437)	(1,437)	0
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	1,437	1,437	1,437	0
Interest	0	0	0	0
Transfers (out)	0	0	0	0
<i>Total non-operating revenue (expenses)</i>	1,437	1,437	1,437	0
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(1,426)
Change in net assets (GAAP basis)	(\$1,426)

The Notes to Financial Statements are an integral part of these statements.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

CFP FUND - 07

PROPRIETARY FUND

STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES:				
Intergovernmental	\$0	\$0	\$0	\$0
Rental income	0	0	0	0
Other	0	0	0	0
Gain/loss on sale of asset	0	0	0	0
<i>Total revenues</i>	0	0	0	0
OPERATING EXPENSES:				
Audit cost	5,500	5,500	4,580	920
Capital outlay	0	0	8,432	(8,432)
Fees and costs	0	0	0	0
Operations	0	0	0	0
Management improvements	10,641	10,641	0	10,641
Administration	2,837	2,837	0	2,837
<i>Total operating expenses</i>	18,978	18,978	13,012	5,966
<i>Operating income (loss)</i>	(18,978)	(18,978)	(13,012)	5,966
NON-OPERATING REVENUE (EXPENSES):				
HUD grants and subsidy	30,825	30,825	30,825	0
Interest	0	0	0	0
Transfers (out)	(11,847)	(11,847)	(17,813)	(5,966)
<i>Total non-operating revenue (expenses)</i>	18,978	18,978	13,012	(5,966)
<i>Net income</i>	\$0	\$0	\$0	\$0

Since accounting principles applied for *purposes* of developing data on a *budgetary* basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis, timing, perspective, and entity differences in excess (deficiency) of revenues over expenditures for the year ended June 30, 2008, is presented below:

Net income (budgetary basis)	\$0
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, capital outlay, capital transfers and depreciation	(19,962)
Change in net assets (GAAP basis)	(\$19,962)

The Notes to Financial Statements are an integral part of these 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***

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Village of Wagon Mound Housing Authority
(A Component Unit of the Village of Wagon Mound)
Wagon Mound, New Mexico

We have audited the financial statements of each major fund and the aggregate remaining fund information of Village of Wagon Mound Housing Authority (a component unit of the Village of Wagon Mound), as of and for the year ended June 30, 2008, which collectively comprise the Village of Wagon Mound Housing Authority's basic financial statements and have issued our report thereon dated November 28, 2008. We also audited the budgetary comparisons presented as supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Village of Wagon Mound Housing Authority's internal control over financial reporting as a basis for designating our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Wagon Mound Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Wagon Mound Housing Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Wagon Mound Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Wagon Mound Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Village of Wagon Mound Housing Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, findings 2008-01, 2006-02, 2006-03 and 2002-04.

Mr. Hector H. Balderas, State Auditor and
To the Board of Directors
Village of Wagon Mound Housing Authority
(A Component Unit of the Village of Wagon Mound)
Wagon Mound, New Mexico
Page Two

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Wagon Mound Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-02 and 2006-02.

Village of Wagon Mound Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Wagon Mound Housing Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the Village of Wagon Mound, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 28, 2008

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2008-01 Failure to Deposit Funds Timely

Statement of Condition – The Housing Authority failed to deposit rent receipts on a timely basis.

Criteria – Good internal controls require that monies received should be deposited timely into the bank accounts.

Cause – The Housing Authority does not make regular deposits due to the small amount of each rent receipt.

Effect – Failure to make timely deposits results in increased risk of loss of funds.

Recommendation – We recommend that the Housing Authority make daily deposits.

Management's Response – The Housing Authority will make daily deposits as the rent income is received from the tenants.

2008-02 Failure to Properly Dispose of Fixed Assets

Statement of Condition – The Housing Authority failed to properly dispose of a computer properly.

Criteria – The SAO requires certification to be submitted to their office that proper procedures were followed to ensure erasure of the hard drive.

Cause – The Housing Authority did not obtain certification nor submit the required certification prior to the scrapping of a computer.

Effect – Failure to obtain the required certification indicates that the information contained on the computer hard drive may not have been properly erased prior to disposal.

Recommendation – We recommend that the Housing Authority always obtain the required certification and submit the information to the SAO office.

Management's Response – The Housing Authority will make sure that the required certification is received and submitted to the SAO for all future disposals of computers.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2006-01 Instability of the Board of Directors and Management

Resolved and not repeated.

2006-02 Processing of Payroll

Repeated with modification.

Statement of Condition – The Housing Authority is struggling with payroll processing for only two employees. The payroll tax reporting has been late and the support documentation is lacking.

Criteria – Traditionally, the primary government (Village of Wagon Mound) processes payroll for small Housing Authorities along with their own to maintain efficiencies as well as control of compliance issues related to payroll.

Cause – The Village of Wagon Mound does not want to process payroll for the Housing Authority.

Effect – The Housing Authority has taken on additional reporting and compliance issues/risks unnecessarily.

Recommendation – We recommend that the Housing Authority come to an agreement to process all payrolls with the Village and eliminate inefficient and unnecessary payroll reporting and compliance risks.

Management's Response – The WMHA Board of Commissioners and staff will again make a public presentation at the next available Village of Wagon Mound Trustee Village Council Meeting to request that the Village of Wagon Mound process payroll for the WMHA.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2006-03 No Documentation in Personnel File

Repeated with modification.

Statement of Condition – During our test work on internal controls over payroll, we noted that neither employee file had the completed Form I-9 required by law.

Criteria – Good internal controls require that personnel files be complete and up to date.

Cause – Employees unaware of requirement to complete form.

Effect – No documentation to substantiate payroll and personnel records. This creates liability for the Housing Authority for lack of personnel records if any litigation issues arise.

Recommendation – All personnel files should be complete and up to date, including employee application, approval of pay rates, evaluations, W-4's and I-9's.

Management Response – The WMHA personnel files for the former director were not available because the director apparently disposed of employment records. The current staff personnel files are available and up to date.

2003-01 Housing Authority's Tenant Accounts Receivable and Rent Revenue

Resolved and not repeated.

2003-03 Housing Authority's – Security Deposits

Resolved and not repeated.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2002-04 Failure by Village's Housing Authority to Maintain Adequate Control Over its Capital Assets

Repeated.

Statement of Condition – The Housing Authority was unable to produce a complete capital asset listing with unique identification numbers of the Housing Authorities' capital assets.

Criteria – Section 12-6-10 of the New Mexico Audit Act requires a local body to conduct an annual physical inventory of equipment that provides a detailed listing of equipment including the date and cost of acquisition. Also, 6-6-3 NMSA 1978 requires all of the jurisdiction's books, records and accounts to be maintained in their respective office in the form prescribed by the Local Government Division of the New Mexico Department of Finance and Administration.

Cause – The Housing Authority has not properly maintained adequate control of its capital assets.

Effect – Capital assets of the Housing Authority were not properly controlled and tagged, therefore, causing the capital asset listing to be incomplete.

Recommendation – All capital assets of the Housing Authority should be tagged by a unique identification number and listed on a capital asset listing maintained by the Housing Authority.

Management's Response – The Wagon Mound Housing Authority has contracted the software provider to review and correct program deficiency. The WMHA will do monthly reviews of Tenants accounts receivable against tenant files to compare rental rates.

VILLAGE OF WAGON MOUND HOUSING AUTHORITY

(A Component Unit of the Village of Wagon Mound)

EXIT CONFERENCE

JUNE 30, 2008

EXIT CONFERENCE:

The exit conference was held November 26, 2008 and was attended by the following:

From the Village of Wagon Mound Housing Authority:

Ricardo Valenzuela, Executive Director
Esther Mondragon, Administrative Secretary
Adrian Clouthier, Chair
Margie Woods, Board Member

From Kriegel/Gray/Shaw & Co., P.C.:

Ken Shaw, CPA, Shareholder
Vanessa Williams, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

The financial statements were prepared by Kriegel/Gray/Shaw & Co., P.C.