

**VILLAGE OF WAGON MOUND HOUSING AUTHORITY**

**(A COMPONENT UNIT OF VILLAGE OF WAGON  
MOUND, NEW MEXICO)**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**For the Year Ended June 30, 2010**

**With Independent Auditor's Reports Thereon**

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**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
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June 30, 2010**

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**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
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June 30, 2010**

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**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
OFFICIAL ROSTER  
June 30, 2010**

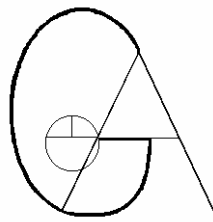
**Mayor and Board of Trustees**

Arthur Arguello	Mayor
Adrian Clouthier	Chairperson
Nancy Cruz	Member
Margie Woods	Member
Rosella Muniz	Member

**Administrative Staff**

Ricardo Valenzuela	Executive Director
Tammi Hernandez	Executive Director in Training

## **FINANCIAL SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3  
Albuquerque, New Mexico 87108  
(505) 266-4820  
Fax (505) 268-6618

## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas, State Auditor  
Arthur Arguello, Mayor  
And Board of Trustees  
Village of Wagon Mound Housing Authority  
Village of Wagon Mound, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

I have audited the accompanying financial statements of the business type activities and each major fund of the Village of Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico (Housing Authority) (a component unit of the Village of Wagon Mound, New Mexico) as of and for the year ended June 30, 2010, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. I have also audited the budgetary comparison statements for each major fund of the Housing Authority's proprietary type funds as presented as Supplementary Data. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I express no such opinion. An audit also 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. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the financial statements of the Housing Authority are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wagon Mound, New Mexico that is attributable to the transactions of the Housing Authority. They do not purport to, and do not, present fairly the financial position of the Village of Wagon Mound, New Mexico, as of June 30, 2010, and the respective changes in its financial position, and cash flows, where applicable, thereof and the budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT, continued

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and each major fund of the Village of Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico, as of June 30, 2010, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the budget comparisons of the Housing Authority for the year ended June 30, 2010, and the respective changes in financial position and cash flows, where applicable, therefore for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 2010, on my consideration of the Housing Authority's internal control over financial reporting and on my 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 my 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 my audit.

The Management's Discussion and Analysis on pages 6 through 12 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. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying financial information listed as Other 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 of the Housing Authority. Such schedule and information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Albuquerque, New Mexico  
December 21, 2010



# ***Wagon Mound Housing Authority Management's Discussion and Analysis For the Year Ended June 30, 2010***

## **Introduction**

This Management's Discussion and Analysis (MD&A) of the Wagon Mound Housing Authority (Authority) provides an introduction and overview to the financial statements of the Wagon Mound Housing Authority for the fiscal year ended June 30, 2010. The Wagon Mound Housing Authority (Authority) presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2010, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Wagon Mound Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has three individual programs. They include the Low Rent Housing Program, the Capital Fund Program, and the American Recovery and Reinvestment Act of 2009 (ARRA) Grant. The Low Rent Housing Program consists of 19 dwelling units. 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. The Capital Fund Program and ARRA Grant are also formula based programs from HUD. The purpose of these programs is to provide funding for the modernization and improvement of the Low Rent Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist in their operations

## **Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Assets
- The Statement of Revenues, Expense, and Changes in Net Assets
- The Statement of Cash Flows

**The Statement of Net Assets** presents information on the assets and liabilities, with the differences between the two being 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 or deteriorating. Net Assets is comprised of three individual components:

## ***Management's Discussion and Analysis-Continued***

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Assets** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2010, to determine the change in net assets for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2010.

### **Financial Highlights**

- The Wagon Mound Housing Authority's total net assets increased from \$112,738 to \$131,260 an increase of \$18,522 or 16%. The total assets increased by \$20,638 or 16%.
- The unrestricted net asset balance is listed as \$(7,049) at June 30, 2010. This represents a decrease of \$6,875, or 3,951% from the previous year.
- Total revenues increased from \$110,920 to \$153,272, an increase of \$42,352 or 38%.
- Total expenses increased by \$8,304 from \$126,446 to \$134,750 for the current year. This represents an increase of 7%.

# *Management's Discussion and Analysis-Continued*

## *Housing Authority Activities & Highlights*

The 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, 2010 and June 30, 2009.

### *Summary Statement of Net Assets*

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 11,248	\$ 16,007	\$ (4,759)	-30%
Fixed Assets (Net of Depreciation)	\$ 138,309	\$ 112,912	\$ 25,397	22%
Total Assets	\$ 149,557	\$ 128,919	\$ 20,638	16%
Current Liabilities	\$ 18,297	\$ 16,181	\$ 2,116	13%
Total Liabilities	\$ 18,297	\$ 16,181	\$ 2,116	13%
Unrestricted Net Assets	\$ (7,049)	\$ (174)	\$ (6,875)	3951%
Investment in Net Fixed Assets	\$ 138,309	\$ 112,912	\$ 25,397	22%
Total Net Assets	\$ 131,260	\$ 112,738	\$ 18,522	16%

### *Current Assets*

Current assets decreased by \$4,759 due primarily to unrestricted cash and investments. Unrestricted cash and investments decreased from \$15,399 to \$10,851, a decrease of \$4,548 from June 30, 2009 to June 30, 2010. The principal reason for the decrease is due to the net operating loss sustained in the current fiscal year.

### *Fixed Assets*

Fixed assets are listed as \$138,309 for the current year. This represents an increase of \$25,397 from the previous year, which is due primarily to the addition of building improvements in the current year. For further details, see the following section related to capital assets.

### *Current Liabilities*

Current liabilities balance increased by \$2,116 from the previous year due to higher accounts payable than the prior year.

### *Net Assets*

The Authority's total net asset balance increased by \$18,522 from the previous year due to the noted increase in the account balance of Investment in Net Fixed Assets as a result of the current year's addition of building improvements.

## *Management's Discussion and Analysis-Continued*

The Authority's unrestricted net assets decreased from \$(174) to \$(7,049), a decrease of \$6,875, or 3,951% for the current year. This is due to operating expenditures exceeding operating revenues for the current fiscal year. The unrestricted net asset account balance is the amount available for future appropriations. This balance is subject to program specific guidelines.

Investment in net fixed assets increased by \$25,397 for the current fiscal year. This is due primarily to the addition of building improvements in the current year.

### *Summary Statement of Revenues & Expenses and Changes in Net Assets Years Ended June 30, 2010 and 2009*

<u>Category</u>	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 29,195	\$ 24,620	\$ 4,575	19%
HUD Operating Grants	\$ 84,155	\$ 86,033	\$ (1,878)	-2%
Capital Grants	\$ 38,088	\$ -	\$ 38,088	N/A
Interest Income	\$ 120	\$ 267	\$ (147)	-55%
Other Revenue	\$ 1,714	\$ -	\$ 1,714	N/A
Total Revenue	\$ 153,272	\$ 110,920	\$ 42,352	38%
Administration	\$ 54,153	\$ 53,394	\$ 759	1%
Tenant Services	\$ -	\$ 80	\$ (80)	-100%
Utilities	\$ 21,128	\$ 17,879	\$ 3,249	18%
Ordinary Maintenance	\$ 36,382	\$ 41,053	\$ (4,671)	-11%
General Expense	\$ 7,512	\$ 3,343	\$ 4,169	125%
Extraordinary Maintenance	\$ 2,884	\$ -	\$ 2,884	N/A
Depreciation	\$ 12,691	\$ 10,697	\$ 1,994	19%
Total Expenses	\$ 134,750	\$ 126,446	\$ 8,304	7%
Excess of Revenue over Expenses	\$ 18,522	\$ (15,526)	\$ 34,048	-219%
Net Assets, Beginning of Year	\$ 112,738	\$ 128,264	\$ (15,526)	-12%
Net Assets, End of Year	\$ 131,260	\$ 112,738	\$ 18,522	16%

### *Results of Operations*

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's revenue increased by \$42,352 during the current fiscal year. Significant changes noted between the current and prior fiscal years include:

- Tenant revenue increased from \$24,620 to \$29,185 an increase of \$4,575. This is due primarily to the average rent increasing from \$126 in the prior year to \$165 in the current year.

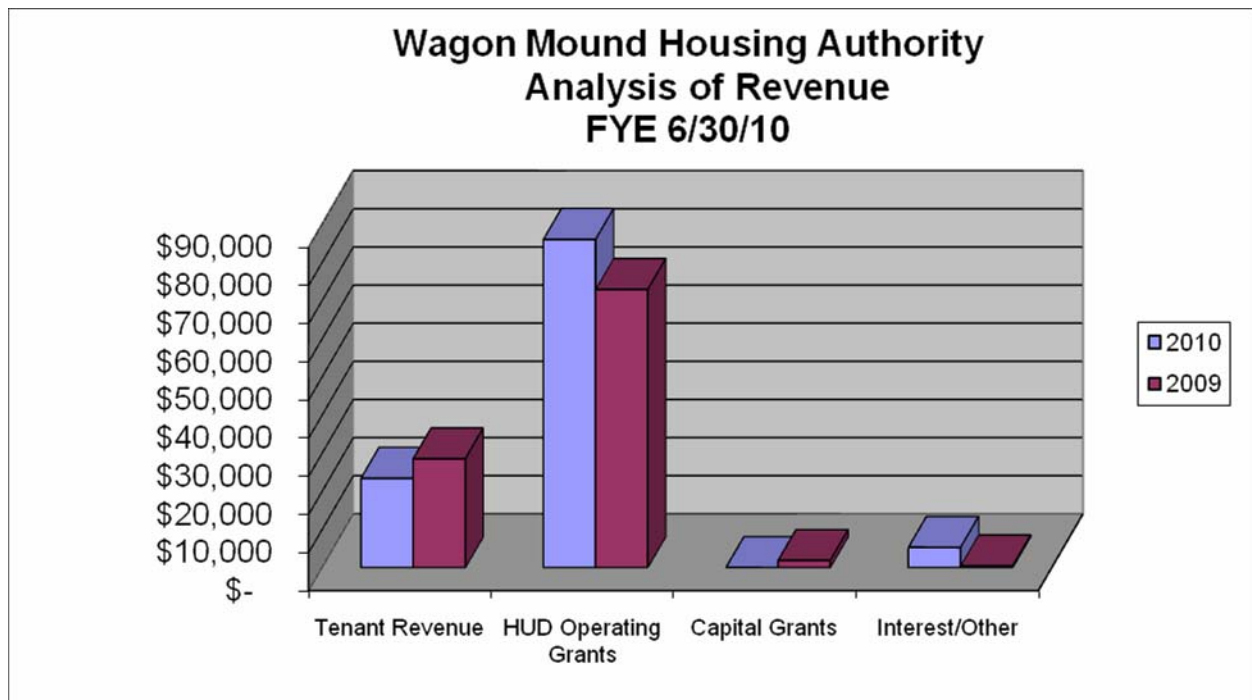
## *Management's Discussion and Analysis-Continued*

- Capital grants increased by \$38,088 due to building improvements funded by the 2009 Capital Fund Grant and the ARRA Grant.
- Other revenue increased by \$1,714 due to a change in the classification of other revenue from the prior year.

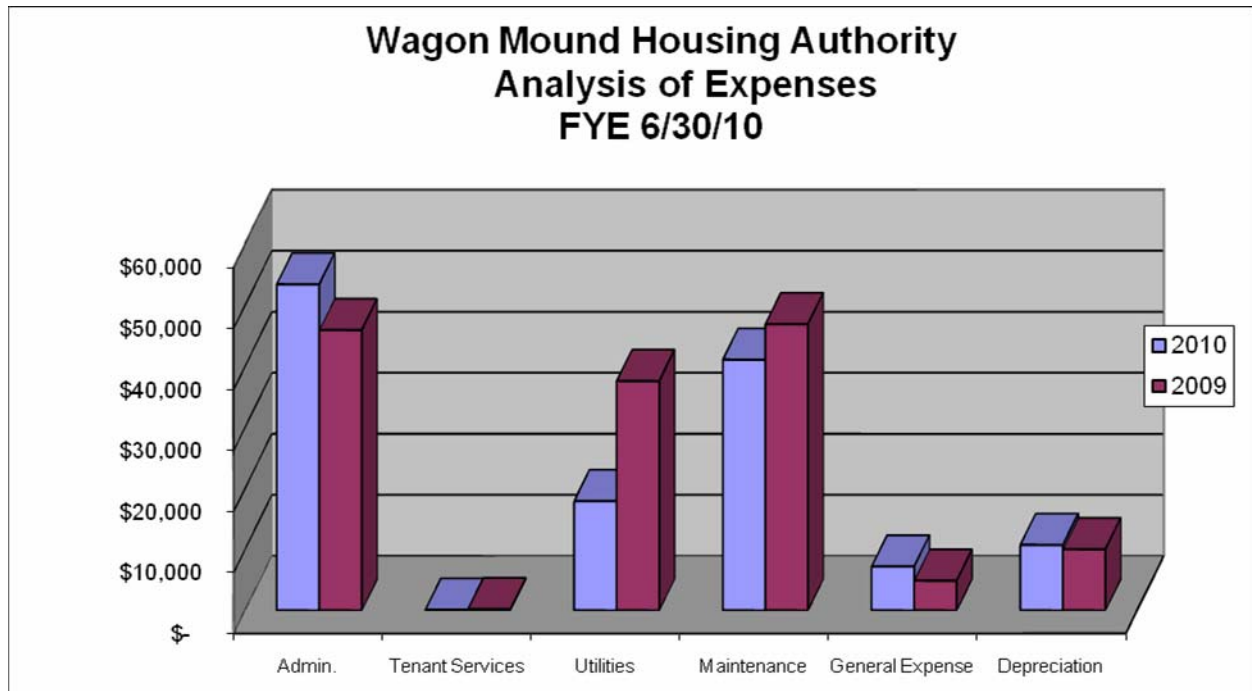
Total expenses increased by \$8,304 compared to the previous year. Significant changes from the previous year included the following:

- Utilities expense increased by \$3,249 from the previous year. This is due primarily to an increase in water and sewer expense.
- General expenses increased by \$4,169 due primarily to an increase in collection losses expense from the prior year.
- The extraordinary maintenance expense is due to the removal of a tree that was creating problems with plumbing and electrical wires.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



## Management's Discussion and Analysis-Continued



### Capital Assets

As of June 30, 2010, the Wagon Mound Housing Authority's investment in capital assets was \$138,309. This investment includes land, building, equipment and construction in progress.

Category	FYE 2010	FYE 2009	Change \$	Change %
Land	\$ 7,227	\$ 7,227	\$ -	0%
Buildings	\$ 840,774	\$ 807,395	\$ 33,379	4%
Equipment	\$ 15,774	\$ 15,774	\$ -	0%
Construction in Progress	\$ 4,709	\$ -	\$ 4,709	N/A
Accumulated Depreciation	\$ (730,175)	\$ (717,484)	\$ (12,691)	2%
<b>Total Net Fixed Assets</b>	<b>\$ 138,309</b>	<b>\$ 112,912</b>	<b>\$ 25,397</b>	<b>22%</b>

Additions noted to the building account are from a furnace replacement project that was funded by the ARRA Grant.

The construction in progress is from a water drainage project that is funded by the 2009 Capital Fund Grant.

# ***Management's Discussion and Analysis-Continued***

## **Subsequent Event**

CAPITAL FUND FY-09 and FY-10 –

The Wagon Mound Housing Authority has recently completed and submitted an addendum for our Yearly Plan 2009 and Five Year Plan (2009 – 2013) with the new forms which clearly identify our projects and material needed per appropriate Line Item Code.

This addendum clearly identifies each area of each project per materials and Line Item per our Summary with projected cost.

OFND – Unfortunately we had to report an ongoing 30% Vacancy rate at the Wagon Mound Housing Authority due to Employment Opportunities within the Village or within acceptable driving distance.

With this submission of a 30% Vacancy Rate I can't imagine how we will be able to stay in business as long as the Village of Wagon Mound continues to charge us at a Commercial Rate for Utilities and continuing to charge us full value of usage for VACANT UNITS.

I can only imagine how much of a reduction we will suffer in our monthly OFND allowance or proration effective January 1, 2011.

I am proud to report that to date the Wagon Mound Housing Authority has no Lawsuits or Grievances pending from any tenant or outside entity.

## **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  
PO Box 311  
Wagon Mound, NM 87752

**STATE OF NEW MEXICO**  
**VILLAGE OF WAGON MOUND HOUSING AUTHORITY**  
**(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)**  
**WAGON MOUND, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<b>Business Type Activities</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,601
Accounts receivable, net of allowance for doubtful accounts of \$278	319
Prepaid Insurance	78
Temporary restricted Assets:	
Cash and cash equivalents	3,250
Capital assets not being depreciated:	
Land	7,227
Construction work in progress	4,709
Capital assets net of accumulated depreciation:	
Buildings and improvements	<u>126,373</u>
Total assets	<u>149,557</u>
<b>LIABILITIES</b>	
Accounts payable	11,113
Accrued salaries and benefits	3,752
Security deposits	3,250
Prepaid tenant rent	<u>182</u>
Total liabilities	<u>18,297</u>
<b>NET ASSETS</b>	
Net assets invested in capital assets	138,309
Unrestricted	<u>(7,049)</u>
Total net assets	<u>\$ 131,260</u>

**SEE INDEPENDENT AUDITOR'S REPORTS**  
**The Accompanying Notes Are An Integral Part of These Financial Statements**



STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Business-type activities:				
Housing Services	\$ 134,750	30,909	84,155	38,088
	<u>134,750</u>	<u>30,909</u>	<u>84,155</u>	<u>38,088</u>
General revenues:				
Interest on investments				120
Change in net assets				18,522
Net assets at beginning of year				<u>112,738</u>
Net assets at end of year				<u>\$ 131,260</u>

SEE INDEPENDENT AUDITOR'S OPINIONS  
The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
BALANCE SHEET  
June 30, 2010

	United State Department of Housing and Urban Development Programs		
	Low Rent Housing	Capital Funds Programs	Totals
<b>ASSETS</b>			
Current, unrestricted assets:			
Cash and cash equivalents	\$ 7,601		7,601
Accounts receivable, net	319		319
Prepaid Insurance	78		78
Total unrestricted current assets	<u>7,998</u>		<u>7,998</u>
Current, restricted assets:			
Cash and cash equivalents:			
Tenant security deposits	3,250		3,250
Total current restricted assets	<u>3,250</u>		<u>3,250</u>
Total current assets	<u>11,248</u>		<u>11,248</u>
Capital assets:			
Capital assets not being depreciated:			
Land	7,227		7,227
Construction work in progress	4,709		4,709
Capital assets net of accumulated depreciation:			
Buildings and building improvements	<u>126,373</u>		<u>126,373</u>
Total assets and other debits	<u>\$ 149,557</u>		<u>149,557</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT 3, continued

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
BALANCE SHEET, continued  
June 30, 2010

United State Department of  
Housing and Urban Development  
Programs

	<u>Low Rent Housing</u>	<u>Capital Funds Programs</u>	<u>Totals</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
Current liabilities, payable from unrestricted assets:			
Accounts payable	\$ 11,113		11,113
Accrued salaries and benefits	3,752		3,752
Prepaid tenant rent	182		182
Total current liabilities payable from unrestricted assets	<u>15,047</u>		<u>15,047</u>
Current liabilities, payable from restricted assets:			
Tenant security deposits payable	<u>3,250</u>		<u>3,250</u>
Total current liabilities payable from restricted assets	<u>3,250</u>		<u>3,250</u>
Total current liabilities	<u>18,297</u>		<u>18,297</u>
Total liabilities	<u>18,297</u>		<u>18,297</u>
Net Assets:			
Invested in capital assets	138,309		138,309
Unrestricted	<u>(7,049)</u>		<u>(7,049)</u>
Total net assets	<u>131,260</u>		<u>131,260</u>
Total liabilities and equity	<u>\$ 149,557</u>		<u>149,557</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT 3

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
For the Year Ended June 30, 2010

	United States Department of Housing and Urban Development Programs		Totals
	Low Rent Housing	Capital Funds Programs	
Operating revenues:			
Charges for services	\$ 30,909		30,909
Operating grants	73,559	10,596	84,155
	<u>104,468</u>	<u>10,596</u>	<u>115,064</u>
Operating expenses:			
Administrative	51,995	2,158	54,153
Utilities	21,128		21,128
Ordinary maintenance	27,944	8,438	36,382
General	7,512		7,512
Extraordinary maintenance	2,884		2,884
Depreciation	12,691		12,691
Total operating expenses	<u>124,154</u>	<u>10,596</u>	<u>134,750</u>
Net operating income (loss)	<u>(19,686)</u>		<u>(19,686)</u>
Nonoperating income (expenses):			
Capital grants		38,088	38,088
Interest income	120		120
Total nonoperating revenue (expenses)	<u>120</u>	<u>38,088</u>	<u>38,208</u>
Income (loss) before transfers	(19,566)	38,088	18,522
Transfers in	38,088		38,088
Transfers out		(38,088)	(38,088)
Change in net assets	18,522		18,522
Fund net assets, at beginning of year	<u>112,738</u>		<u>112,738</u>
Fund net assets, at end of year	<u>\$ 131,260</u>		<u>131,260</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT 4

**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2010**

**United States Department of  
Housing and Urban Development  
Programs**

	<u>Low Rent Housing</u>	<u>Capital Funds Programs</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from HUD for operating purposes	\$ 73,559	10,596	84,155
Cash received from tenants and others for charges	31,760		31,760
Cash payments to and on behalf of employees	(32,631)		(32,631)
Cash payments to vendors for goods and services	(77,361)	(10,596)	(87,957)
Net cash flows from operating activities	<u>(4,673)</u>		<u>(4,673)</u>
Cash flows from noncapital financing activities:			
Interprogram net transfers			
Net cash flows from noncapital financing activities			
Cash flows from capital and related financing activities:			
HUD contributions for capital acquisitions		38,088	38,088
Acquisition of capital assets		(38,088)	(38,088)
Net cash flows from capital and related financing activities			
Cash flows from investing activities:			
Interest received	126		126
Net cash flows from investing activities	<u>126</u>		<u>126</u>
Net increase (decrease) in cash and cash equivalents	(4,547)		(4,547)
Cash and cash equivalents, at beginning of year	<u>15,398</u>		<u>15,398</u>
Cash and cash equivalents, end of year	<u>\$ 10,851</u>		<u>10,851</u>
Shown on Exhibit 3 as:			
Unrestricted cash and cash equivalents	\$ 7,601		7,601
Restricted cash and cash equivalents	<u>3,250</u>		<u>3,250</u>
	<u>\$ 10,851</u>		<u>10,851</u>
Noncash Capital and related financing activities:			
Transfer of capital assets	\$ 38,088	(38,088)	

**SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements**

**EXHIBIT 5, continued**

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS / ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS, continued  
For the Year Ended June 30, 2010

	<b>United States Department of Housing and Urban Development Programs</b>		
	<u>Low Rent Housing</u>	<u>Capital Funds Programs</u>	<u>Totals</u>
<b><u>Reconciliation Of Operating Income (loss) To Net Cash Flows From Operating Activities</u></b>			
Net operating income (loss)	\$ (19,686)		(19,686)
Adjustment to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	12,691		12,691
Provision for allowance for doubtful accounts	118		118
(Increase) decrease in assets:			
Account receivable, net	(46)		(46)
Prepaid expenses	133		133
Increase (decrease) in liabilities:			
Accounts payable	2,902		2,902
Accrued salaries and benefits	(3)		(3)
Deferred revenue	(1,381)		(1,381)
Tenant security deposits	599		599
Cash flows from operating activities	<u>\$ (4,673)</u>		<u>(4,673)</u>

**SEE INDEPENDENT AUDITOR'S REPORTS**  
**The Accompanying Notes Are An Integral Part Of These Financial Statements**

**EXHIBIT 5**

**STATE OF NEW MEXICO**  
**VILLAGE OF WAGON MOUND HOUSING AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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**STATE OF NEW MEXICO**  
**VILLAGE OF WAGON MOUND HOUSING AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**A. PROGRAM GOAL AND THE PHA**

The primary goal of the Low Income Housing (LIH) program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having incomes lower than those serviced by most other housing subsidy programs. The LIH program is administered by Public Housing Agencies (PHA) which are organized and authorized in accordance with State Law to engage or assist in the development of operation of a LIH Program. The PHA is a local housing authority (LHA) governed by an elected (Village Council) board of directors who employ an administrative staff headed by an executive director.

The Village of Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico (Housing Authority) was organized pursuant to an agreement with the United States Department of Housing and Urban Development (HUD). The contract provided for low-rent housing units, the construction of which was financed by bonds guaranteed by the U.S. Government. The terms of the agreement provided that HUD shall provide annual contributions to cover the debt service on bonds used for the construction and subsidies for operations of the program. The Village of Wagon Mound agreed to operate and maintain the Housing Authority in accordance with the requirements of HUD.

**B. FINANCIAL REPORTING ENTITY**

The Housing Authority is a component unit of the Village of Wagon Mound, New Mexico. The Housing Authority's basic financial statements include the accounts of all of the Housing Authority's operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. There were no component units of the Village of Wagon Mound Housing Authority during the year ended June 30, 2010.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**C. BASIS OF PRESENTATION**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The housing authority's funds are grouped into a single fund type (proprietary funds) and include the following individual funds / projects:

Low Rent Housing Program:

PHA Code: NM032

Project No. NM032-00000108D, NM032-000000109D  
& NM032-000000110D

Capital Funds Program:

Project No. NM02P032501-09

Project No. NM02S032501-09

**D. BASIS OF ACCOUNTING**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Village of Wagon Mound Housing Authority (Housing Authority) does not have any governmental, internal service or fiduciary funds and is a component unit Village of Wagon Mound, New Mexico.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**D. BASIS OF ACCOUNTING, continued**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing.

Charges for services include rental and other charges to tenants. Operating grants and contributions and capital grants and contributions are amounts paid to the Housing Authority by HUD that are used for operations and capital activities.

**E. FUND FINANCIAL STATEMENTS**

Major individual proprietary funds are normally reported as separate columns in the fund financial statements. The Housing Authority only had major funds, therefore each fund is presented in a separate column on the Statement of Revenues, Expenses and Changes in Fund Net Assets. The major enterprise funds are:

Low Rent Housing Project (LRH)  
Capital Funds Program (CFP)

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**F. REVENUE AND EXPENSE RECOGNITION**

The Low Rent Housing operating subsidy is recognized in the year approved by and received from, the U.S. Department of Housing and Urban Development. Reimbursements due from federally funded projects are accrued as revenue at the time the allowable expenditures are made, or when received in advance, deferred until expenditures are made.

Revenue from grants that are received for a restricted purpose are recognized when all of the requirements for expenditures have been met.

**G. CASH AND CASH EQUIVALENTS**

Amounts reflected as “cash and cash equivalents” on the Statement of Net Assets include amounts on hand and in demand deposits as well as short-term savings and investment accounts with maturity dates within three months of the date acquired by the Housing Authority.

**H. INVENTORY**

Inventory is reported in the Statement of Net Assets (department-wide statement) and balance sheet (fund financial statement) when purchased goods are not consumed during the current operating cycle and the consumable asset will benefit a future period. At June 30, 2010 the Housing Authority did not have any inventory.

**I. CAPITAL ASSETS AND DEPRECIATION**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Infrastructure such as streets, traffic signals and signs are capitalized. The minimum capitalization threshold is any individual item with a total cost greater than \$ 5,000. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**I. CAPITAL ASSETS AND DEPRECIATION, continued**

Donated capital assets are capitalized at estimated fair market value on the date donated.

Construction period interest is capitalized.

The Housing Authority does not develop "internal use" software. Rather, purchased software is depreciated over its expected useful life using the straight-line method.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Building and Building Improvements	15-33 yrs.
Furniture, fixtures, and equipment	3-5 yrs.

**J. UNPAID COMPENSATED ABSENCES**

Accrued compensated absences of the Proprietary funds are recorded on their Statement of Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave and for sick pay for only those employees who will be paid for unused sick leave upon termination. There were no unpaid compensated absences at June 30, 2010.

**K. FASB PRONOUNCEMENTS - PROPRIETARY FUND ACCOUNTING**

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provided the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply FASB pronouncements issued after November 30, 1989.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**L. OPERATING REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**M. INTERFUND ACTIVITIES**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables/payables, if any, are eliminated from the Statement of Net Assets and inter fund transfers are eliminated from the Statement of Activities.

At June 30, 2010 there were no interfund receivables/payables in the proprietary fund financial statements.

A schedule of transfers during the year ended June 30, 2010 is presented in Note 3 D.

**N. EXPENDITURES OF RESTRICTED SOURCES**

It is the Housing Authority's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

**O. MANAGEMENT ESTIMATES AND ASSUMPTIONS**

The accompanying financial statements include estimates and assumptions by management that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**P. EQUITY CLASSIFICATIONS**

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt:

This account represents the total of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets:

Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets:

All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Q. OTHER POLICIES**

GASB continues to issue Statements that may or may not have a bearing on the accounting and financial reporting of individual governments. The following recap of recently issued GASB Statements shows their applicability or non-applicability to the Housing Authority.

GASB Statement No. 50 *Pension Disclosures* effective for periods beginning after June 15, 2007 (FY '08). (Not applicable to the Village of Wagon Mound Housing Authority as employees are not covered by a pension plan (Part-Time employees only).

GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* effective for periods beginning after June 15, 2009 (FY 10) (Applicable to Housing Authority beginning July 1, 2009 should the Housing Authority have, purchase or acquire any intangible assets)

GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments* effective for financial statements for periods beginning after June 15, 2008 (FY 09) (Not applicable to Housing Authority as Housing Authority does not have an endowment fund nor hold Real Estate as an investment).

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**Q. OTHER POLICIES, continued**

GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* issued June 2008 effective for periods beginning after June 15, 2009 (FY 2010) (Not applicable to Housing Authority as Housing Authority did not enter into any derivative instruments as defined in the Statement).

GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* issued February 2009 effective for periods beginning after June 2010 (FY2011) (Not applicable to Housing Authority as Housing Authority does not have Government Fund Type funds).

GASB Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* issued March 2009 effective immediately (March 2009) (Applicable to Housing Authority as it establishes the hierarchy of Generally Accepted Accounting Principles for State and Local Governments in a GASB document). This pronouncement should not result in a change from current practice.

GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* issued March 2009 effective immediately (March 2009) (Applicable to Housing Authority as it establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations that were previously in authoritative literature). This pronouncement should not result in a change from current practice.

GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* issued December 2009 effective immediately as it relates to the alternative measurement method. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in Other Post Employee Benefit (OPEB) plan financial statements for periods beginning after June 15, 2010. (Not applicable to Housing Authority)



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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued**

**Q. OTHER POLICIES, continued**

GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies* issued December 2009 effective for reporting periods beginning after June 15, 2009 (FY 2010) (Applicable to Housing Authority if the Housing Authority seeks protection from creditors under Chapter 9 of the U.S. bankruptcy Code at some future date).

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a federally funded Housing Authority, the Village of Wagon Mound Housing Authority is subject to various federal and contractual regulations. An analysis of the Housing Authority's compliance with significant laws and regulations and demonstration of its stewardship over its resources follows:

**A. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS**

The Village of Wagon Mound Housing Authority (Housing Authority) is authorized under its investment policy to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the Housing Authority may be invested in:

1. Fully collateralized certificates of deposit that are also FDIC insured.
2. Securities of the United States, its agencies or instrumentalities
3. Securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities, or other subdivisions
4. Securities, including student loans that are guaranteed by the United States or the State of New Mexico
5. Revenue bonds that are under written by a member of the National Association of Securities Dealers, (NASD) and rated BAA or better.

The maximum authorized maturity for these securities will be one year or less.

During the year ended June 30, 2010 the Housing Authority had complied with its investment policy and all deposits were insured.

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**B. REVENUE RESTRICTIONS**

The Housing Authority has various restrictions placed over its revenue sources by the U.S. Housing and Urban Development Department. The primary restricted revenue sources include:

<u>Revenue Source:</u>	<u>Legal Restrictions of Use</u>
Low Rent Housing Program: LRH Operating subsidy and tenant rental income	Funds are available to achieve and maintain adequate operating and maintenance services and reserves.
Public Housing Capital Fund: Federal (HUD) grant	Funds available to public housing agencies to carry out capital and management improvement activities.

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

**A. CASH AND INVESTMENTS**

The Housing Authority's policies regarding deposits of cash are discussed in notes 1G and 2A. The Housing Authority attempts to limit its exposure to various risks inherent to its cash and investments as follows:

Interest rate risk – The Housing Authority attempts to maximize its rate of return while insuring that the investment vehicle is either fully insured or fully collateralized by investments of the Federal Government. During the year ended June 30, 2010 the Housing Authority had not made any investments and retained its accounts with a local bank in checking and savings accounts.

Credit risk – State law limits the types of investments allowed by the Housing Authority (See Note 2A). As stated above, the Housing Authority complied with the restrictions imposed by the State of New Mexico in an effort to limit its credit risk.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**A. CASH AND INVESTMENTS, continued**

Concentration of credit risk – During the year ended June 30, 2010 the Housing Authority limited its concentration of credit risk by depositing its funds in a local bank where its accounts were fully insured.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the Housing Authority’s deposits may not be returned to it. In order to limit this exposure, the Housing Authority deposits its funds in a local bank and monitors the bank’s collateralization of its deposits. At June 30, 2010 the Housing Authority’s deposits were either fully insured and or collateralized with securities of a Federal Agency of the United States of America.

Custodial credit risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Housing Authority did not have any custodial credit risk – Investments.

**B. RESTRICTED ASSETS**

The amounts reported as restricted cash and cash equivalents are amounts held for tenant’s security deposits.

**C. ACCOUNTS RECEIVABLE, NET**

Accounts receivable consists of unpaid tenant charges for rent and related charges and is net of an allowance for doubtful accounts of \$ 278.

**D. TRANSFERS**

During the year ended June 30, 2010 the Capital Funds Project (CFP) transferred assets with an initial cost of \$38,088 to the Low Rent Housing Project (LRH).

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued**

**E. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010, was as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Assets not being depreciated				
Land	\$7,227			7,227
Construction in Progress	<u>          </u>	<u>4,709</u>	<u>          </u>	<u>4,709</u>
Sub-total	<u>7,227</u>	<u>4,709</u>	<u>          </u>	<u>11,936</u>
Assets being depreciated				
Building and building improvements	807,395	33,379		840,774
Machinery and equipment	<u>15,774</u>	<u>          </u>	<u>          </u>	<u>15,774</u>
Sub-total	<u>823,169</u>	<u>33,379</u>	<u>          </u>	<u>856,548</u>
Less accumulated depreciation:				
Building and building improvements	701,710	12,691		714,401
Machinery and equipment	<u>15,774</u>	<u>          </u>	<u>          </u>	<u>15,774</u>
Sub-total	<u>717,484</u>	<u>12,691</u>	<u>          </u>	<u>730,175</u>
Net capital assets	\$ <u>112,912</u>	<u>25,397</u>	<u>          0</u>	<u>138,309</u>

**4. OTHER NOTES**

**A. ECONOMIC DEPENDENCY**

All revenues of the Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority's continued compliance with grant provisions and the continuance of the grant programs by the United States Department of Housing and Urban Development.

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NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2010**

**4. OTHER NOTES, continued**

**B. RISK MANAGEMENT**

The Housing Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of property, injury to staff or others, errors and omissions and natural disasters. The housing authority insures itself against these losses through commercial insurance carriers.

The New Mexico Tort Claims Act limits the housing authority's risk for torts.

**C. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**D. TIMELY FILING WITH PROPER DOCUMENTATION**

During the year ended June 30, 2010, the Housing Authority incurred unnecessary penalty and interest for filing and paying 941, CRS-1 and ES903A taxes late.

## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
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WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS/ENTERPRISE FUNDS  
LOW RENT HOUSING  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variances	
	Original	Final		Positive (Negative)	
	Budget	Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Intergovernmental - Federal	\$ 105,722	73,329	73,559	(32,393)	230
Charges for services	25,050	29,420	30,909	4,370	1,489
Interest	300	170	120	(130)	(50)
	<u>131,072</u>	<u>102,919</u>	<u>104,588</u>	<u>(28,153)</u>	<u>1,669</u>
Expenses:					
Current:					
Housing expenses:					
Administration	34,360	43,520	51,995	(9,160)	(8,475)
Tenant services	430	200		230	200
Utilities	18,390	21,200	21,128	(2,810)	72
Maintenance	25,800	33,100	27,944	(7,300)	5,156
General	8,100	8,030	7,512	70	518
Extraordinary Maintenance			2,884		(2,884)
	<u>87,080</u>	<u>106,050</u>	<u>111,463</u>	<u>(18,970)</u>	<u>(5,413)</u>
Revenues over (under) expenses	\$ <u>43,992</u>	<u>(3,131)</u>	(6,875)	<u>(47,123)</u>	<u>(3,744)</u>

Reconciliation to GAAP Basis Statement:

Non-budgeted income/expense:

Capital assets transferred in	38,088
Depreciation	<u>(12,691)</u>
Change in net assets	\$ <u>18,522</u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 1

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
PROPRIETARY FUNDS/ENTERPRISE FUNDS  
CAPITAL FUNDS PROGRAMS  
Grant # NM02P035501-09  
**STATEMENT OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
For the Year Ended June 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances</b>	
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>	
	<b>Budget</b>	<b>Budget</b>		<b>Original Budget to Final</b>	<b>Actual to Final Budget</b>
Revenues:					
Operating grants	\$ 3,543	3,543	4,607		1,064
Capital Grant	27,507	27,507	4,709		(22,798)
	<u>31,050</u>	<u>31,050</u>	<u>9,316</u>		<u>(21,734)</u>
Expenses:					
Housing expenses:					
Administration	3,543	3,543	2,158		1,385
Maintenance			2,449		(2,449)
Capital Outlay	27,507	27,507	4,709		22,798
	<u>31,050</u>	<u>31,050</u>	<u>9,316</u>		<u>21,734</u>
Change in Net Asset	\$ <u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 2



STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
 (A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
 WAGON MOUND, NEW MEXICO  
 PROPRIETARY FUNDS/ENTERPRISE FUNDS  
 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)  
 Grant # NM02S032501-09  
**STATEMENT OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variances	
				Positive (Negative)	
	Original Budget	Final Budget		Original Budget to Final	Actual to Final Budget
Revenues:					
Operating grants	\$ 39,368	39,368	39,368		
	<u>39,368</u>	<u>39,368</u>	<u>39,368</u>		
Expenses:					
Current:					
Housing expenses:					
Site Improvements					
Dwelling Structures	37,538	37,538	33,379		4,159
Dwelling Equipment	1,830	1,830			1,830
Maintenance			5,989		(5,989)
	<u>39,368</u>	<u>39,368</u>	<u>39,368</u>		
Change in Net Asset	\$				

SEE INDEPENDENT AUDITOR'S REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATEMENT 3

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND)  
WAGON MOUND, NEW MEXICO  
SCHEDULE OF BANK DEPOSITORIES  
JUNE 30, 2010

<u>Bank Name</u>	<u>Account Name</u>	<u>Acct. Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Bank of Las Vegas:							
	Low Rent Housing Operating	1	\$ 7,224		(12)		7,212
	Savings	2	389				389
	Resident Council	1					
	Tenant Security Deposits	1	3,250				3,250
	Total with financial institutions		\$ 10,863		(12)		10,851

Shown on Statement of Net Assets as:

Cash and cash equivalents	\$	7,601
Current restricted assets:		
Cash and cash equivalents		3,250
	\$	10,851

Account Types:

- 1 Demand Deposits
- 2 Savings

SEE INDEPENDENT AUDITOR'S REPORTS  
The Accompanying Notes Are An Integral Part of These Financial Statements

SCHEDULE 1

## **OTHER SUPPLEMENTARY INFORMATION**

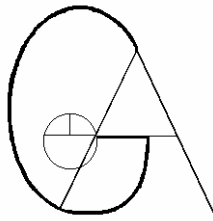
STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
FINANCIAL DATA SCHEDULE  
June 30, 2010

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
ASSETS:				
111	Cash - Unrestricted	7,601		7,601
114	Cash - Tenant Security Deposits	3,250		3,250
100	<b>Total Cash</b>	<b>10,851</b>		<b>10,851</b>
126	Accounts Receivable - Tenants - Dwelling Rents	597		597
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(278)		(278)
129	Accrued interest receivable			
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>319</b>		<b>319</b>
142	Prepaid Expenses and Other Assets	78		78
150	<b>Total Current Assets</b>	<b>11,248</b>		<b>11,248</b>
161	Land	7,227		7,227
162	Buildings	840,774		840,774
164	Furniture, Equipment & Machinery - Administration	15,774		15,774
166	Accumulated Depreciation	(730,175)		(730,175)
167	Construction Work in Progress	4,709		4,709
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>138,309</b>		<b>138,309</b>
180	<b>Total Non-Current Assets</b>	<b>138,309</b>		<b>138,309</b>
190	<b>Total Assets</b>	<b>149,557</b>		<b>149,557</b>
LIABILITIES:				
312	Accounts payable < 90 days	11,113		11,113
321	Accrued wage/payroll taxes payable	3,752		3,752
341	Tenant Security Deposits	3,250		3,250
342	Deferred Revenue	182		182
310	<b>Total Current Liabilities</b>	<b>18,297</b>		<b>18,297</b>
300	<b>Total Liabilities</b>	<b>18,297</b>		<b>18,297</b>
508.1	Invested in Capital Assets, Net of Related Debt	138,309		138,309
512.1	Unrestricted Net Assets	(7,049)		(7,049)
513	<b>Total Equity/Net Assets</b>	<b>131,260</b>		<b>131,260</b>
600	<b>Total Liabilities and Equity/Net Assets</b>	<b>149,557</b>		<b>149,557</b>

STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
FINANCIAL DATA SCHEDULE  
June 30, 2010

FDS Line #	Accounts Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
REVENUE:				
703	Net Tenant Rental Revenue	28,470		28,470
704	Tenant Revenue -Other			
705	<b>Total Tenant Revenue</b>	<b>28,470</b>		<b>28,470</b>
706	HUD PHA Operating Grants	73,559	10,596	84,155
706.1	Capital Grants		38,088	38,088
711	Investment Income - Unrestricted	120		120
715	Other Revenue	2,439		2,439
700	<b>Total Revenue</b>	<b>104,588</b>	<b>48,684</b>	<b>153,272</b>
EXPENSES:				
911	Administrative salaries	27,470		27,470
912	Auditing fees	5,971	1,813	7,784
913	Management fees			
914	Advertising and marketing			
915	Employee benefit contributions - administrative	5,159		5,159
916	Office expense			
917	Legal expense			
918	Travel expense	6,013	345	6,358
919	Other administrative expenses	7,382		7,382
921	Tenant services			
931	Water	6,837		6,837
932	Electricity	1,629		1,629
933	Gas	9,629		9,629
938	Other utilities expense	3,033		3,033
942	Ordinary maintenance and operations - materials and other	5,973	8,438	14,411
943.01	Garbage & trash removal contracts	3,707		3,707
943.02	Electrical	195		195
943.05	Landscaping and grounds contracts	550		550
943.08	Plumbing contracts			
943.12	Miscellaneous contracts	17,519		17,519
961.1	Property insurance	3,859		3,859
961.2	Liability insurance	793		793
961.3	Workman's compensation insurance	1,458		1,458
961.4	All other insurance	1,166		1,166
962	Other General Expenses	91		91
963	Payments in Lieu of Taxes	27		27
964	Bad debt/recoveries - tenant rents	118		118
967	Extraordinary Maintenance	2,884		2,884
969	<b>Total Operating Expenses</b>	<b>111,463</b>	<b>10,596</b>	<b>122,059</b>
970	<b>Excess Operating Revenue over Operating Expenses</b>	<b>(6,875)</b>	<b>38,088</b>	<b>31,213</b>
971	Extraordinary Maintenance			
974	Depreciation Expenses	12,691		12,691
900	<b>Total Expenses</b>	<b>124,154</b>	<b>10,596</b>	<b>134,750</b>
OTHER FINANCING SOURCES (USES):				
1001	Operating Transfers In			
1002	Operating Transfers Out			
1010	<b>Total Other Financing Sources (Uses)</b>			
1000	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(19,566)</b>	<b>38,088</b>	<b>18,522</b>
1102	Debt Principal Payments - Enterprise Funds			
1103	Beginning Equity	112,738		112,738
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	38,088	(38,088)	
1120	Unit Months Available	228		
1121	Number of Unit Months Leased	172		

## **COMPLIANCE SECTION**



Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3  
Albuquerque, New Mexico 87108  
(505) 266-4820  
Fax (505) 268-6618

**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  
Arthur Arguello, Mayor  
And Board of Trustees  
Village of Wagon Mound Housing Authority  
Village of Wagon Mound, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

I have audited the financial statements of the business type activities, each major fund, and the budgetary comparisons for each major fund presented as supplemental information of the Village of Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico (Housing Authority) (a component unit of the Village of Wagon Mound, New Mexico) as of and for the year ended June 30, 2010, and have issued my report thereon dated December 21, 2010. I conducted my 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 my audit, I considered the Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

*A deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**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, continued**

My 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting.

09-01	Late Audit report
10-01	Timely Filing with Proper Documentation

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying *Schedule of Findings and Responses* as items:

09-01	Late Audit report
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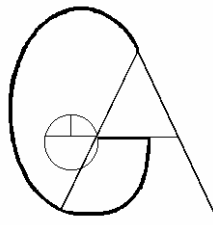
The Housing Authority's responses to the findings identified in my audit are described in the accompanying *Schedule of Findings and Responses*. I did not audit the Housing Authority's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Office of the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration – Local Government Division, Mayor, Board of Trustees, management, others within the organization, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



December 21, 2010





Gary E. Gaylord, C.P.A.

**GARY E. GAYLORD, LTD.**  
CERTIFIED PUBLIC ACCOUNTANTS

740 San Mateo NE, Box A-3  
Albuquerque, New Mexico 87108  
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**INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION**

Hector H. Balderas, State Auditor  
Arthur Arguello, Mayor  
And Board of Trustees  
Village of Wagon Mound Housing Authority  
Village of Wagon Mound, New Mexico

Regional Inspector General for Audit  
Department of Housing and Urban  
Development  
Ft. Worth, Texas

My report on the audit of the basic financial statements of the Village of Wagon Mound Housing Authority, Village of Wagon Mound, New Mexico, (Housing Authority) (a component unit of the Village of Wagon Mound, New Mexico), for the year ended June 30, 2010 appears on pages 4 and 5. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Financial Data Schedule (FDS) submitted electronically to United States Department of Housing and Urban Development Real Estate Assessment Center (HUD/REAC) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The FDS has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, presents fairly, in all material respects, the financial position of the Village of Wagon Mound Housing Authority as of June 30, 2010, and the results of its operations for the year then ended in conformity with the accounting practices prescribed or permitted by HUD/REAC.

December 21, 2010

**STATE OF NEW MEXICO  
 VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
 (A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND,  
 NEW MEXICO)  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For the Year Ending June 30, 2010**

**PRIOR YEAR FINDINGS**

**STATUS**

09-01	Late Audit report	Repeated
09-02	Late Filing with REAC	Resolved
09-03	Review of Work Performed by Fee Accountant	Resolved
09-04	Expenditures in Excess of Budget	Resolved

**CURRENT YEAR FINDINGS**

09-01	Late Audit report
10-01	Timely Filing with Proper Documentation

**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND,  
NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
For the Year Ended June 30, 2010**

**09-01            Late Audit Report**

**Statement of Condition:**

The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2010. The report is past due. The report was submitted to the Office of the State Auditor for review on December 22, 2010.

**Criteria:**

The State Auditor Rule 2.2.2.9 A. (1) (d) establishes the due date of December 1 for audit reports for Municipalities, Special Districts, and Local Work Force Investment Boards. Since the Housing Authority is a component unit of the Village of Wagon Mound the due date for the audit report of the Housing Authority is also December 1.

**Effect:**

State Auditor Rule 2.2.2.9 A. (1) (d) deadline has not been met.

**Cause:**

The Independent Auditor had prior audit obligations.

**Recommendation:**

Independent Auditor should make allowance for difficult audit clients and factor in other audit obligations.

**Agency Response:**

Although we the Wagon Mound Housing Authority NM032 orchestrated the Audit Contract and submitted to the State Auditors Office in a very timely manner, the Auditor despite our contract and projected begin time, was unable to start in a timely manner.

We will work diligently with the Auditor for FY-11 so he may begin in a timely manner so as to reach our goal of December 1, 2011.

We the Wagon Mound Housing Authority are desperately trying to do what ever it takes to elude the designation of a TROUBLED AGENCY simply because our Audit was just a few days late.

Ricardo Valenzuela / Executive Director

WMHA NM032

**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND,  
NEW MEXICO)  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
For the Year Ended June 30, 2010**

**10-01            TIMELY FILING WITH PROPER DOCUMENTATION**

**Statement of Condition:**

The fee accountant is tasked with preparation of 941 taxes and returns forms to the Housing Authority for authorization and payment of said taxes. The Housing Authority staff prepares and pays CRS-1 and ES903A taxes.

**Criteria:**

Filings and payments to IRS, State of New Mexico and New Mexico Workforce Solutions, for taxes should be made within guidelines and due dates.

**Effect:**

The Housing Authority incurred unnecessary penalties and interest, which were booked into the tax expense accounts, not into an interest and penalty expense account.

**Cause:**

Staff was not trained on how to pay and file reports in a timely fashion.

**Recommendation:**

The Housing Authority should obtain proper training for preparing and paying taxes by their applicable due dates.

**Agency Response:**

Upon termination of my previous Director Trainee, while I was paying the monthly Bills in her absence. I found that she was sending in the monthly payment for 941's to IRS, Ogden Utah 84201 which caused a delay and penalty by the time it reached the Federal Tax Processing, P.O. Box 970030, St. Louis, MO 63197.

I sent the checks in correctly thereafter and paid all of the late fees for the previous misdirected previous payments. I disclosed this finding in a regular scheduled Housing Authority meeting. We are and have been current since my finding in 2009.

Ricardo Valenzuela / Executive Director

WMHA NM032

**STATE OF NEW MEXICO  
VILLAGE OF WAGON MOUND HOUSING AUTHORITY  
(A COMPONENT UNIT OF THE VILLAGE OF WAGON MOUND, NEW MEXICO)  
EXIT CONFERENCE  
For the Year Ended June 30, 2010**

**Preparation of Financial Statements:**

The Village of Wagon Mound Housing Authority is responsible for the form and content of the accompanying financial statements which have been prepared by Gary E. Gaylord, Ltd.

**Exit Conference**

On December 21, 2010, an exit conference was held via phone conference. In attendance were the following:

**Representing the Village of Wagon Mound Housing Authority:**

Adrian Clouthier	Chairperson
Margie Woods	Member
Zeke Trujillo	Member
Ricardo Valenzuela	Executive Director

**Representing Gary E. Gaylord, Ltd:**

Gary E. Gaylord, CPA	Auditor-in-Charge
Sunraina S. Carrillo	Staff Auditor